Branch, Chain, and Group Banking

HEARINGS

BEFORE THE

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HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS

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UNDER

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Exhibit A

THE DEMAND FOR PROFESSIONAL BANK MANAGEMENT

Address by J. W. Pole, Comptroller of the Currency, before The Ohio Bankers Association at Columbus, Ohio, February 12, 1929

The last two decades have witnessed a remarkable development in the volume and in the variety of the banking business. Demands for financial services unheard of by the last generation are now required to be met by banking institutions. The old simple form of banking in which the banker relied almost entirely upon his personal knowledge of his customers is no longer adequate to meet the present day situation.

We need only refer to the history of banking in the State of Ohio for an illustration. In the year ending June 30, 1908, there were 990 banks of all classes in operation in this State. These had total aggregate resources of about $952,000,000. Twenty years later, for the year ending June 30, 1928, there were 1,051 banks of all classes but with aggregate resources of $3,377,000,000. Thus while the number of banks in the State of Ohio has remained almost stationary the banking resources are nearly four times as great. This means that the officers of these banks have had nearly four times as much business thrust upon them as they had 20 years ago. Nor do these figures for resources tell the whole story because they do not take into account the tremendous growth of the trust business now in the hands of these banks nor of the investment securities which they buy for sale over their counters The State of Ohio may be taken as an index of the development of banking throughout the United States, for here are represented every type of banking from those banks situated in the outlying agricultural districts to those in the most congested commercial and indusrial centers.

Twenty years is an extremely short time in the history of a State or a nation. The remarkable increase in growth of the banking business within that time can be taken as an indication of the trend toward a future growth in even greater volume. Another 20 years should see the banking resources of this State exceed $12,000,000,000. It takes no gift of prophecy to make this prediction. We are still a very young country and the full force of our economic vitality has yet to be developed. Our population will greatly increase, our cities become larger and larger and our rural population denser than it is to-day. There will be further expansions and intensifications of industrial activity. Our world commerce, already at imposing figures to-day, must be regarded as almost in its infancy. The very economic necessity of the situation will bring agriculture up to a higher point of efficiency. And any statement as to the future of transportation and communication must seem extravagant beginning as we are with transportation by air at great speed over vast distances and communication through the air by radio.

All of these developments will be reflected in the expansion of banking resources for our banks are the handmaids of progress, supporting, sustaining. and serving in an essential capacity every forward economic movement.

There was a time in this country when almost any person of average intelligence could aspire to become a banker without any special previous training. It may be said that it was the original theory of the law that any group of citizens had a right to form a banking corporation. The old-fashioned banker was primarily a custodian and a lender of money. If he possessed a natural shrewdness of mind and a strong character he was likely to succeed. In the local community he was the dominant financial figure. He had opportunities to make money outside of his banking business. He became financially interested in the local street car company, in the light and power company, in the gas works, in the ice plant and in other such enterprises in which local capital participated. These opportunities are also fast disappearing not only because modern banking requires all of the energy and attention of the banker but also because these local forms of public utilities are fast giving way before the economy and efficiency of great central organizations operating through local branches and there is no local financing. Some banks of this old type still remain in existence but they must be regarded now as survivals of a financial era which has passed.

Modern banking is a highly complicated and technical business, and it is exemplified primarily by the city banks which have been compelled to meet the varied financial demands of commerce and industry. It is in these commercial centers that the competition in all lines of business is so keen as to compel the utmost economy in operation and the most efficient management control. Out of the experience of these city banks there has developed in the United States a fairly definite opinion in financial circles as to what constitutes sound banking. This standard of bank management has not been theoretically arrived at by any manner of means. It has grown up through hard knocks until finally the best method has been found to meet a given situation.

Let us pass briefly in review some of the principal features of modern banking. First let us take the loans and discounts. The old-fashioned character loans have almost disappeared. This does not mean that character is not a valuable asset in the transaction. It simply means we are no longer in the pioneer stage of our civilization. We have reached a stable development where the instrumentalities of credit are ample. Great emphasis now is laid upon adequate credit information and analysis. Nothing is left to chance, guesswork or favoritism. This credit information is often obtained as a result of the most skillful scientific investigation, involving the study of plants, machinery, cost accounting, estimates of future operations, financial history, personal reports on management, personnel and the like. The bank must be in a position not only to acquire but to comprehend and digest the most technical information and data concerning its customers. In this country where every variety of business operation is carried on by corporations, the bank must be generally familiar with corporate organization and management in the field of production, manufacture, transportation, and distribution, for the simple reason that it is to the banks that these corporations must turn for advice and assistance in financing their operations. Commercial banking therefore requires a fundamental knowledge of every process of commerce itself.

Now let us look at the business of buying and selling investment securities by banks. This is largely a postwar development. It is well known that the Liberty loan campaigns during the war served to educate the public at large in making small investments in sound securities. The tremendous commercial expansion in this country following the war has been financed in increasing volume through the issuance of investment securities in which the general public is invited to invest. It is natural that the banks should participate in this development because their customers turn to them for advice.

The amendment in the McFadden Bank Act of 1927 has added impetus to the movement to make the banks distributors of the best type of investment securities. This means that the modern bank must be equipped with the proper instrumentalities to deal with this new financial development. It imposes a grave responsibility upon the banks which in turn requires them to create the facilities for a comprehensive and accurate knowledge of the various issues of securities which from time to time come upon the market. Not only must they have adequate financial and statistical information with respect to each issues but they must be in a position to interpret this information and to apply it to the particular transaction in hand.

Turning now to the fiduciary operations of the modern bank we find a similar growth and development. Within our own time we have seen the banks gradually displace the old type of individual and personal trustee, executor, administrator, guardian, and custodian. It has become a function of banking to administer the estates of deceased persons, many of which are of great magnitude. In addition, largely as a postwar development, there has been a most remarkable growth in the creation of corporate trusts. For every issue of securities for corporate financing, whether in the form of stocks, bonds, debentures or notes, a bank is required to perform some ministerial or fiduciary function. The bank has thus become an essential factor in the procedure of corporate finance and must act as trustee of bond and debenture issues and of long-term notes, as fiscal agent, as registrar, as transfer agent, as a participant in underwriting syndicates, as depositary under plans of reorganization, as assignee and receiver, as custodian or trustee for investment trusts—in fact in every fiduciary capacity which may be required by the machinery of corporation finance.

The future of the trust business of banks in the United States would seem to make it one of the most important phases of banking business. On the other hand its proper administration makes it absolutely necessary that the bank equip itself with the most advanced facilities for discharging these fiduciary responsibilities and obligations.

The impressive growth of trust service in the banking field is illustrated by considering the expansion in recent years of the fiduciary activities of banks in the national banking system. The passage of the Federal reserve act made possible the further extension of corporate trust facilities to practically every section of the Nation. Since February 25, 1915, when the first permit under this law was issued to a national bank, hundreds of banks throughout the United States have availed themselves of this opportunity to render additional service to their communities, until to-day 2,400 national banks have trust powers, representing 31 per cent of the number and 73 per cent of the capital of all banks in the national banking system. During 1928 these banks were administering 63,776 trusts, with individual trust assets aggregating more than $3,000,000,000 and were acting as trustees for bond and note issues totaling close to $8,000,000,000.

Compared with the year 1926, these figures represent an increase of 47 per cent in the number of national banks administering trusts; an increase of 145 per cent in the number of trusts being administered; an increase of 257 per cent in the volume of assets of individual trusts, while the bond and note issues outstanding for which these banks are acting as trustees aggregate in amount four times that in 1926.

About one out of every three national banks has authority to administer trusts, while in the State of Ohio 21 per cent of the number of national banks, representing 65 per cent of all of the capital of the national banks in the State are authorized to act in fiduciary capacities. Since 1926 the number of trusts being administered by these banks in Ohio has increased 52 per cent, while the volume of note and bond issues for which they have been named to act as trustees has doubled.

There is another phase of banking which has made remarkable strides within the last few years and that is the savings department. The great increase in individual wealth affecting every class of our population has put before the banks of the country a potential opportunity to build up a large savings business. Here again the bank must know how to cultivate habits of thrift in its community and to carry on extensively an intelligent campaign for savings deposits. That this is being done is evidenced by the remarkable increase in the aggregate total in the savings deposits in the country year by year. Taking the national banks alone, here in the State of Ohio these deposits have grown from $20,700,000 in 1908 to $269,000,000 in 1928, being an increase of over tenfold. There was an even greater increase in the State banks, although I have not the exact figures. For the country at large the ratio of increase is about the same as for the State of Ohio.

This brings me back to the subject of this address and that is that banking in the future will be in the hands of professional management. (I am using this term as opposed to amateur management.) This applies to banks of all classes, whether city or small town because banking in its essence is the same whether the population served be large or small. The very nature of our economic life which expresses itself through corporate organizations and in mass production will naturally demand of the smaller banks the same standards and type of banking services which have been demonstrated as sound and efficient by the larger city banks.

While the need for a higher training is increasingly demanded for making commercial loans upon the proper credit basis it is in the newer fields of banking—the trust business and the securities business—where technical training and specialized experience are emphatically the essential requirements for success. It is in these two fields that there is likely to be the greatest future expansion in banking and those banks will maintain the largest growth which equip themselves technically to meet this opportunity.

It would be worse than useless for a bank to embark upon them with an amateur management.

In general it must be said that old-fashioned business practices in banking must give way to scientific methods in the acquisition and the formulation of information, and in the application of the banking policies based thereon, by men who have acquired what might be called a professional knowledge of banking—a technical equipment to deal with method and policy.

I have in this address attempted to point out a practical condition which is facing the banking business to which remedial measures must be applied. I have also suggested the type of management personnel that will be necessary whatever form the remedy may take but I have not attempted to go further than that.

I may, however, say in closing that the large number of bank failures outside of the metropolitan centers during the past few years is an indication there are more banks than bankers. The scarcity of trained executives—that is to say, executives with that degree of managerial ability required by modern conditions—may be one of the underlying reasons for the rapid spread of branch banking and group or chain banking ideas among bankers and business men in this country. As the business of banking is growing at a more rapid pace than executives are being developed to operate each unit bank as a separate institution, it would seem to be an almost natural and logical outcome that this scarcity of talent will lead to a more centralized form of banking control.

Exhibit B

BANKING AND THE NEW FINANCIAL ERA

(Address by John W. Pole, Comptroller of the Currency, before the Maryland Bankers' Association at Atlantic City, N. J., May 23, 1929)

I. The Need For a National Banking System.

There are two fundamental reasons why a system of national banks is essential to the public welfare. First, commerce between the States is vested with a national interest and in order that it may be financed in an orderly manner it is necessary that there be a uniform system of commercial banking with a common standard under the direction and supervision of the Federal Government. Second, and more important than the first, it is necessary for the Government of the United States to possess a governmental instrumentality of finance in the form of a system of national banks in order that it may through them in times of stress be able to enforce a national financial policy. Our own financial history has conclusively demonstrated that the Federal Government can not rely upon the voluntary cooperation of the State banks and trust companies for the execution of a national policy. It may be instructive to pass some of this history briefly in review.

At the very beginning of our national life the woeful failure of the Continental Congress to finance the War of the Revolution was due in no small part to the lack of an instrumentality in the form of a national bank. The first bank of the United States was an outgrowth of this experience.

The First Bank of the United States was opened at Philadelphia, December 12, 1791, and its charter limited to 20 years. It later established branches at Boston, New York, Baltimore, Washington, Norfolk, Charleston, Savannah, and New Orleans and served as an instrumentality of the Federal Government. Through it loans were made to the Government in anticipation of taxes; it acted as custodian of Government funds; in the collection of the revenues; in the transmission of public moneys; and otherwise strengthened and improved the public credit.

As early as 1808 it was recommended to Congress that the charter be renewed. Later, as it became increasingly evident that war was imminent with Great Britain, Gallatin, then Secretary of the Treasury, urged upon Congress the necessity of the renewal of the charter in order to safeguard the interests of the Government. Strong opposition developed to the renewal of the charter, and in 1811 the bill for renewal was finally lost. The Government thus entered the war the following year without any banking instrumentality under its control.

There were in 1811, 88 local State chartered banks, with a combined capital of nearly $43,000,000. The failure to charter the Bank of the United States, or set up some similar Federal instrumentality in its place, caused enormous losses to the Government during the war period of 1812 to 1816 in the flotation of its loans. The Government was not able to secure the cooperation of any of the State banks. The Treasury received only $34,000,000 in specie for $80,000,000 of Government obligations put out. In other words we paid about 135 per cent for the money to finance the war, and the State banks profited at the expense of the public.

In 1816, as a result of this bitter lesson, Congress chartered the Second Bank of the United States. With the veto of the recharter bill for the Second Bank of the United States on July 10, 1832, by President Jackson, the Government was again deprived of a fiscal instrumentality. In 1841 a bill passed both Houses of Congress for the incorporation of a new Bank of the United States, but was vetoed by President Tyler. During the 30-year period preceding the Civil War the Federal Government operated without any fiscal instrumentality other than the Independent Treasury system.

At the outbreak of the Civil War in 1861 Secretary Chase foresaw the need for a national banking system to support the public credit. At this time there were more than 1,600 State banks in the country. No action was had in that year by Congress and in 1862 Chase again presented his plan in detail for a system of national banks and urged its adoption. After the outbreak of the war the circulating currency of the State banks rapidly increased with the result of great depreciation in value and loss of public confidence. In the following year (1863) the national bank act was passed but only a handful of new banks were incorporated that year.

In 1864 the national bank act was reenacted whereby many of its provisions were improved and the State banks were by a special amendment invited to become national banks.

The act still remained ineffective. Secretary Fessenden thereupon made a recommendation to Congress that the opposition of the State banks to the new national system be removed by the enactment of discriminatory legislation and Congress by the act of March 3, 1865, used the taxing power to compel the State banks to nationalize. The Civil War was over before the national banking system got under way.

Under the Federal reserve act of 1913 as originally enacted national banks were forced to become members of the Federal reserve system, and State banks were permitted to become members, if they so desired. From the period of 1914 to June 21, 1917, only 53 State banks and trust companies joined the Federal reserve system. We had entered the World War in April of that year and it was considered absolutely necessary that the Federal reserve system have the support of all of the banks, State and national. In order to induce the State banks and trust companies to come in, special amendments were made to the Federal reserve act and approved by the President, June 21, 1917. These amendments offered to the State banks more favorable conditions of membership than that held by the national banks. An extensive campaign was inaugurated for State bank membership. Under the stress of war with its liberty loan drives and the great fervor of patriotism, State and Federal officials as well as committees of the American Bankers' Association, publicly and repeatedly urged State banks and trust companies to enter the Federal reserve system as a patriotic duty. On October 13, 1917, the President of the United States issued a proclamation calling upon all eligible State banks to join the Federal reserve system as a "solemn obligation." Notwithstanding these circumstances, out of 8,500 State banks and trust companies eligible for membership, only 212 joined the system in 1917 after the amendments were adopted, and only 686 in 1918. The total membership of State banks and trust companies at the close of the war was only 936.

The Federal reserve system could not have been created by Congress out of the State banks and trust companies. Had the national banking system not been in existence the year before the outbreak of the World War, we would in all probability have witnessed another disastrous attempt in war finance.

II. The Plight of the National Banking System.

It is no criticism of the State banks and trust companies to say that the National Government can not rely upon them to serve as its instrumentalities in the enforcement of a Federal fiscal policy. Banking, like other business enterprises, is entered into by stockholders for the purpose of realizing a return upon the investment. It is futile to attempt to impute to such stockholders altruistic or patriotic motives. As between two systems of banks, capital will flow more freely into the one which yields the largest returns in dividends. If the advantage in this respect be fundamental and permanent, the system of banks thus favored will be the one which will survive.

If Congress therefore would protect itself from the loss of its present banking instrumentality, it must make it to the advantage of capital to seek the national rather than a trust company charter. Banking capital is wihout prejudice or sentiment. It will flow back into the national banks normally and easily with the turn of the tide of advantage. The alternative would seem to be the elimination of the national banks in favor of 48 distinct systems of banks under the supervision of 48 separate banking departments.

Within recent months the trend toward trust company charters by national banks has been alarmingly accentuated. Great consolidations of national banks and trust companies are taking place in which the national charters are being given up. Within the past 6 months, 79 national banks with aggregate resources of two and three-quarter billions have passed over under State jurisdictions. I shall not attempt here to analyze the cause of these defections, but it is quite evident that it is being found more advantageous to carry on the business of banking under trust company charters.

However, it is within the power of Congress to turn the advantage in favor of the national banks and thereby make it to the interest of all banks to operate under the national charter. What form this action should take requires the most careful consideration. I shall, in the course of my remarks, suggest a method of approach to an adequate remedy.

III. Banking Faces New Economic Conditions.

The inauguration of the Federal reserve system in 1914 and the outbreak of the World War in that same year definitely marked the close of a financial era in the United States. The line of cleavage between the pre-war and the postwar periods is so clear that the student of finance has no difficulty in setting off the one against the other. Our economic development within the past 15 years has been so rapid and so varied that it seems as though we had lived in that short period through several generations. The mere mention of some of the outstanding factors in this development will be sufficient to bring to your minds the new conditions under which we now live. Not the least of these is the modern automobile upon the automobile road. These have abolished distances between local communities and have revolutionized the social life of the country districts. Transportation by air is now a practical fact and it would tax the imagination to conceive how it will accelerate the ease of transportation begun by the automobile. The extension of communication by telephone and now by radio to every rural community has brought into a common knowledge and contact every phase of our national life. The need for mass production of goods and commodities has caused greater centralization to corporate management in industrial enterprises with the result of greater efficiency and economy in operation and with cheaper and better output for the consumer. We have achieved an outstanding position in world finance and are rapidly developing the instrumentalities to discharge that serious responsibility. We are now in a period of great national prosperity and growth in which the public at large is participating to a degree hitherto unknown.

IV. The Unit System of Banking.

The system of banking which developed in the United States under the State banking laws and later under the national bank act of 1863 has come to be known as unit banking. The term unit banking is of recent origin and is used in contrast to the development of branch banking and group banking within the last few years.

A unit bank may be defined as a banking corporation having its origin in a definite local community and confining its banking activities primarily to that community. Its original organization was a local enterprise of considerable significance and local public interest. Its board of directors, officers and employees are residents of the local city, town or village. On the average the capital stock is relatively small. Of the 7,575 national banks in operation on March 27, 1929, 7,193 or 95 per cent had an average capital of $107,000, which includes all banks outside of central reserve and reserve cities; while the remaining 5 per cent or 382 banks in the central reserve and reserve cities had about 57 per cent of the total resources.

The business of a unit bank is derived from the community in which the bank is situated. This includes such business as may be afforded by the commercial activities of the city, town or village and by the outlying farming communities. The president of the unit bank is ordinarily a prominent local citizen and under the old economic regime he had an opportunity to become interested in local industrial enterprises and local public utilities.

Under the system of horse transportation for the rural communities—a system which ended with the close of the pioneer life of America—the unit bank was in a much stronger position than it is to-day. Apart from the question of their great contribution to the up-building of local communities, they were profitable as operating corporate units for the reason that they were normally integrated with the local economic situation. The president of such a bank was a personage in the community and the bank fostered and financed local business enterprises. The banker was a factor in the local street car company, the local telephone company, the local gas plant, the local power plant and the like. If I were asked to pick out a single type of institution which has contributed the most to local community independence and thereby to the foundation of our national development, I should choose the unit bank. It is the most representative of the genius of the American people.

Looking, however, at the unit bank from the viewpoint of present day economic and social conditions, the question is being raised whether the unit bank can survive. The unit bank like many other types of local enterprise, was made possible by the great distance between the local settled communities. Distance has now been abolished and as a consequence of this one factor, the unit bank finds itself face to face with difficulties that seem to be almost insuperable. The old opportunities for the local banker to have a hand in local enterprises has passed away because the local enterprises have become to a large extent merged into larger national operations. Every phase of the public utility business has passed from local control into the hands of great centralized corporations which are able to give better and more efficient service. The financing is not done in the rural communities but in the large cities by the metropolitan banks.

The unit bank being therefore thrown back upon its own resources has to face the rising cost of management with a relative decrease in income. Many of them are now unable to offer to young men entering the banking business either salaries, or the prospects of a career of sufficient attractiveness to obtain the highest type of management personnel.

We can not escape being moved with great concern to observe that at a time of the most unparalleled strengthening of our financial position in domestic affairs and in foreign commerce and in investments, namely, during the last eight years, there have been more than 5,000 failures of unit banks in the United States, with an aggregate total of deposits of $1,500,000,000. These banks were scattered in various sections of the country districts of the United States, in the South, the Mid-West, the Northwest, and the Southwest, with a scattering few on the Pacific coast and the Northeastern States. It is impossible for me to describe the acute local suffering occasioned by the losses of hard-earned savings and by the disruption of local business enterprises. In many of the communities public confidence in the unit banks has been so severely shaken that funds which should find their way into banking channels are being withheld. During this 8-year period there was not a single failure of a large metropolitan bank.

The unit States banks in rural districts as a rule have not found it profitable to become members of the Federal reserve system. Out of about 15,000 State banks and trust companies in the United States, only 1,208 have become members. If it were not compulsory for national banks to become members of the Federal reserve system, considerably more than one-half of them would probably never have become members. The State unit banks outside of the large cities seem to find no place in the Federal reserve system.

V. The Growth of Group Banking.

We have witnessed within the last two years an amazing development in the concentration of control over groups of unit banks. This has come to be called group banking. It is not confined to any one section of the country, but seems to be springing up everywhere. There are literally hundreds of these groups of banks varying in size from half a dozen banks to a hundred or more. The usual form of the group system is for a holding company to acquire the majority of the stock of a number of unit banks and then set up a central management personnel for the purpose of operating the group as nearly as possible as a single system. Organizers of these groups maintain that a combination of unit banks under a single ownership affords greater safety to the public and an improvement in the quality of the banking services.

There appear to be, however, certain inherent weaknesses in a system of group banking. From an operating standpoint it is necessarily unwieldy. Each member of the group is a separate and distinct corporation responsible to its own board of directors. It must operate as a separate corporation under its own capital and resources and under the distinct limitations placed upon its activities by law. The central management can enforce its policies only by indirection, that is to say, by inducing the local boards to accept voluntarily its policies and in case of refusal, to set up at the next annual election a new board through its control over a majority of the stock. It is necessary to carry a full complement of overhead of personnel for each bank.

In other words, as compared with branch banking, group banking from an operating standpoint seems to lack the flexibility and the economy and efficiency which carries the services of the central bank directly to the public served by each branch. Morally and psychologically the central management of the group system may go to each member of the group with its support, but the funds of the various members of the group can not be shifted about from one bank to another. The corporate set-up, therefore, of a group system is necessarily complicated, whereas under a system of branches, each branch is the bank itself and the full power and resources of the bank is in each place where it does business, whether at the head office or at the branches. Disregarding for the moment the question of public policy, the branch system is, in operation, incomparably simpler than the group system.

VI. Reexamination of Branch Banking Necessary.

Contrary to the opinion of many the McFadden Act of February 25, 1927, was not intended to be a permanent settlement of the branch banking question. It was a compromise measure.

Prior to the passage of this legislation, branch banking had made considerable headway in many sections of the United States. In certain large metropolitan centers like New York City, Detroit, Cleveland, Los Angeles, Boston, and others, branch banking as an extension of services by downtown banks to other parts of the city had demonstrated that the movement was sound and practicable. This latter situation was recognized by Congress in the McFadden Act when national banks were permitted to establish city branches. In some sections of the United States branch banking had been extended by State banks beyond the city limits to the surrounding suburban communities; to the boundary limits of the county or adjoining county; and in several instances to the boundary lines of the State itself. Regarding these outside branches as being in the nature of an experimental operation, Congress desired to create a situation under which this movement could be studied for a few years without permitting it to expand. As a consequence the McFadden Act held all of these branches in statu quo as to number and location, but permitted them to be nationalized. After the approval of the act practically every large branch banking system, with branches on the outside of the city in which the bank was situated, took advantage of this opportunity and became national banks and are now operating under the national banking laws.

In view of the existing situation with reference to unit banking, the growth of group banking, the curtailment of branch banking by Federal statute, and the increasing number of bank mergers under trust company charters, the time appears opportune to reexamine the basic structure of our entire banking system and to formulate a new banking policy to meet present-day conditions.

The national bank act specifically makes it the duty of the Comptroller of the Currency to recommend to Congress " any amendment to the laws relative to banking by which the system may be improved and the security of creditors may be increased." In the present state of the national banking system I feel it to be a serious undertaking to discharge that responsibility. Before proceeding, therefore, to lay before Congress a definite formulation of proposed amendments to the banking laws, I shall, at an early date, call into consultation a group of outstanding bankers and students of finance and shall ask their assistance in the formulation of recommendations to Congress which will offer to State banks and trust companies an opportunity to gain a wider field of banking operations under the national charter.

EXHIBIT C

THE NEED OF A NEW BANKING POLICY

(Address by J. W. Pole, Comptroller of the Currency, before the convention of the American Bankers Association at San Francisco, Calif., October 2, 1929)

I am happy to avail myself of this opportunity to lay before your association and the public, certain considerations which are of great importance to our system of banking. It is fortunate that this can be done at a time of business prosperity when the financial condition of the country is unquestionably sound.

Before I attempt to set forth any conclusions or suggest any remedies I wish to present a few salient facts and statistics which in the main tell their own story. In the course of the development of this country there have been evolved two types of banks; namely, the metropolitan bank which serves a city population and the larger business enterprises, and the country bank which serves the rural communities and the independent business houses in the smaller cities. The metropolitan banks, by virtue of their large capital, their access to a great diversity of banking business and their ability to secure the most highly trained personnel, are in a prosperous condition and reflect (as all banks should) the general strength of industry and commerce.

However, about three-fourths of the banks in the United States are outside of the metropolitan centers and it is these banks which serve the majority of our population. They necessarily have a small investment of capital funds, because there is not enough banking business in their localities to justify a larger capital. More than three-fourths of all national banks are capitalized at less than $200,000. The ratio is even less for the State banks. A study of bank earnings covering the last two or three years, which have been years of general business prosperity, shows that a large percentage of banks outside of the principal cities are operating with insufficient earnings. Taking 1927 as a typical year, 966 national banks operated at a loss, and an additional 2,000 earned less than 5 per cent. In other words about 38 per cent of all national banks earned for the year 1927 less than the yield of a high-grade security. It is well known that the earning capacity of the general run of country national banks is certainly not below that of the State banks similarly situated.

Current statistics for State banks are incomplete for the whole country, but figures are available for the calendar year 1926 which show that about 2,000 State banks operated at a loss. The average earnings of all banks, National and State, in one of our great agricultural States for the years 1924 to 1928, inclusive, were less than 1½ per cent on invested capital. In four other great middle western States comprising both agricultural and industrial activities 2,053 banks, National and State, earned in 1927 less than 6 per cent on invested capital.

BANK FAILURES

The inability of many country banks to earn a fair profit upon invested capital is naturally reflected in the large number of failures which have occurred during the past eight years. From 1921 to 1928, inclusive, about 5,000 banks closed their doors and tied up deposits of more than $1,500,000,000. Of this number, 700 were National banks and 4,300 were State banks. In 4 States from 40 to 53 per cent of all banks in existence in 1920 failed; from 20 to 40 per cent in 6 States; and from 10 to 20 per cent in 10 other States. Only two small Eastern States have had no bank failures within this period. Eighty per cent of these failures occurred in cities with a population of less than three thousand and about 70 per cent of the failed banks were capitalized at $50,000 or less.

I have, upon a previous occasion, discussed the social and economic changes through which the rural communities have passed since the World War, and

I shall not go further into that question at this time than to say that the country bank faces vastly different conditions from those which confronted it in 1913.

I do not wish to be misunderstood as putting all country banks into the same category. There are many country banks that are sound and prosperous because they are in a position to obtain diversification of their business or are managed with unusual skill and conservatism. But surely the failure of between five and six thousand country banks to which the savings of small depositors had been intrusted is a serious indictment against the system of banking in the rural communities of the United States. The burden of these failures has fallen upon those least able to bear it, and they have suffered both as depositors and as stockholders.

The principal remedy which has been tried in the past for bank failures is the Government guaranty of bank deposits. It may be definitely said that this remedy has failed wherever it has been adopted. There are those who have advocated stronger capitalization and more capable management for the country banks. This doctrine has been preached for years without avail, for the simple reason that the local business is not of sufficient volume to justify the larger capital or the employment of a more highly trained management. Many causes have been assigned for bank failures in the country districts, but one primary and fundamental cause covers all of the others; namely, that diversification of business is not generally possible. Without diversification there can be no assurance of success in the long run.

The condition which I have pointed out above is a present condition, for the figures which are available for the year 1929 show that 52 National banks and 403 State banks have failed within the last eight months. If these facts as to earnings and as to bank failures had been presented at the close of eight years of business stagnation and financial depression there might be no cause for concern. But the contrary is the case. The last eight years have witnessed the greatest business activity, commercial expansion, and financial strength the country has ever seen. Does not, therefore, the failure of so many country banks to share proportionately in this increased prosperity clearly indicate that there is a fundamental weakness in our banking system? Is it fair or just, or reasonable, to subject so many of our people to the hazards of continued bank failures? Where is the responsibility for this condition? It is not primarily upon the bankers. The responsibility of the banker is to operate his bank safely and profitably within the limits prescribed by law, but the responsibility for the system of banking under which he operates is upon the Government of the United States in the case of National banks and upon the State governments in the case of State banks. I shall return to this consideration before I close.

BRANCH BANKING

In all of the current discussions of the country bank situation, branch banking is involved in one way or another. Branch banking has existed in the United States in some form since the earliest times both under the authority of acts of Congress and of State laws. Under the Federal reserve act and under the McFadden Bank Act of 1927, national banks may establish branches in all foreign countries; in the insular possesisons of the United States; and within the corporate limits of all large cities in which the head office of the bank is situated where the State law permits State banks to have branches. In the case of the establishment of foreign branches, a national bank must have the approval of the Federal Reserve Board and in the case of a domestic branch, the approval of the Comptroller of the Currency. A number of States permit State banks to establish state-wide branches but the establishment of any such branches debars them from membership in the Federal reserve system. This restriction, however, has not been sufficient to restrain all State banks from establishing state-wide branches under the authority of State laws.

When the McFadden Act was under consideration, the extreme opponents of branch banking predicted that if national banks were permitted to establish branches even within the cities in which they were situated there would be a great scramble for branches with a consequent confusion in the banking business accompanied by the danger of overexpansion. Such has not been the case.

At the time the McFadden Act went into effect; namely, February 25, 1927, 145 national banks were operating a total of 390 branches. On June 30, 1929, about 2½ years later, 164 national banks were operating 992 branches, an increase of only 19 banks and 603 branches. When it is considered that between 7,500 and 8,000 national banks were in operation during this period, the establishment of 603 branches throughout the whole of the United States must be considered as only nominal. In fact the rate of increase was about the same as that prior to the McFadden Act when a national bank could only acquire branches by purchasing a State bank with branches. At the time of the approval of the McFadden Act the total number of branches of all banks in the United States was 2,900 and on June 30, 1929, this number had been increased to 3,440.

As the national law stands to-day the metropolitan banks can not extend their services to the rural communities by establishing branches.

GROUP BANKING

Notwithstanding the technical restrictions in the law against the establishment of branches in the country districts by banks in the cities, there has developed since the McFadden Act a new form of branch banking which appears to be without legal objection. For many years single individuals or groups of individuals have owned the majority of the stock of more than one bank. These banks were usually small and operated within a limited geographical area. This phenomenon was regarded as being without particular economic significance. The term group banking has come to be used to embrace a new type of bank ownership. A central financial corporation acquires the controlling interest in the stock of a number of banks, one of which is a metropolitan bank around which the others are grouped. Although technically each bank in the group is a separate corporation operating with a local board of directors, practically each member of the group depends upon a central management which controls the banking policy of the group. The financial responsibility of the central ownership and management is the main support of the group.

This movement is so new and is developing with such apparent rapidity that it is not possible to present complete statistical information about it. Strong financial groups for this purpose have been formed in practically every great commercial center of the country Some of these have already progressed to the point where they own from 25 to 50 banks. It is reported that there are 230 groups in existence in the United States including groups owned by individuals, and that they own about 2,000 banks. These figures are believed to be approximately correct.

Considering group banking as a phase or form of branch banking and counting each branch as a banking office, there are about 29,000 banking offices in the country as a whole, 6,000 of which are not strictly speaking unit banks. In other words, something over 20 per cent of all banking offices in the United States may be classed as branch banks.

Banking groups in the large cities which are thus obtaining control over country banks appear to be driven by economic necessity to using this method of extending the services of the metropolitan banks to the rural communities. They no doubt realize that the method used is more cumbersome and more expensive than branch banking in its proper sense. With the best of intentions, the most capable management and the highest financial responsibility on the part of a centrol group—and many of these groups meet these high qualifications—the group can never be operated with the economy, the flexibility and the singleness of policy which is possible under a branch system. If the laws permitted the establishment of branches in the country districts by these banks, group banking would disappear and the country districts would be able to do business directly with strong city banks.

While it is undoubtedly true that a strong metropolitan bank may, through the group system, greatly improve the rural-banking situation by putting behind a group of country banks its financial strength and skill of management, it is debatable whether or not this form of banking is the best remedy for the situation which confronts us. The central management of a group must operate through a number of separate corporations, each of which must maintain its own operating status under the banking laws with a full complement of banking overhead. Diversification of banking business in the group and the use of liquid funds can only be obtained by transferring assets from a bank in one locality to that in another, at the same time maintaining the separate financial condition of each bank at the required standard. In the case of a group composed of both national and State banks this procedure complicates the work of the supervising authorities. While the conditions of each bank may be determined, the condition of the group as a whole does not come under the visitorial powers of the government concerned.

In the absence of Government permission for branch banking in its true sense present developments indicate that group banking, under the force of economic law, may eventually displace the present system of country unit banks.

THE EXTENSION OF BRANCH BANKING

I have given long and careful study to this question and have conferred with representative bankers of all classes. I have caused to be gathered comprehensive statistics on bank operations throughout the country. After reviewing all of the discussions concerning branch banking before and since the McFadden Act and having in mind that this should not be regarded as a controversy solely between bankers but that the interest of the general public also be given full consideration, I have reached the conclusion that an extension of branch banking privileges should be granted to national banks.

That it should not be nation-wide will be generally admitted. It has been suggested that branch banking be limited to the confines of each Federal reserve district. This may not be feasible to the same extent in all Federal reserve districts. Restricting it to State boundaries, which are political, rather than economic, presents difficulties, as does the suggestion that a radius of 50 or 100 miles from the parent bank be fixed, but there is an economic area to which the extension of branch banking can be applied, varying in size to meet the diversified conditions that exist in this vast country.

It is for Congress ultimately to fix the boundaries of these districts; but Congress, of course, would not and could not attempt to do so prior to careful consideration and study of all the factors, which could only be carried on by a committee of qualified experts. Would we not be making real progress if, at the coming session, the Congress were to instruct, let us say, the Secretary of the Treasury, the Governor of the Federal Reserve Board, and the Comptroller of the Currency to study the banking situation and to report the boundaries which they would recommend that the Congress set up, establishing such definite areas?

In order that this development, within whatever economic areas may be determined upon by Congress, may be sound and orderly, it should be protected by three safeguards: First, that government supervision be further extended and intensified; second that each parent bank be capitalized adequately to meet the responsibility of operating branches; and third, that discretion over the establishment and over the removal of every branch be vested in the Comptroller of the Currency.

Under a branch system of this character it would be possible for the parent bank to have a diversified banking business to protect it against economic depression in any one locality or in any one industrial activity or business enterprise. It would then be able to extend to the country districts the same quality of banking services and the same safety to its depositors which the customers of metropolitan banks in the large cities now enjoy. There would, of course, still remain the question of incompetent management and in a branch system the question of management is of the greatest importance on account of the magnitude of the enterprise. It is to this end that it seems wise that governmental supervision be developed to the point where the supervising authorities can protect the public as far as is humanly possible in this respect.

No weakly capitalized bank should be permitted to engage in branch banking and in the ordinary course of business it is not likely that such a thing would be proposed. Nevertheless, I am in favor of a statutory requirement for a minimum capitalization which will be large enough to insure the protection of the depositors and to discharge properly the responsibilities incident to the operation of a branch system.

One of the principal reasons why the scramble for branches under the McFadden Act, prophesied by many of the opponents of the measure, failed to materialize, was undoubtedly the incorporation in that act of the wise provision that no branch could be established without the approval of the Comptroller of the Currency. It was required that an application be filed by the bank setting forth the reasons why the branch was desired, such application to be supported by a formal resolution from its board of directors in authorization thereof. Further procedure involved the detailing of a bank examiner to make a thorough investigation, having in mind the effect of the establishment of the branch upon the local community, upon the banking situation as a whole and upon the parent bank, and the filing with the Comptroller of the Currency of a full, written report of this investigation, along with recommendations from the chief national bank examiner. Upon the basis of this information and such other information as the comptroller might acquire from the Federal reserve bank or from other sources rests the approval or denial of each application for the establishment of a branch. This procedure has been sufficient to discourage any precipitate rush, and this discretionary power lodged with the Comptroller of the Currency will enable him at all times to require a branch system to develop in an orderly manner.

What of the sound country bank which has been operating for years with profit and is serving its local community? Under the procedure outlined above such a bank could not be driven out of business through the establishment of a de novo branch, for the simple reason that no Comptroller of the Currency would permit it. Bank stock is a commodity with a market value and if a stockholder wishes to sell to a branch system that is his right under the ordinary law of contract. But it is inconceivable that any Comptroller of the Currency, the proceedings of whose office are important public records, would ever lend his high responsibility to aid of a branch bank unfairly to drive a local bank out of business. The successful country bank, therefore, should have nothing to fear from the recommendation which I propose.

In my recent address at Atlantic City, I indicated that the proposal for the new legislation which I intended to formulate would offer to State banks and trust companies an opportunity to gain a wider field of banking operations under the national charter. With liberal branch banking privileges conferred upon the national banks, the attractions of a national charter would be considerably enhanced and while there would of course be no compulsion upon the State banks and trust companies to become national banks, in the usual course of business, it is believed that the stockholders of the large State institutions would find it to their advantage to operate under the national charter.

From the standpoint of the public, since commerce is national and interstate, the creation of a uniform banking system through the assimilation of the bulk of the banking resources of the country would be not only an advantage but a logical development. From the standpoint of the Government of the United States, the increase in the resources and strength of the national system as a result of the extension of branches and the conversion of large State banks into national, would bring into the Federal reserve system a great volume of banking resources now operating independently and at the same time develop an instrumentality over which the Government would have complete control and through which it could enforce an adequate banking policy.

Exhibit D

Number of banks in the United States in towns of 10,000 population or less and their average capital June 30, 1929

States	Number of banks	Capital	Average capital	States	Number of banks	Capital	Average capital
Alabama	302	$13, 875, 400	$45, 945	Nebraska	828	$24, 196, 700	$29, 223
Alaska	14	915, 000	65, 357	Nevada	30	1, 816, 600	60, 553
Arizona	35	2, 706, 000	77, 314	New Hampshire	52	4, 154, 000	79, 885
Arkansas	394	14, 901, 175	37, 820	New Jersey	295	28, 800, 700	97, 629
California	300	21, 159, 320	70, 531	New Mexico	55	2, 340, 000	42, 545
Colorado	242	8, 118, 000	33, 545	New York	622	47, 594, 950	76, 519
Connecticut	62	4, 640, 000	74, 839	North Carolina	375	16, 674, 662	44, 466
Delaware	40	3, 622, 350	90, 559	North Dakota	412	9, 132, 500	22, 166
Florida	170	10, 497, 200	61, 748	Ohio	765	37, 807, 500	49, 422
Georgia	375	16, 439, 845	43, 840	Oklahoma	596	16, 647, 150	27, 931
Hawaii	3	350, 000	116, 667	Oregon	200	9, 676, 500	48, 383
Idaho	131	4, 792, 500	36, 584	Pennsylvania	985	83, 652, 248	84, 926
Illinois	1, 348	62, 834, 000	46, 613	Rhode Island	5	650, 000	130, 000
Indiana	751	29, 487, 850	39, 265	South Carolina	189	9, 670, 025	51, 164
Iowa	1, 248	44, 149, 800	35, 376	South Dakota	378	9, 849, 400	26, 057
Kansas	961	24, 921, 000	25, 932	Tennessee	457	18, 501, 853	40, 485
Kentucky	514	21, 767, 050	42, 348	Texas	1, 220	53, 976, 730	44, 243
Louisiana	199	9, 981, 050	50, 156	Utah	79	3, 244, 750	41, 073
Maine	74	5, 700, 800	77, 038	Vermont	67	5, 751, 000	85, 836
Maryland	172	8, 526, 700	49, 574	Virginia	408	22, 493, 410	55, 131
Massachusetts	76	7, 322, 500	96, 349	Washington	261	9, 296, 500	35, 619
Michigan	642	25, 877, 342	40, 307	West Virginia	240	13, 633, 850	56, 808
Minnesota	959	25, 640, 500	26, 737	Wisconsin	807	28, 801, 000	35, 689
Mississippi	281	11, 718, 830	41, 704	Wyoming	81	3, 260, 000	40, 247
Missouri	1, 129	31, 629, 800	28, 016				
Montana	179	7, 525, 000	42, 039	Total	20, 008	880, 721, 040	44, 018

Average per State, 400.

Exhibit E

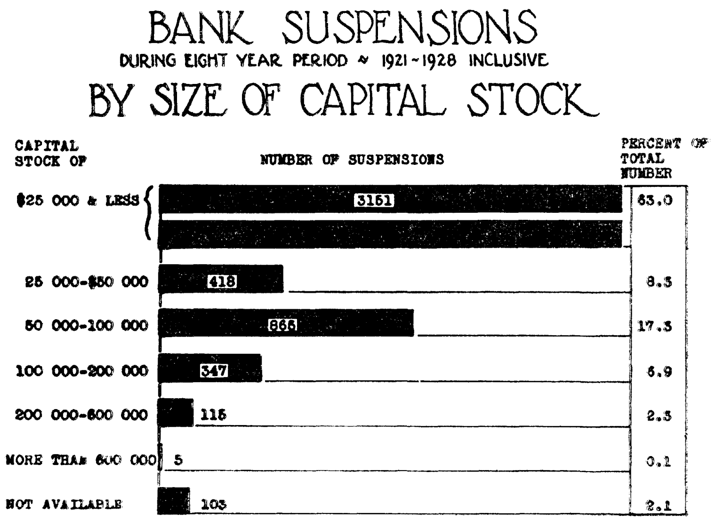

BANK SUSPENSIONS
DURING EIGHT YEAR PERIOD ~ 1921-1928 INCLUSIVE
BY SIZE OF CAPITAL STOCK
CAPITAL STOCK OF
NUMBER OF SUSPENSIONS
PERCENT OF TOTAL NUMBER
$25 000 & LESS
3151
63.0
25 000-$50 000
418
8.3
50 000-100 000
866
17.3
100 000-200 000
347
6.9
200 000-500 000
115
2.3
MORE THAN 500 000
5
0.1
NOT AVAILABLE
103
2.1

Exhibit F

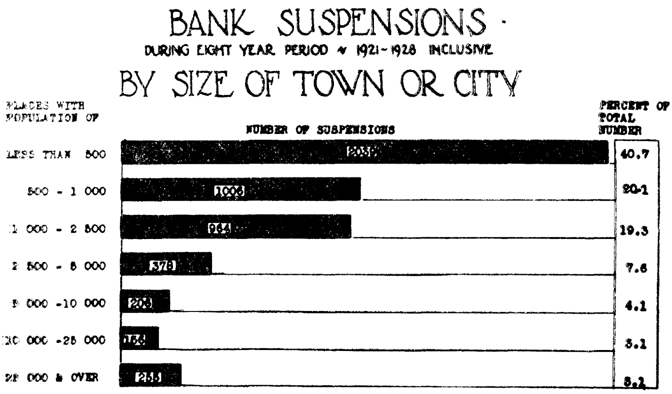

BANK SUSPENSIONS
DURING EIGHT YEAR PERIOD 1921-1928 INCLUSIVE
BY SIZE OF TOWN OR CITY
PLACES WITH POPULATION OF
NUMBER OF SUSPENSIONS
PERCENT OF TOTAL NUMBER
LESS THAN 500
500 - 1 000
1 000 - 2 500
2 500 - 5 000
5 000 -10 000
10 000 -25 000
25 000 & OVER
1006
964
379
203
255
40.7
20.1
19.3
7.6
4.1
3.1
5.1

Exhibit G

Bank suspensions, 1921–1929—Represents banks closed to the public either temporarily or permanently by supervisory authorities or by the banks' boards of directors on account of financial difficulties

NUMBER OF BANKS

Federal reserve district	Total, 1921–1929	1921	1922	1923	1924	1925	1926	1927	1928	1929
United States	5,640	501	354	648	776	612	956	662	491	640
Boston	15	[1] 5	2	3	1	2		1	1	
New York	30	6	3	4	6			2	3	6
Philadelphia	19	2	1	3	2	3	4		1	3
Cleveland	101	5	1	6	6	14	9	29	17	14
Richmond	437	40	36	44	43	68	61	43	43	59
Atlanta	609	66	22	[1] 21	48	44	162	63	66	117
Chicago	827	46	25	53	108	109	182	124	87	93
St. Louis	449	33	26	21	53	53	77	82	57	44
Minneapolis	1,481	73	64	279	[1] 294	168	283	142	94	84
Kansas City	1,019	87	92	137	133	77	112	100	88	193
Dallas	411	82	51	46	53	50	50	44	24	11
San Francisco	242	56	31	28	29	24	16	32	10	16

DEPOSITS

[In thousands of dollars]

Federal reserve district	Total, 1921–1929	1921	1922	1923	1924	1925	1926	1927	1928	1929
United States	[2] 1,721,402	196,460	110,721	188,701	213,338	172,900	272,488	193,891	138,642	[2] 234,261
Boston	23,938	[1] 15,472	1,861	1,782	1,605	1,298		842	1,078	
New York	39,280	15,769	868	2	1,746			438	1,356	19,101
Philadelphia	13,807	2,400	415	2,695	901	2,665	1,002		425	3,304
Cleveland	54,202	1,496	778	3,453	1,137	9,624	4,797	16,923	7,563	8,431
Richmond	112,082	8,103	15,243	9,584	5,822	13,182	13,988	13,220	13,339	19,601
Atlanta	241,486	18,984	6,244	[1] 7,670	5,002	6,079	65,713	34,265	35,395	62,134
Chicago	275,253	18,336	7,033	16,577	36,950	34,126	60,526	44,380	21,746	35,579
St. Louis	114,408	10,042	10,757	7,909	13,674	11,942	22,656	15,214	12,792	9,422
Minneapolis	361,878	17,972	15,528	73,321	[1] 85,433	44,985	65,594	26,598	17,147	15,300
Kansas City	[2] 263,966	25,278	31,269	45,620	34,763	28,698	22,872	20,620	15,642	[2] 39,204
Dallas	106,234	27,944	6,813	14,358	19,612	11,830	8,879	7,476	7,391	1,931
San Francisco	114,868	34,664	13,912	5,730	6,693	8,471	6,461	13,915	4,768	20,254

[1] Revised. [2] Preliminary figures.

Division of Bank Operations, Federal Reserve Board, *January 28, 1930*

EXHIBIT H

Number of incorporated banks in the United States June 30, 1929, segregated according to capital stock in each State

State	Capital under $25,000	Capital $25,000	Capital above $25,000 and including $50,000	Capital above $50,000 and up to $100,000	Capital $100,000	Capital above $100,000 and up to $200,000	Capital $200,000 to $500,000, inclusive	Capital $500,000 to $1,000,000, inclusive	Capital above $1,000,000 up to and including $5,000,000	Capital above $5,000,000	Total
Maine		7	36	9	21	9	17	4			103
New Hampshire		5	21	11	26	11	13				87
Vermont		10	28	8	22	7	10				85
Massachusetts		6	25	7	78	27	97	14	21	5	280
Rhode Island			1		5	4	8	3	3		24
Connecticut		16	28	5	44	14	51	13	9		180
Total, New England States		44	139	40	196	72	196	34	33	5	759
New York	19	135	205	31	232	56	203	34	46	31	992
New Jersey		26	72	11	195	42	143	26	19	2	536
Pennsylvania	5	228	349	67	119	346	333	56	37	6	1,546
Delaware	4	5	12	5	9	7	7	2	3		54
Maryland	36	51	48	11	29	11	17	13	9		225
District of Columbia			4	2	10	3	9	8	6		42
Total, Eastern States	64	445	690	127	594	465	712	139	120	39	3,395
Virginia	113	74	113	29	73	21	39	15	5		482
West Virginia		79	98	18	56	14	35	5	3		308
North Carolina	146	58	109	13	69	20	36	10	10		471
South Carolina	49	44	53	12	35	11	22	2	2		230
Georgia	96	116	96	24	49	21	29	3	10		444
Florida	44	26	55	17	45	10	23	8	3		231
Alabama	63	78	109	18	33	11	29	5	2		353
Mississippi	112	40	81	22	28	14	14				311
Louisiana	41	32	73	21	26	9	17	6	6	1	232
Texas	254	321	427	88	171	28	79	22	13		1,403
Arkansas	160	83	90	28	24	11	21	2			419
Kentucky	184	87	152	32	61	20	28	9	4		577
Tennessee	179	94	111	35	41	8	22	9	6		505
Total, Southern States	1,441	1,132	1,567	357	716	198	394	96	64	1	5,966

Number of incorporated banks in the United States June 30, 1929, segregated according to capital stock in each State—Continued

State	Capital under $25,000	Capital $25,000	Capital above $25,000 and including $50,000	Capital above $50,000 and up to $100,000	Capital $100,000	Capital above $100,000 and up to $200,000	Capital $200,000 to $500,000, inclusive	Capital $500,000 to $1,000,000, inclusive	Capital above $1,000,000 up to and including $5,000,000	Capital above $5,000,000	Total
Ohio	42	312	262	52	140	63	107	27	19	5	1,029
Indiana	105	356	233	45	127	32	74	12	4		988
Illinois	126	460	522	100	219	59	249	38	17	3	1,793
Michigan	231	139	190	29	106	33	59	23	14	2	826
Wisconsin	282	160	296	46	84	16	64	7	1	1	957
Minnesota	452	275	224	28	48	4	28	7	4	1	1,071
Iowa	310	386	460	58	105	18	37	7	4		1,385
Missouri	666	159	226	47	98	13	75	6	8	5	1,303
Total, Middle Western States	2,214	2,247	2,413	405	927	238	693	127	71	17	9,352
North Dakota	234	130	39	3	11	5	3				425
South Dakota	152	140	76	4	16	2	4				394
Nebraska	319	240	239	22	28	4	13	5	5		875
Kansas	503	239	219	21	58	12	28	5	2		1,087
Montana	39	67	45	8	17	6	14	1			197
Wyoming	26	19	23	2	11	3	3				87
Colorado	78	77	71	7	26	3	13	2	3		280
New Mexico		27	23		3	2	3				58
Oklahoma	236	227	112	13	34	9	14	5	3		653
Total, Western States	1,587	1,166	847	80	204	46	95	18	13		4,056
Washington	76	93	77	14	31	8	27	6	6	4	342
Oregon	42	56	72	7	28	9	19	1	1	2	237
California		79	126	31	62	39	67	14	21	8	447
Idaho	31	47	40	1	13	3	2				137
Utah	8	28	34	4	14		14	2	1		105
Nevada	1	10	10	3	6	1	4	1			36
Arizona	4	5	14	2	12	2	8		1		48
Total, Pacific States	162	318	373	62	166	62	141	24	30	14	1,352
Alaska		5	2	2	4	1					14
Hawaii					4	2	8		4		18
Total, Alaska and Hawaii		5	2	2	8	3	8		4		32
Grand total	5,468	5,357	6,031	1,073	2,811	1,084	2,239	438	335	76	24,912

Exhibit I

[From The American Banker, February 20, 1930]

Roll call of leading bank groups in the United States as of December 31, 1929, in order of deposits

	Number in banks in group	Capital, surplus and undivided profits	Deposits	Resources	Remarks
Transamerica Corporation, San Francisco	3	$216, 180, 200	$1, 537, 431, 892	$1, 891, 201, 856	The three banks operate a total of 489 branches; 8 small banks also affiliated.
Detroit Bankers Co., Detroit	5	89, 191, 598	581, 906, 739	711, 006, 036	Includes 15 affiliated banks in greater Detroit.
Manhattan Co., New York	4	97, 723, 926	510, 673, 776	729, 174, 799	Controls two title companies; resources, $71,354,948.
Marine Midland Corporation, Buffalo	17	57, 760, 358	431, 473, 213	520, 956, 593	Deposits include $54,488,390 of corporation.
Mellon group, Pittsburgh	6	102, 228, 645	419, 938, 554	549, 184, 937	Affiliated through directorates, not a "group system."
Guardian Detroit Union group	35	66, 828, 073	393, 086, 329	509, 949, 812	
Northwest Bancorporation, Minneapolis	94	44, 423, 648	385, 224, 440	454, 141, 941	Includes Union Investment Co. group.
First Bank Stock Corporation, Minneapolis	85	40, 993, 177	366, 272, 510	433, 074, 788	Affiliated corporation resources increase total to $459,373,655.
Anglo California Corporation, San Francisco	18	28, 536, 000	211, 764, 000	277, 691, 000	
Wisconsin Bankshares Corporation, Milwaukee	23	28, 265, 371	204, 019, 979	243, 312, 082	
National Republic Bancorporation, Chicago	8	23, 155, 500	190, 383, 849	242, 603, 344	
Associated Banks of Pittsburgh	8	39, 805, 770	166, 255, 494	216, 463, 821	Hillman group Pennsylvania Bankshares & Security Co.
Fourth and First National group, Nashville	8	23, 729, 125	110, 421, 883	174, 992, 844	
First National Associates, Atlanta	7	19, 960, 348	110, 303, 810	136, 248, 898	
Southwest Corporation, Tulsa, Okla. (organizing)	18			138, 000, 000	
Commerce Trust group, Kansas City	5	10, 127, 245	98, 618, 140	110, 723, 431	
Old Colony Associates, Boston	19	16, 579, 421	94, 743, 708	116, 227, 526	Affiliated First National, Old Colony Trust, add resources of $731,169,376.
BancoKentucky Corporation, Louisville	6	14, 696, 624	94, 606, 725	120, 710, 615	
First Seattle Dexter Horton group, Seattle	7	11, 267, 758	93, 029, 921	109, 978, 770	
Citizens & Southern Holding Co., Savannah	7	10, 159, 543	68, 489, 950	80, 798, 122	
BancOhio Corporation, Columbus	4	10, 045, 257	67, 245, 149	79, 834, 148	Resources of security corporation increase total to $84,379,018.
Financial Institutions (Inc.), Portland, Me	10	7, 162, 000	62, 200, 000	71, 500, 000	
First National group, Portland, Oreg	4	5, 390, 289	48, 861, 309	54, 795, 916	Security Co. resources add $3,845,658.
Federal National Affiliates, Boston	8	4, 730, 146	54, 007, 998	61, 640, 635	
First Security Corporation, Ogden, Utah	25	5, 015, 691	45, 543, 921	51, 062, 654	Banks in Utah, Idaho, and Wyoming.
Marine Bancorporation, Seattle	10	5, 631, 894	41, 809, 934	50, 815, 982	
Hamilton National Associates, Chattanooga (organizing)	12			50, 000, 000	
Old National Corporation, Spokane	22	3, 876, 026	37, 196, 509	43, 890, 203	
Worcester County National Affiliates, Worcester, Mass	6	4, 500, 000	37, 000, 000	43, 500, 000	
Atlantic Trust Co., Jacksonville, Fla	6	3, 808, 689	33, 938, 262	38, 436, 667	
Fletcher Savings & Trust, Indianapolis	7	3, 538, 753	26, 899, 435	31, 094, 569	Also controls joint stock-land bank, resources, $16,710,096.
First National group, Miami, Fla	6	3, 849, 499	22, 539, 545	26, 700, 848	
First Nebraska Bancorporation (organizing)				25, 000, 000	

Roll call of leading bank groups in the United States as of December 31, 1929, in order of deposits—Continued

	Number in banks in group	Capital, surplus and undivided profits	Deposits	Resources	Remarks
Toy National group, Sioux City, Iowa	19	$2,520,768	$21,434,044	$24,352,809	
West Coast Bancorporation, Portland, Oreg.	9	2,420,145	20,526,431	23,352,951	
American Traders Security Corporation, Birmingham	3	5,160,860	20,341,024	30,122,847	
Commerce Union Bank group, Nashville	3	2,095,284	14,895,920	18,976,339	
Pacific Bancorporation, Portland, Oreg.	10	1,291,176	11,918,747	13,738,186	
Total (38 groups)	547	1,012,648,807	6,635,003,140	8,505,255,969	

Other group systems exist throughout the United States than those listed above. The above tabulation, however, comprises what might be termed the leading "visible" groups, as far as can be determined at this writing, being with few exceptions the groups which are openly committed to group-banking policy and advertising or linked through interlocking directorates.

THIRTY-EIGHT LEADING BANK GROUPS REVEAL SPREAD OF SYSTEM—NEW FORCE IN MULTIUNIT BANK MANAGEMENT APPEARS IN 1929

The 38 leading groups of unit banks in the United States on December 31, 1929, which controlled resources of over $8,500,000,000 in 547 unit banks, according to the roll call of group systems just presented by the American Banker, represent the dominant institutions in the field of group banking as distinguished from branch banking and unit banking and demonstrate the extent to which this system of multi-unit banking spread during 1929.

This survey represents the most complete tabulation of group banking resources which has been published, and will serve to clarify the degree to which this method of achieving successful banking operation while maintaining the individual banking units as separate chartered units has progressed.

In addition to the groups listed in the tabulation, there are many lesser chain systems and also many group organizations, large and small, which are built around a more or less "invisible" central ownership of stock. No effort has been made to include these "invisible groups" in the tabulation. Several such chains when approached for statistics replied that they were not a "group system" and would not accept such a classification.

Nor has an effort been made to tabulate the branch bank systems which exist in the States which permit city-wide or state-wide branch operation, except as these systems are part of "groups" of independently chartered banks. Hence certain North Carolina and South Carolina branch bank systems which were formerly groups escape the "roll call."

If branch systems were taken into consideration, they would include such organizations as the National City Bank of New York, with 37 branches, and $2,200,000,000 in resources; Corn Exchange Bank, and numerous other New York and other city institutions; quite a number of California and other branch bank State institutions, including the Bank of California of San Francisco, which enjoys the peculiar privilege of conducting branch operations outside of its home State; the North Carolina Bank & Trust Co., with 10 branches and resources of $46,600,000; the Peoples State Bank of South Carolina, with branches in 27 cities and resources of $14,864,000, etc.

MULTIUNIT BANKING RESOURCES MAY TOTAL $18,000,000,000

Full knowledge of the figures for city or state-wide branch institutions would possibly double the amount of our Nation's banking resources which are represented in institutions committed to one form or another of multiunit banking operation making their totals $18,000,000,000 or so.

Barely two-thirds of the groups listed are more than a year old and organization of groups still continues.

In some instances these new organizations are simply the coming forward into open group operation of systems which have hitherto been invisibly linked together. Once organized they both attract other unit banks and create a situation in which competing key correspondent banks find it advisable to organize their own groups. Such a situation impelled the organization of some of the largest mid-western groups last year.

Developments in group banking during 1930 are expected to reveal the organization of still new groups, and the aggressive promotion of those already existing.

CONTROVERSY IN LEGISLATIVE FIELDS

State legislatures and Congress are likely to be scenes of sharp controversies as to the advantages and disadvantages inherent in the group banking system as compared with either unit or branch bank methods of operation.

One of the things which loom as a possibility as a result of the legislative attitude and which has been seriously though not publicly discussed is the organization of a group bankers' association, which will consider the problems of legislation, operation, and management principles which are peculiar to multibank systems as, for instance, the trust company division of the American Bankers' Association considers pertinent trust questions.

BRANCH, CHAIN, AND GROUP BANKING

WEDNESDAY, APRIL 23, 1930

House of Representatives,
Committee on Banking and Currency,
Washington, D. C.

The committee met at 10.30 a. m. in the committee room, Capitol, Hon. Louis T. McFadden (chairman) presiding.

The Chairman. The committee will come to order.

We have before the committee this morning Mr. Robert O. Lord, of the Guardian Detroit Union Group of banks. Mr. Lord has prepared a statement, and it has been requested, inasmuch as Mr. Lord has furnished the members of the committee with copies of the statement, that he be permitted to proceed without interruption until he completes the statement.

We will be very glad to have you proceed now, Mr. Lord.

STATEMENT OF ROBERT O. LORD, PRESIDENT GUARDIAN DETROIT UNION GROUP (INC.)

Mr. Lord. I have read carefully all published reports of hearings before your committee, and from them I understand that, following your usual procedure, you wish me to make an uninterrupted statement on the subject of group banking, at the conclusion of which I shall be glad to endeavor to answer, to the best of my ability, any questions which may occur to members of the committee in connection therewith.

A few weeks ago your chairman very courteously furnished me with an outline of the points upon which the committee desired information. If it is agreeable to the committee, I shall, in my verbal statement this morning, take up each of these subheadings in turn, touching upon what I consider the high lights of the material which I have prepared, and submitting detailed data as appendices for inclusion in the printed record, if, in the judgment of the committee, this information is deemed to be of sufficient value to warrant its conclusion.

I should like to state right at the start that I feel that the committee, through these hearings, is laying the statistical foundation upon which we must build the banking structure of the future.

Information developed through the instrumentality of these hearings is bound to be of inestimable value to bankers generally. I have already derived great benefit from the information so far published, and I am more than glad to make what small contribution I can to the common fund of information, bearing upon the economics of the present situation in regard to banking, with the thought that we bankers will all have more accurate and more comprehensive charts by which to steer the courses of our respective financial institutions in the future.

Every banker is to-day faced with the necessity of adapting banking practices and methods to economic conditions which have changed materially over those which obtained but a few years ago.

The past few years, here in America, have witnessed the sudden acceleration of economic forces which had been silently at work for more than a decade. Our use of electrical energy is increasing four times as fast as our population and even now equals that of the rest of the world combined. As a consequence, we have been able to obtain a steadily increasing productivity per worker, and simultaneously effect a gradual but substantial reduction in the hours of labor.

Commodity prices have, in general, declined—in the face of rising wage scales. The resultant improvement in our standard of living has excited the interest of the world and thrust upon America a new leadership—and with it new responsibilities, of which a considerable portion have devolved upon the bankers of to-day.

Many years ago economic pressure welded our crazy quilt of hundreds of short local railroads into a relatively small number of trunk lines, which, by superlatively prompt and effective service, have been heavy contributions to the national prosperity with which we have been blessed over a period of years, and which we shall undoubtedly continue to enjoy in spite of occasional recessions. Yet the pressure still persists, under mandate of Congress, for fewer and presumably more efficient railroad systems. The present line of the New York Central Railroad, between New York and Buffalo, originally consisted of literally dozens of independently owned short lines, each with its own management, frequently at odds with that of other short lines.

Similarly, the line of the Pennsylvania Railroad between New York and Pittsburgh originally consisted of a large number of short lines. Who, to-day, would venture the claim that a return to former conditions would be an improvement over the satisfactory service, for passengers and for freight, which we take for granted to-day.

Our highly integrated industrial enterprises have time and again proved bulwarks of strength in piece and in war, in prosperity and in depression. Our great superpower systems have created huge reservoirs of energy, with a flexibility of distribution which has enormously increased our potential productivity, and, incidentally, substantially lowered the average cost of electrical energy to the consumer.

Throughout our whole business structure the pressure is in the direction of larger and larger units, and more and more effective interconnection of units over wider and wider areas. The compelling reason is greater efficiency, bringing in its train lower prices for the consumer, greater stability of operations for the producer, and therefore a more abundant prosperity for the community served.

Banking, too, has felt the pressure toward larger units and closer interconnection of units, the better to serve growing industries and communities. The quickened tempo of to-day's business has emphasized the interindependence of communities within the same natural industrial area, and has indicated the need for a more comprehensive and more closely knit banking service than has been available heretofore through the isolated unit banks, which met the less exacting requirements of a few years ago.

The impact of science is a major factor in keeping the business world in a state of flux. Research is creating new industries and destroying entrenched monopolies. We telephone London or Paris as easily as the nearest city; radio flings whispered words around the world; television will be an accomplished fact before we finish saying "It can't be done." The airplane shrinks America to one-fourth railroad size. Improved means of communication and transportation are constantly accelerating the pulse of business. Banking must keep pace.

It seems to me axiomatic that the happiness and prosperity of the residents of a given community depend, with few exceptions, upon the progress of its wealth-producing industries and other activities. These, in turn, can not flourish unless adequate banking facilities are promptly and continuously available. I think we should all remind ourselves, at this juncture, that banking is not business of itself—banking is merely a facilitating function of business. Banking of itself creates no new weatlh, but a sound and adequate system of banking does aid in the creation of new wealth and can be of great assistance to the actual producers in facilitating the prompt and efficient interchange of goods and services, without which there can be no general diffusion of the state of well-being which we all desire.

Banking must adapt itself to changing conditions if industry and trade are not to be hamstrung in the struggle for world markets, which is beginning to emerge as the outstanding characteristic of the period through which we are passing.

I think it has been amply demonstrated, from the testimony already presented to the committee, that the larger cities to-day enjoy a safer and more effective banking service, in all phases, than is available to the smaller communities.

One of the movements to extend metropolitan service to subcenters, within a given trade area, has come to be known as group banking. Guardian Detroit Union Group (Inc.) was organized to acquire the stocks of banks, trust companies, and other corporations for the purpose of providing unified ownership, coordinated operation, massed resources, and world-wide contacts with industry and trade—an improved, completely rounded-out banking service for the great industrial area of lower Michigan. Quite frankly, it is as yet too early to appraise the results attained to date. Time alone will tell whether or not we are on the right track. In the meantime we are keeping our minds open and will welcome suggestions from governmental authorities or guidance through legislation.

Taking up, in order, the topics suggested by your chairman, I shall endeavor to conserve the time of the members of the committee by endeavoring to point out what I consider to be the significant features of the information requested, submitting, at the conclusion of each phase of my statement, complete detailed data as an appendix.

1. CHARTER AND BY-LAWS

In order to present a proper picture of the organization of Guardian Detroit Union Group (Inc.), it is perhaps necessary to start the story a few years previous to the formal incorporation of the group company.

As we all know, the effect of the growth of the automotive industry was a tremendous and rapid increase in the population of Detroit. Thirty years ago, it was a city of about 300,000. Now it has in excess of 1,500,000 people.

During this period, manufacturing so absorbed the attention and energy of Detroiters that banking facilities did not keep pace with the needs of the growing city. Detroit found itself dependent financially on outside cities. Even up to a few years ago, Detroit, fourth in population and value of manufactured products, ranked eighth or ninth in banking resources.

To help remedy this situation, on June 15, 1927, there was organized, under the banking laws of the State of Michigan, Guardian Detroit Bank. Under the plan and subscription agreement, there was sold unified stock. Each subscriber to stock in Guardian Detroit Bank at the same time subscribed for the same number of shares of Guardian Detroit Co., an investment affiliate, and for one-fifth of the number of shares in Guardian Trust Co., a purely fiduciary organization, which had been organized under the banking laws of the State of Michigan about two years previously. There were thus created three independent corporations owned by the same stockholders, in no way subsidiary to each other.

It was provided that none of the stock of the bank, the trust company, or the securities company should be acquired or transferred except in connection with the acquisition or transfer of a proportionate amount of the stock of each of the other two companies, so that each stockholder would, at all times, own the same percentage of the stock of any one of said companies as he owned of the stock of each of the other two companies.

The Detroiters—drawn from the ranks of manufacturing, merchandizing, construction, transportation, publishing, real estate, finance, and the professions—who sponsored the formation of Detroit's first group of related institutions equipped to transact, under one roof, every kind of banking, trust, and investment business for individuals and corporations, included, among others—

Henry E. Bodman, counsel Packard Motor Car Co.
Ralph H. Booth (now minister to Denmark), president Booth Publishing Co.
Roy D. Chapin, chairman of the board, Hudson Motor Car Co.
Howard E. Coffin, president National Aviation Corporation.
George R. Fink, president Michigan Steel Corporation.
Fred J. Fisher, vice president General Motors Corporation.
Edsel B. Ford, president Ford Motor Company.
Albert Kahn, architect.
Ernest Kanzler, now president Universal Credit Corporation.
Carlton M. Higbie and Jereme E. J. Keane, partners in the security business of Keane, Higbie & Co.
Alvan Macauley, president Packard Motor Car Co.
W. Ledyard Mitchell, vice president Chrysler Corporation.
Charles S. Mott, vice president General Motors Corporation.

Fred T. Murphy, trustee Murphy family trusts, also a trustee of Yale University.
Alger Shelden, president Shelden Land Co.
William Robert Wilson, chairman Great Lakes Aircraft Corporation.

Under unified ownership, and with coordinated management, these three institutions, which came to be known popularly as "the guardian group," grew and prospered so that within two years their aggregate resources amounted to approximately $78,000,000, without including the figures of the Guardian Detroit Co., the securities company.

Branch banking, within the corporate limits of the municipalities in which organized, had been permitted in Michigan for several years, one of the larger State banks having no less than 100 branches in the city of Detroit.

Due to its great growth in recent years, several adjoining municipalities had been annexed to Detroit, but several others had maintained their corporate identity although plainly included in the same economic area. In fact, two municipalities, Highland Park and Hamtramck, are entirely surrounded by Detroit.

In one of these municipalities was Highland Park State Bank (with seven branches) and Highland Park Trust Co. The officers and directors of the Highland Park institutions felt that it would be distinctly advantageous to effect a closer working arrangement with a large down-town bank, and the officers and directors of Guardian Detroit Bank were equally desirous of obtaining suitable additional banking locations in the metropolitan area of Detroit, without going through the slow and expensive process of acquiring sites and building up deposits in the various shopping and industrial communities.

In order to acquire the Highland Park institutions, which were outside the corporate limits of the city of Detroit and could not, therefore, be operated as branches of Guardian Detroit Bank, although from a purely economic standpoint they occupied exactly the same status as branch offices in the contiguous corporate area of Detroit, it was decided to organize under the provisions of the general corporation laws (Act 84, Public Acts of 1921, as amended) a Michigan corporation under the corporate title Guardian Detroit Group (Inc.), for the following purposes:

to acquire, own, hold, dispose of, and deal in stocks, bonds, and other evidences of indebtedness and securities, including those issued by any corporation, domestic or foreign, and to possess and exercise in respect thereto, all rights, powers, and privileges of individual owners thereof, including the right to vote the same and to execute proxies thereof.

The banking laws of Michigan (including Act LXVI, Public Acts of 1929) impose no limitation on the ownership of bank stocks which would make such ownership different from that of other corporate shares. Furthermore, express power to acquire and own shares of other corporations is given in Article III of the articles of association quoted above. The ownership of such shares by the company is specifically "in furtherance of the objects of its existence." The power so to do is conferred upon the company by its charter and the statute of the State of Michigan. Furthermore, no statute could be found wherein a restraint of any sort is imposed upon the transfer or ownership of shares of stock in national banks operating in Michigan, in Michigan State banks or Michigan trust companies.

Guardian Detroit Group (Inc.) was organized purely as a holding company, and, as such, its powers are limited solely to ownership and other securities and the exercise of the incident privilege of such ownership. This is the entire scope of its powers under its charter.

In order to determine whether the owning and voting of such shares (which is the full extent of business in which it is engaged) by the company might be held to engage the company in the business of banking, this question was submitted to the attorney general of the State of Michigan. It was our contention that the answer must be found in the nature of the business as authorized and carried on by the company. With this view, the attorney general agreed in an opinion filed on October 9, 1929, in which he reached the following conclusions:

BANKING LAW—CORPORATION LAW—STOCK

(Opinion of Attorney General of the State of Michigan, Filed October 9, 1929)

SYLLABUS

First. A holding company may organize under the general corporation laws of Michigan and may, if its charter is broad enough, purchase, own, and hold shares of stock in State banks.

Second. The ownership and exercise of incidents of ownership of stock in a holding company owning all but qualifying shares in several banks is not legally doing a banking business in the State, in violation of law.

Third. It is only when the practices of a holding company become such as to usurp the functions of the bank in fact and in reality, so that a banking business is being done by the holding company that intervention can be sustained.

Fourth. A holding company, can, by expression in its charter, meet the double indemnity of statutory liability under the banking act.

Fifth. It is the banking department's duty to continue to treat individual banks concerned in stock purchased by a holding company in all respects as individual units for examination and all other purposes; and also to scrutinize the operation of such banks in their factual relationship with the holding company.

It will be noted from paragraph 4 of the above syllabus that the Attorney General held that a holding company could, by expression in its charter, meet the double indemnity of statutory liability under the banking act. Provision to this effect had been made some five months previously in the original articles of association of guardian Detroit Group (Inc.), filed on May 10, 1929, as follows:

ART. IX. The holders of the stock of this corporation shall be individually and severally liable (in proportion to the number of shares of its stock held by them respectively) for any statutory liability imposed upon this corporation by reason of its ownership of shares of the capital stock of any bank or trust company.

Subsequently, the above paragraph of Article IX of the articles of association was amended at a meeting of the stockholders held on October 18, 1929, so as to provide a method of enforcing the double liability of stockholders with respect to bank and trust company shares owned by said corporation, as follows:

ART. IX. The holders of stock of this corporation shall be individually and severally liable (in proportion to the number of shares of its stock held by them respectively) for any statutory liability imposed upon this corporation by reason of its ownership of shares of the capital stock of any bank or trust company, and the stockholders of this corporation by the acceptance of their certificates of stock of this corporation severally agree that such liability may be enforced in the same manner as statutory liability may now or hereafter be enforceable against stockholders of banks or trust companies under the laws of the United States or the State of Michigan. A list of the stockholders of this corporation shall be filed with the banking commissioner of Michigan and the Comptroller of the Currency whenever requested by either of those officers.

Another provision to which we shall have occasion to refer later is that embodied in the second paragraph of Article IX, as amended, which reads as follows:

ART. IX. This corporation reserves and shall have the right from time to time, upon the affirmative vote of three-fourths of its directors, to issue and dispose of all or any of its unissued or increased stock for the purpose of acquiring stock of banks, trust companies and other corporations without offering to the stockholders of this corporation for subscription any of the stock so to be disposed of.

The only particularly significant paragraph in the by-laws is the following:

ART. VI. Whenever at any meeting of the stockholders of a bank or trust company of which this corporation shall at the time own 75 per cent or more of the outstanding stock, an election of a board of directors is held, the shares of such bank or trust company owned by this company shall be voted in favor of the election of a board of directors of wh.ch at least 75 per cent shall consist of directors residing in the municipality where said bank or trust company is located or within a radius of 50 miles thereof.

Perhaps I should mention in passing that the board of directors of all of our member units outside of the Detroit metropolitan area, are made up entirely of local men, except in three instances wherein the local boards were insistent upon having in one case three and in the other two cases one representative from Detroit to serve on their directorates. All of these representatives are practical operating officers of Detroit units.

In brief, the articles of association (charter) have been accepted and approved by the secretary of state of Michigan. The provisions as to statutory liability give the same protection to depositors in unit member banks and trust companies as when the shares in these institutions were owned by various individuals.

In order to complete the record, photostatic copies of the following documents (marked "Appendix I") are submitted for the information of the committee:

Certificate of the secretary of state of Michigan authorizing the corporation to commence business, dated May 10, 1929.

Articles of association with all amendments to date.

Copy of by-laws with amendments to date.

(The documents in question are printed at the conclusion of Mr. Lord's testimony.)

DIRECTORATE OF HOLDING COMPANY

The original board of directors was a small one, comprising only nine members, but, with the acquisition of additional banks, one or more directors chosen from the board of the unit acquired was added to the directorate of the holding company, except in the case of a few of the smaller institutions. Usually, the chairman or president or senior operating officer of the unit in question was elected a director, and, in addition, the unit bank was invited to designate a senior active operating officer to serve on the operating committee, the functions of which will be described later.

The board at present comprises:

Frank W. Blair, chairman of the board, Union Guardian Trust Co., Detroit, Mich.

Arthur C. Bloomfield, chairman, Union & Peoples National Bank, Jackson, Mich.

Henry E. Bodman, counsel, Guardian Detroit Union Group (Inc.), Detroit, Mich.

Clarence H. Booth, chairman of the board, Motor Bankers Corporation, Detroit, Mich.

Ralph H. Booth, president, Booth Newspapers (Inc.), Detroit, Mich.

Joseph H. Brewer, president, Grand Rapids Trust Co., Grand Rapids, Mich.

Walter O. Briggs, chairman and president, Briggs Manufacturing Co., Detroit, Mich.

Daniel D. Brown, president, First National Bank & Trust Co., Port Huron, Mich.

Harry C. Bulkley, attorney, Campbell, Bulkley & Ledyard, Detroit, Mich.

Charles S. Campbell, president, First National Bank & Trust Co., Kalamazoo, Mich.

Roy D. Chapin, chairman of board, Hudson Motor Car Co., Detroit, Mich.

George R. Fink, president, Michigan Steel Corporation, Detroit, Mich.

William A. Fisher, president, Fisher Body Corporation, Detroit, Mich.

Edsel B. Ford, president, Ford Motor Co., Detroit, Mich.

Frank E. Gorman, vice president, Capital National Bank, Lansing, Mich.

Stephen A. Graham, president, Federal Commercial & Savings Bank, Port Huron, Mich.

John C. Grier, jr., president, Guardian Detroit Co., Detroit, Mich.

C. H. Haberkorn, jr., chairman of board, Bank of Detroit, Detroit, Mich.

Carlton M. Higbie, chairman of board, Keane, Higbie & Co., Detroit, Mich.

Sherwin A. Hill, attorney, Warren, Hill & Hamblem, Detroit, Mich.

Charles H. Hodges, vice president, American Radiator & Standard Sanitary Corporation, Detroit, Mich.

James Inglis, president, American Blower Corporation, Detroit, Mich.

Richard P. Joy, director, National Bank of Commerce, Detroit, Mich.

George B. Judson, president, Bank of Detroit, Detroit, Mich.

Ernest Kanzler, president, Universal Credit Corporation, Detroit, Mich.

Jerome E. J. Keane, director, Guardian Detroit Bank, Detroit, Mich.

Dwight B. Lee, president and treasurer, Motor Products Corporation, Detroit, Mich.

Robert O. Lord, president, Guardian Detroit Bank, Detroit, Mich.

Alvan Macauley, president and general manager, Packard Motor Car Co., Detroit, Mich.

Francis C. McMath, director, Canadian Bridge Co. (Ltd.), Detroit, Mich.

George B. Morley, chairman of board, Second National Bank & Trust Co., Saginaw, Mich.

Charles S. Mott, vice president, General Motors Corporation, Detroit, Mich.

Fred T. Murphy, trustee, Murphy Family Trusts, Detroit, Mich.

Edwin H. Nelson, president, Nelson, Baker & Co., Detroit, Mich.

Phelps Newberry, vice president, Guardian Detroit Bank, Detroit, Mich.

Ransom E. Olds, chairman of board, Reo Motor Car Co., Lansing, Mich.

Jerome H. Remick, president, Detroit Creamery Co., Detroit, Mich.

Herbert S. Reynolds, president, Union & Peoples National Bank, Jackson, Mich.

John R. Russel, director, Union Guardian Trust Co., Detroit, Mich.

Murray W. Sales, president, Murray W. Sales & Co., Detroit, Mich.

Henry H. Sanger, president, National Bank of Commerce, Detroit, Mich.

R. Perry Shorts, president, Second National Bank & Trust Co., Saginaw, Mich.

Hal H. Smith, attorney, Beaumont, Smith & Harris, Detroit, Mich.

Oscar W. Smith, president, Parke, Davis & Co., Detroit, Mich.

John N. Stalker, president, Union Guardian Trust Co., Detroit, Mich.

James L. Walsh, vice president, Guardian Detroit Bank, Detroit, Mich.

Charles Beecher Warren, attorney, Warren, Hill & Hamblen, Detroit, Mich.

Dudley E. Waters, chairman, Grand Rapids National Bank, Grand Rapids, Mich.

3. NUMBER, NAME, LOCATION, CAPITAL, SURPLUS DEPOSITS, AND RESOURCES OF EACH BANK ACQUIRED BY GUARDIAN DETROIT UNION GROUP (INC.)

The following information is submitted as of the close of business March 27, 1930, which is taken as a convenient date by reason of the fact that it is the date of the last call of the Comptroller of the Currency for Statement of Condition of National Banks. It also is the date upon which the State Banking Commissioner of Michigan called for a Statement of Condition of all State Banks and Trust Companies in Michigan.

As of March 27, 1930, Guardian Detroit Union Group (Inc.) owned all or practically all of the capital stock (except directors' qualifying shares) of 10 national banks, 2 located in Jackson and 1 in each of the cities of Battle Creek, Detroit, Grand Rapids, Kalamazoo, Lansing, Niles, Port Huron, and Saginaw, 6 State banks, members of Federal reserve system, 2 located in Detroit and 1 in each of the cities of Dearborn, Flint, Highland Park, and Port Huron; 6 State banks nonmembers of Federal reserve system, 2 located in Dearborn and one in each of the cities of Detroit, Grosse Pointe Park, Hamtramck, and Trenton, and 5 trust companies, limited to purely fiduciary activities under the Michigan law, 2 located in Detroit and one in each of the cities of Flint, Grand Rapids, and Highland Park, with capital, surplus, deposits, and resources as follows:

Units in which the Guardian Detroit Union Group (Inc.), holds a controlling interest, recapitulation

	Capital	Surplus	Undivided profits and reserves	Deposits	Resources
10 national banks	$10,200,000.00	$10,500,000.00	$4,189,210.70	$176,707,176.87	$205,977,951.18
6 State banks (members Federal reserve system)	12,600,000.00	7,510,000.00	3,121,497.18	155,884,329.58	181,519,387.12
6 State banks (nonmembers Federal reserve system)	1,250,000.00	492,150.00	159,174.88	10,130,710.62	12,697,578.86
5 trust companies	7,550,000.00	4,574,000.00	1,653,977.77	58,117,955.12	76,194,525.05
	31,600,000.00	22,626,150.00	9,123,860.53	400,840,172.19	476,389,442.21

On March 27, 1930, the Guardian Detroit Union Group (Inc.), also owned an approximate 40 per cent interest in seven small State banks nonmembers of the Federal Reserve System.

In order to complete the record, detailed figures are submitted for the information of the committee, marked Appendix II.

(The document referred to is printed in full at the conclusion of Mr. Lord's testimony.)

4. NAME AND CAPITAL STRUCTURE OF CORPORATIONS OTHER THAN COMMERCIAL BANKS AND TRUST COMPANIES, THE MAJORITY OF THE STOCK OF WHICH IS OWNED BY GUARDIAN DETROIT UNION GROUP (INC.).

On March 27, 1930, Guardian Detroit Union Group (Inc.), owned either directly or indirectly all or substantially all of the capital stock of two joint stock land banks; nine securities companies; one title guaranty company; two building companies; and one safe deposit company, all located in Michigan, excepting one Joint Stock Land Bank Co., whose principal place of business was Cleveland, Ohio, and one securities company in California, with a nominal capital of $10,000.

In order to complete the record, detailed figures as to capital stock, surplus, undivided profits, reserves and total resources of these corporations (marked "Appendix III") are submitted for the information of the committee.

(The document referred to is printed in full at the conclusion of Mr. Lord's testimony.)

5. METHOD OF ACQUIRING BANKS AND CORPORATIONS

As previously indicated under the original articles of association (charter) of Guardian Detroit Group (Inc.), the company may, upon the affirmative vote of three-fourths of its board of directors, issue and dispose of unissued or increased stock of said company for the purpose of acquiring stocks of banks or trust companies without offering to the stockholders of the company for subscription the stock to be so disposed of. By special provision of said charter, it is provided that the stockholders of said company shall be individually and severally liable (in proportion to the number of shares of stock held by them respectively) for any statutory liability imposed on such company by reason of its ownership of such shares of the capital stock of any bank or trust company.

In accordance with these provisions of the charter, Guardian Detroit Group (Inc.), acquired all or substantially all of the capital stock of the following institutions (except directors qualifying shares):

Guardian Detroit Bank, Detroit, Mich.
Guardian Trust Co., Detroit, Mich.
Guardian Detroit Co., Detroit, Mich.
Highland Park State Bank, Highland Park, Mich.
Highland Park Trust Co., Highland Park, Mich.
Bank of Dearborn, Dearborn, Mich.
National Union Bank & Trust Co., Jackson, Mich.
Federal Commercial & Savings Bank, Port Huron, Mich.
First National Bank & Trust Co., Port Huron, Mich.
Bank of Detroit, Detroit, Mich.

While Guardian Detroit Group (Inc.), was negotiating with and acquiring the above-listed institutions another company, called the Union Commerce Corporation, of Detroit, Mich., had acquired all or substantially all of the capital stock (except directors' qualifying shares) of the following institutions:

National Bank of Commerce, Detroit, Mich.
Union Trust Co., Detroit, Mich.
Union Co., Detroit, Mich.
Michigan Industrial Bank, Detroit, Mich.
Union State Bank, Dearborn, Mich.
Bank of Commerce, Dearborn, Mich.
Jefferson Savings Bank, Grosse Pointe, Mich.
Union Joint Stock Land Bank, Detroit, Mich.
Ohio-Penn. Joint Stock Land Bank, Cleveland, Ohio.
City National Bank & Trust Co., Battle Creek, Mich.
Keane, Higbie & Co., Detroit, Mich.
Union Industrial Bank and Union Industrial Trust Co., Flint, Mich.

Union Commerce Corporation had also acquired through exchange of its stock an approximate 40 per cent interest in seven small banks located entirely in agricultural communities. In two other cases 58 per cent and a 78 per cent interest was acquired. In acquiring the Ohio-Penn. Joint Stock Land Bank of Cleveland, Ohio, the Union Commerce Corporation exchanged its own stock for a portion of the Land Bank stock and in addition, purchased a large number of shares for cash. In the case of one other bank, the Union Commerce Corporation after exchanging its stock entered into an agreement with the stockholders wherein the Union Commerce Corporation purchased a considerable number of shares for cash.

Early in September of 1929, representatives of Guardian Detroit Group (Inc.) and Union Commerce Corporation discussed the possible advantages which might arise from a merger of the two companies. The discussion pointed out manifest benefits, and accordingly a proposed plan and agreement was drawn up providing for the acquisition of the stock of Union Commerce Corporation by Guardian Detroit Group (Inc.) through exchange of shares on a share for share basis after declaration of a 20 per cent stock dividend by Guardian Detroit Group (Inc.)

On December 17, 1929, the plan was declared operative—the title of Guardian Detroit Group (Inc.) thereupon being changed to Guardian Detroit Union Group (Inc.), which is its title to-day. Through this merger the latter company acquired ownership of stock in the financial institutions and other corporations referred to in the preceding paragraphs.

Subsequently, Guardian Detroit Union Group (Inc.) acquired by exchange of stock all or substantially all of the stock, except directors' qualifying shares, of the following institutions:

Peoples National Bank of Jackson, Mich.
City National Bank & Trust Co., Niles, Mich.
Capital National Bank of Lansing, Mich.
Grand Rapids National Bank, Grand Rapids, Mich.
First National Bank & Trust Co., Kalamazoo, Mich.
Grand Rapids Trust Co., Grand Rapids, Mich.
Second National Bank & Trust Co., Saginaw, Mich.

Subsequent to March 27, 1929, which date has been selected for the data included in this statement, Guardian Detroit Union Group (Inc.) acquired (on April 8, 1930) practically all of the capital stock, except directors' qualifying shares, of the National Bank of Ionia, Mich.

In figuring the basis of exchange of stock of the group company for that of the banks or trust companies acquired, it may be stated that, in general, the method was to reduce to a parity of actual value both the stock of the holding company and the stock of the bank to be acquired; and earnings of both institutions were also reduced to a parity—both factors being given due consideration in arriving at a basis satisfactory to both parties at interest. In this manner any tendency toward dilution of either actual value of the shares of earning power was minimized.

Actual values were determined by an examination of the assets of the bank with which negotiations were under way; and the bank, through its representatives, in turn, was afforded an opportunity to satisfy itself as to the value of the shares of the group company.

On March 27, 1930, Guardian Detroit Union Group (Inc.) owned all or substantially all of the stock of 27 banks and/or trust companies and a minority interest in seven additional banks. This is exclusive of the two joint-stock land banks owned. Many of the units acquired already had existing branches within the city limits of the municipality in which located. The total number of locations at which banking business is now transacted aggregates 102, exclusive of the seven banks in which a minority interest is owned.

6. CAPITAL STRUCTURE OF GUARDIAN DETROIT UNION GROUP (INC.)

Guardian Detroit Union Group (Inc.) has but one class of capital stock of $20 par value. To date 2,500,000 shares have been authorized, of which there are at present issued and outstanding 1,544,844 shares, representing a total of $30,896,880 par value out of a total authorized capital of $50,000,000.

These shares have been validated by the Michigan Securities Commission and were listed on the Detroit Stock Exchange on February 8, 1930.

It may be of interest to state at this juncture that Guardian Detroit Union Group (Inc.)—a Michigan corporation—is distinctly a Michigan institution inasmuch as 7,192 stockholders out of a total of 8,090 are residents of Michigan; 88.9 per cent of the stockholders reside in Michigan, and these Michigan stockholders own 92.64 per cent of the total stock now outstanding; New York City with 150 stockholders owns only 2.13 per cent of the total shares outstanding.

Details as to the geographical location of the stockholdings of the group company are as follows as of April 1, 1930:

DISTRIBUTION OF STOCK

The distribution of shares of Guardian Detroit Union Group (Inc.), according to the records as of April 1, 1930, was as follows:

Area	Number of stockholders	Total shares held	Percentage of stockholders to total	Percentage of stock to total	Average share holding
Michigan	7,192	1,424,390	88.90	92.64	198.05
New York City	150	32,751	1.85	2.13	218.34
Eastern part of United States (exclusive of New York City	244	31,303	3.02	2.04	128.29
Central part of United States	296	30,190	3.66	1.96	101.99
Western part of United States (west of Mississippi)	170	17,762	2.10	1.16	104.48
Outside of United States	38	1,119	.47	.07	29.45
Outside of Michigan, total	898	113,125	11.10	7.36	125.97
Michigan, total	7,192	1,424,390	88.90	92.64	198.05
	8,090	1,537,515	100.00	100.00	190.05

7. RELATIONS BETWEEN GUARDIAN DETROIT UNION GROUP (INC.) AND BANKS ACQUIRED

I believe that the information which the committee has requested on this subject can best be given by reading excerpts from confidential bulletin No. 1 of Guardian Detroit Union Group (Inc.), dated January 2, 1930, copies of which were furnished to all officers and directors of unit members of the group. (Complete text included in Appendix IV.)

(The documents referred to are printed in full at the conclusion of Mr. Lord's testimony.)

From its inception Guardian Detroit Union Group (Inc.) has stood committed to the fundamental policy of developing the standing and prestige of local management and has placed the responsibility of such management upon the local boards of directors and local officers.

Article VI of the by-laws of the group provides:

Whenever at any meeting of the stockholders of a bank or trust company of which this corporation shall at the time own 75 per cent or more of the outstanding stock, an election of a board of directors is held, the shares of such bank or trust company owned by this company shall be voted in favor of the election of a board of directors of which at least 75 per cent shall consist of directors residing in the municipality where said bank or trust company is located or within a radius of 50 miles thereof.

To further carry out these policies, the board of directors of Guardian Detroit Union Group (Inc.) adopted the following resolutions:

Resolved, That credit based upon the deposits in a local bank, which is a unit member of Guardian Detroit Union Group (Inc.), shall be controlled wholly by the board of directors and the officers of the local unit bank; and

Resolved, That Guardian Detroit Union Group (Inc.) in its relationships with local banks which are unit members of the group, accepts as its sole function, responsibility, and duty—to provide stronger support to the banks and a more secure basis for these institutions—and the officers and staff of the group be, and they hereby are, directed to devote their energies and restrict their activities accordingly.

In order to put into effect these broad policies and such other more specific courses of action as may be adopted in conformity thereto, it is necessary to develop a form of organization for the group which will not only allow the greatest possible latitude in the transaction of local business, but will also, by a process of mutual education, make constantly available to each unit all the accumulated knowledge and expert opinion possessed by all the other units.

In considering this subject of the organization and functions of the group company, it should be borne in mind that (the banking laws) Act No. 66, public acts of 1929, State of Michigan, effective April 19, 1929, provides—

SEC. 14. The affairs of each bank shall be managed by a board of not less than five directors * * *.

SEC. 15. The board of directors, or a quorum thereof, * * * shall meet at least once each month and shall at such meetings examine the loans and investments made by the officers thereof since the last meeting of such board and shall review the other transactions of such bank. It shall cause to be spread upon the records of such bank, in the record book thereof which shall be kept for that purpose, the minutes of such meeting and all its actions thereat, including the approval of all loans required to be approved by the board of directors * * *.

SEC. 17. The board of directors of each bank shall appoint from its members or stockholders an examining committee, or committees, not including any officer who has active management of the bank, whose duties it shall be to examine the condition of the bank at least once every six months. The examining committee shall report to the board, giving in detail all items included in the assets of the bank which they have reason to believe are not of the value at which they appear on the books and records of the bank, and giving the value of each of such items as in their judgment they may have determined.

From the above paragraphs it is evident that in each local bank incorporated or existing under the act referred to, and similarly in each bank chartered under the national banking act, the directors have certain statutory duties, for the satisfactory performance of which they are held personally responsible, and which can not be by them delegated to any other person or persons.

Aside from the bald illegality of any attempt to ursurp the functions or hamper the activities of the board of directors of a local unit bank, such a course would run directly counter to prudence, good judgment and commen sense. Experience indicates that the bulk of profitable business enjoyed by a given bank is the result of the personal efforts of directors and officers. Hence, any policy which impairs, even in the slightest degree, the prestige and enthusiasm of a local board of directors is a body-blow at the growth of the local unit bank, and therefore at the growth and prosperity of the group as a whole.

The deliberate adoption of policies so obviously suicidal is unthinkable; nevertheless, extreme care must be exercised to insure that group management does not perhaps unconsciously encroach upon the statutory and customary authority and responsibility of the unit-bank management.. Accordingly, it was deemed advisable to particularly emphasize "the group policy of noninterference with local management," by formal action of the group board of directors. It was, therefore,

Resolved, That the board of directors of each local unit institution in Guardian Detroit Union Group (Inc.), is responsible for the management of the affairs of the institution in question; and that the officers of each unit institution in the group are responsible directly to the board of directors for their own institution and to no other authority, except the law.

In brief, the local banks, trust companies, and other unit members of the group are, and should be, considered as enjoying all the rights and accepting all the responsibilities of full partnership in the group, among the advantages of which are:

First. Each separate institution has the backing of resources many times greater than its own, giving the depositor even greater assurance as to the safety of his funds.

Second. The larger local corporations need no longer go to New York or Chicago for such accommodations as they may need in the matter of loans. The group should be able to provide all the funds to which any of the local corporations are entitled.

Third. The depositors will have available to them the credit information and the financial and investment advice of a large organization, including specialists in many lines. A single institution of moderate size could not afford to employ such experts.

Fourth. The depositors are assured of the continuance of capable management of the local institution. The group company must, of necessity, be in a position to furnish capable personnel to any unit member of the group when called upon to do so.

Fifth. The group provides contact with innumerable types of businesses and cooperation in developing new business for clients.

Sixth. The original stockholders of the unit bank, after exchanging their stock for stock of the group company, will have a diversity of risk, dependent not alone on the prosperity of their local community but supplemented by larger resources with the investment spread over banking institutions located in many cities—in banks serving a wide range of industry and territory.

Seventh. Their new group stock is part of an issue of much greater number of shares, owned by thousands rather than hundreds of investors, giving them a broader and more active market in case they care to buy or sell—a stock recognized as desirable collaterial in every large city in the country.

Of course the advantages referred to above can be obtained only as a result of establishing sound policies uniformly throughout the group, developing unit organizations with the ability to put these policies into effect, and providing a means of measuring the degree in which these policies are effectively applied. The problem is to devise a form of organization which will accomplish these purposes without in any way infringing upon local autonomy.

GENERAL FUNCTIONS OF GROUP COMPANY

It would appear that the board of directors of the group company (upon which practically all units are represented by one or more directors) could, with perfect properity, announce its belief in the soundness of a given policy, and request the president to bring it, as a " recommended policy " to the attention of the boards of directors of all unit member institutions liable to be benefited thereby.

The board of directors of the local unit institution would be at liberty to agree or disagree with the recommendation, but when, as and if approved by the local board, it would become the " approved policy " of the local unit institution.

Both the board of directors of the local unit institution and that of the group would have, then, a joint interest in seeing that these approved policies are put into effect. They also have a natural desire to know the degree of conformity to established policies attained by the local unit in question and how it compares in relative operating efficiency with other units of the group.

Apparently, then, the group company can perform the following useful functions for the local unit institutions without in any way violating the basic policy of encouraging local management to run their own banks, namely:

(*a*) Acting as a clearing house for information bearing upon policies, practices, and results obtained by the various member unit institutions.

(*b*) Systematically making available to all units the practice of the best with a view to enabling all to reach the highest standards of operation and resultant profit.

(*c*) Providing expert advice at minimum cost in regard to tax and insurance matters and extraordinary legal questions.

(*d*) Providing capable supervision in connection with building construction and management.

(*e*) Coordinating business development activities.

(*f*) Purchasing standard equipment and supplies in quantity.

(*g*) The group company should also provide an independent examining force, in no way responsible for the condition which its examination discloses, to supplement the work of the board of directors of a local unit in connection with the examining responsibilities imposed by statute.

In brief, it should be the principal function of the group company to act in an advisory capacity—recommending to the boards of the local units, policies, practices, economies, and so forth.

The local boards and the local officers of the units must operate their own banks or trust companies. They are better able to know and judge local conditions.

Guardian Detroit Union Group (Inc.) is not engaged in the banking business and has no intention of engaging in the banking business. However, the need for coordinating activities of the various member institutions requires some sort of organizations, in order to achieve the increased efficiency which may reasonably be expected from separate organizations imbued with a desire and a will to help each other in providing the best possible service for the community served. Accordingly, the following committees were elected by the board of directors: Advisory committee, executive committee, operating committee.

The advisory committee is largely a policy-making committee, its membership is comparatively small, and includes no active operating officers of any unit. This committee has entire freedom in criticizing either the policies or the management of any unit or any department of the associated institutions. Its meetings are not held on stated days, but upon the call of the chairman. Operating heads of units or departments have the advice and assistance of this committee as to any questions under consideration. The advisory committee, as at present constituted, includes the following:

Fred T. Murphy, chairman, trustee Murphy Family Trusts.
James Inglis, president American Blower Corporation.
Henry E. Bodman, counsel Guardian Detroit Union Group (Inc.), Detroit, Mich.
Roy D. Chapin, chairman of board Hudson Motor Car Co., Detroit, Mich.
Edsel B. Ford, president Ford Motor Co., Dearborn, Mich.
Charles H. Hodges, vice president American Radiator & Standard Sanitary Corporation, Detroit, Mich.
Ernest Kanzler, president Universal Credit Corporation, Detroit, Mich.
Alvan Macauley, president and general manager Packard Motor Car Co., Detroit, Mich.
George V. Morley, chairman of board Second National Bank and Trust Co., Saginaw, Mich.
Charles S. Mott, vice president General Motors Corporation, Detroit, Mich.
Jerome H. Remick, president Detroit Creamery Co., Detroit, Mich.
John R. Russel, director Union Guardian Trust Co.
Murray W. Sales, president Murray W. Sales & Co., Detroit, Mich.
Charles B. Warren, attorney, Warren, Hill & Hamblen, Detroit, Mich.

The executive committee includes several members of the advisory committee, together with other members of the board of directors who are operating men in the organizations in the group. Its duties are much the same as any executive committee, empowered to act on behalf of the board of directors.

The operating committee is made up of the operating heads of the various large units in the group. Its function is to discuss operating details, new business, and other matters pertaining to direct operations of the various institutions, which would make for better and more economical operation and for the further growth and development of the units in the group.

The following are members of the operating committee:

James L. Walsh, chairman, vice president Guardian Detroit Bank.
Frank W. Blair, chairman of board Union Guardian Trust Co., Detroit, Mich.
Frank M. Brandon, president City National Bank & Trust Co., Niles, Mich.
Joseph H. Brewer, president Grand Rapids National Bank, Grand Rapids, Mich.
Harry S. Covington, executive vice president National Bank of Commerce, Detroit, Mich.
Frank E. Gorman, vice president and cashier Capital National Bank, Lansing, Mich.
Stephen A. Graham, president Federal Commercial & Savings Bank, Port Huron, Mich.
John C. Grier, jr., president Guardian Detroit Co., Detroit, Mich.
Carlton M. Higbie, chairman of board Keane, Higbie & Co., Detroit, Mich.
George B. Judson, president Bank of Detroit, Detroit, Mich.
Charles A. Kanter, executive vice president National Bank of Commerce, Detroit, Mich.
Samuel R. Kingston, executive vice president and cashier National Bank of Commerce, Detroit, Mich.
Robert O. Lord, president Guardian Detroit Bank, Detroit, Mich.
Duncan J. McNabb, president Keane, Higb.e & Co. (Inc.), Detroit, Mich.
Frank J. Maurice, executive vice president Highland Park State Bank, Highland Park, Mich.
E. R. Morton, vice president and cashier City National Bank & Trust Co., Battle Creek, Mich.
Phelps Newberry, vice president Union Guardian Trust Co., Detroit, Mich.
Bert K. Patterson, vice president and treasurer Guardian Detroit Union Group (Inc.), Detroit, Mich.
Herbert S. Reynolds, president Union and Peoples National Bank, Jackson, Mich.
Alex. Robertson, vice president National Bank of Ionia, Ionia, Mich.
Henry H. Sanger, president National Bank of Commerce, Detroit, Mich.
Earl H. Shepherd, vice president First National Bank & Trust Co., Kalamazoo, Mich.
R. Perry Shorts, president Second National Bank & Trust Co., Saginaw, Mich.
John N. Stalker, president Union Guardian Trust Co., Detroit, Mich.
Arthur H. Vogt, vice president and comptroller Guardian Detroit Union Group (Inc.), Detroit, Mich.
Herbert R. Wilkin, executive vice president Union Industrial Bank, Flint, Mich.

Instead of setting up a number of departments or divisions in the group company, certain staff officers have been appointed to assist the president of the group company in coordinating and stimulating the activities of local institutions in accordance with "approved policies."

A complete list of the entire personnel of the group company is included in the annual report which is attached as Appendix V.

(The document referred to is printed in full at the conclusion of Mr. Lord's testimony.)

With the exception of the vice president and treasurer, and the secretary of the group company, the official personnel of Guardian Detroit Union Group (Inc.) is made up entirely of talent loaned by the members of the group. The salaries, except in the instances given above, are paid by the local units of which the individual is an officer. This is in order to keep at a minimum the expense of the group organization and at the same time supply to the units of the group the best available advice on special subjects.

In the official organization of the group company, we have a group of active officers and advisory officers who, through their knowledge and experience, should prove to be of great service to all of the units in the group. All operating heads are encouraged to write to the group company on any questions wherein it is felt that the staff of the group company can be helpful. Communications are ordinarily addressed to the president and by him referred, if necessary to the proper officer in the group organization for necessary action.

The advisory committee concerns itself only with the consideration of broad questions which affect the policy of the group as a whole; and the executive committee is limited in its activities to functioning in lieu of the board during the interval between regular quarterly meetings. However, the operating committee is intended to be the instrumentality to which the operating heads of the various unit members bring their day-to-day operating problems. In this connection, I think it would be of interest, inasmuch as we are dealing with a new kind of organization—to read a few extracts from the minutes of the first meeting of this operating committee:

> The chairman outlined the purposes of the meeting, quoting from the annual report of the president of Guardian Detroit Union Group (Inc.), as follows: "The operating committee is made up of the operating heads of the various large units in the group. Their function is to discuss operating details, new business, and other matters pertaining to direct operations of the various institutions, which would make for better and more economical operation and for the further growth and development of the units in the group."

It was pointed out that the operating committee consists, as present, of 27 members, and that it is apparently expected to take cognizance of all matters which have a bearing upon efficient and economical operation, or which may be expected to have an effect upon the growth of any banking, fiduciary, or investment unit, or of the group as a whole. It was the concensus that with such a large membership and such a broad range of activities, the operating committee can function most effectively through the organization of subcommittees, appointed to consider specific questions and to make appropriate reports and recommendations to the operating committee.

It was agreed that the operating committee should be represented by one of its own members on each subcommittee, but that the entire field of group official personnel should be drawn upon freely in making up the membership of the various subcommittees.

The chairman emphasized the importance of actually carrying out the policy laid down at the first meeting of the board of directors of the group company, namely, that the unit instructions were to continue to function independently and subject only to the control of their respective boards of directors and officers. He explained that the operating committee was essentially a voluntary gathering of operating heads of unit banks, trust companies, and other financial organizations who plan to foregather, from time to time, with a view to interchanging ideas; to determine, as the result of general discussion, the best banking policies and practices to the end that each "recommended policy" should be adopted by such units as saw fit to recognize the sheer logic of the suggestion, after taking into full account the exigencies of its local situation.

The chairman requested all members to consider the meetings of the committee as a forum for the discussion of, and a clearing house for, information bearing upon local-banking policies, operating methods, difficulties encountered, and results obtained by the various member unit institutions, with a view of systematically making available to all units the practices of best so as to enable all to reach the highest standards of operations and resultant profit.

The chairman suggested that it was entirely possible that certain recommended policies might be applicable to certain member unit institutions and obviously inapplicable to others, and, accordingly, that votes be taken by units on each separate question considered by the operating committee so that proper flexibility of application would be insured without sacrificing the greatest possible degree of harmonious operation.

8. GEOGRAPHICAL AREA

In determining the geographical area into which Guardian Detroit Union Group (Inc.) has so far extended its operations, we were fortunate in having a natural, relatively compact trade area lying almost wholly within the State of Michigan. We have to date confined our operations entirely to the lower Peninsula of Michigan, the upper peninsula forming no part of the natural trade area.

All corporations now a part of the Guardian Detroit Union Group (Inc.) are located within the confines of the State of Michigan with the exception of the Ohio-Pennsylvania Joint Stock Land Bank, Cleveland, Ohio, and the Guardian Detroit Co., of California, a securities sales organization operating with a nominal capital of $10,000 and with offices in Los Angeles and San Francisco, Calif.

We have no present intention of crossing State lines, although economically Toledo and other Ohio cities are within the trade area of Detroit.

We feel at this time that group or branch banking should so far as our own activities are concerned be confined to an area which by the very nature of its business and industries is more or less dependent upon Detroit.

9. AUDIT AND EXAMINATION

Guardian Detroit Union Group (Inc.), is fortunate in having as vice president and treasurer, Mr. Bert K. Patterson, formerly chief national bank examiner of the seventh Federal reserve district, assisted by other former national bank examiners and assistants. These examiners made, during the formative stages of the group, detailed examinations of banks with which negotiations were under way, and their findings were used in determination of values and earnings necessary to arrive at an equitable basis for exchange of stocks.

These gentlemen have now completed a thorough examination of each unit member institution and, generally speaking, followed the same procedure as do national bank examiners, except that they are allowed much more time than is ordinarily permissible for regular examinations of national banks by the comptroller's representatives. Their examination is perhaps more comprehensive as to the condition of the banks.

We contemplate having examinations made by these gentlemen of all unit banks at least twice each year, examinations of course to be in addition to those of national or State examiners.

The unit banks forward to the group office each week a balance sheet statement of their condition which is used principally to keep the officers of the group company advised of any important fluctuations in the main accounts of the bank—for example, marked increases or decreases in deposits, etc. The unit banks also forward to the group office a balance sheet at the end of each month. These figures are assembled and consolidated. Likewise, the unit banks forward at the end of each month a statement of their earnings. These are also combined to note progress made from month to month.

All unit members of Guardian Detroit Union Group (Inc.) are gradually establishing the accrual system, in accordance with the most modern practice. Besides establishing a uniform method of bookkeeping and minimizing the possibilities of errors and inaccuracies, it is felt that the accrual system is an additional safeguard against possible loss in that it tends to show up any unusual transaction or series of transactions and thus invite immediate investigation as to the reasons therefor.

CONCLUSIONS

I think this completes the information which your chairman requested me to furnish. Before concluding my statement, I should like to say that if there is any other information desired by the committee, I shall be glad to have it prepared promptly and forwarded to the committee for inclusion in the record.

In that part of the latest Report of the Comptroller to Congress, under the heading, "Legislation Recommended," I note that the comptroller recommends the enactment of legislation which will bring the operations of bank holding companies under some degree of Federal supervision. The Guardian Detroit Union Group (Inc.) would welcome the expansion of the visatorial power of the comptroller to include all of the corporations in which we are interested.

The comptroller also recommended a further amendment to safeguard the additional shareholders' liability which each such bank holding company incurs through the ownership of the shares of national bank stock. As you will have noted from my statement, Guardian Detroit Union Group (Inc.), through the provisions of its charter filed May 10, 1929, Article IX, provided for this double liability, feeling that the depositor should be given every possible protection and safeguard.

As I see the situation to-day, we are confronted with the following facts:

(*a*) During the nine years ended December 31, 1929, 5,640 banks failed, with aggregate deposits exceeding $1,700,000,000, affecting the savings of over 7,000,000 depositors, and causing 114,000 shareholders very serious losses.

(*b*) During the last calendar year, there were 640 bank failures which caused the tying up of $234,000,000 of deposits—the greatest of any year in the decade except 1926.

(*c*) It is perfectly obvious that there is something radically wrong with a system of banking which permits such unusual hardships to be imposed over a wide geographical area, particularly in the smaller communities.

(*d*) During the same period, there have been no important failures among the banks in the larger cities.

(*e*) All attempts to improve matters by legislation requiring the guaranty of deposits or the like, have been proven to be economically unsound, and have been practically abandoned.

(*f*) Federal reserve banks are not charged with the responsibility of preventing bank failures and it is clearly beyond the power of any governmental agency to stand between banks and insolvency.

(*g*) Intensification of the present correspondent system has been suggested as a remedy, with the thought that the technical banking experience and approved metropolitan banking methods should be made available to a greater degree to smaller banks. Probably every failed bank was a correspondent of some metropolitan bank, but that fact has not prevented failures at the rate of more than 500 per year. In any event, there would be no obligation, under the correspondent system, for the metropolitan banks to protect the local depositors of their country correspondents.

In the final analysis, successful banking depends upon able management and upon outside economic conditions. Through branch or group banking, management for the smaller communities can undoubtedly be improved in the vast majority of cases—and through a larger institution properly capitalized with large financial resources and diversification of assets and carefully supervised both by the organization itself and by the government authorities, much greater protection can be given to the depositors and shareholders.

To my mind, there is no probability of undue concentration of capital, nor of the building up of a monopoly—for so long as the banking business can be made to earn with safety a satisfactory return, competition will exist, and new banks will continue to be organized in the future as in the past.

I am in full agreement with Gov. Roy A. Young, of the Federal Reserve Board, in his statement before this committee, that group, chain and branch banking have developed because of business necessity, even though there has been little encouragement for it in the way of legislation. Manifestly, more than one-half of the total banking resources of the country, measured in terms of loans and investments, would not now be held by branch, chain, and group systems unless there had been some good reason for this great growth. With him, I regard it as a natural development.

While undoubtedly economies of operation would result from the conversion of some of the present group systems into branch systems, I question whether this should be forced by legislation. There is a very definite advantage arising from the retention, by a local bank, of its own name and identity which, in most cases, has a long and honored significance in the eyes of the local public. Even though branch banking were permitted statewide in Michigan, at the present time it is likely that some of our unit banks would be kept as units, retaining their own corporate identity. In any event, I should like to emphasize that the financial mechanism of the country is a delicately balanced machine, and I respectfully urge upon you gentlemen that whatever course you decide to pursue should be tempered with the knowledge that its effects are likely to be far reaching. It seems to me that we must seek improvement through evolution, rather than revolutionary measures, and allow time for the entire banking structure to adapt itself to the new order.

I want to thank the members of the committee for their courtesy in permitting me to cover this subject in my own way, without interruption, I shall be glad to answer, to the best of my ability, any questions which may occur to the members of this committee.

(The documents referred to are as follows:)

APPENDIX I

UNITED STATES OF AMERICA,
THE STATE OF MICHIGAN,
DEPARTMENT OF STATE.

To all to whom these presents shall come:

I, John S. Haggerty, secretary of state of the State of Michigan and custodian of the great seal thereof, do hereby certify that articles of association of Guardian Detroit Group (Inc.) were duly filed in this office on the 10th day of May, A. D., 1929, and the said company is authorized to commence its business in conformity with Act 84, Public Acts of 1921, as amended.

In testimony whereof I have hereunto set my hand and affixed the great seal of the State at the capitol, in the city of Lansing, this 10th day of May A. D., 1929.

[SEAL.]

JOHN S. HAGGERTY,
Secretary of State.

ARTICLES OF ASSOCIATION OF GUARDIAN DETROIT GROUP (INC.)

We, the undersigned, desiring to become incorporated under the provisions of Act No. 84 of the Public Acts of 1921, entitled "An act to provide for the organization, regulation and classification of domestic corporations; to prescribe their rights, powers, privileges and immunities; to prescribe the conditions upon which corporations may exercise their franchises," etc., do hereby make, execute, and adopt the following articles of association, to wit:

ARTICLE I

The name assumed by this association, and by which it shall be known in law is Guardian Detroit Group (Inc.).

ARTICLE II

This corporation intends to proceed under section 1, chapter 1, part 1, of the above act.

ARTICLE III

The purpose or purposes of this corporation are as follows: To acquire, own, hold, dispose of, and deal in stocks, bonds, and other evidences of indebtedness and securities, including those issued by any corporation, domestic or foreign, and to possess and exercise in respect thereto all the rights, powers, and privileges of individual owners thereof, including the right to vote the same, and to execute proxies therefor.

ARTICLE IV

Principal place where company will operate is Detroit, in the county of Wayne, State of Michigan.

Address of main office in Michigan is Penobscot Building, Detroit.

ARTICLE V

The total capital stock authorized is $7,500,000.
The amount subscribed is $1,000.
The amount paid in is $1,000.

The number of shares of common stock is 150,000 of the par value of $50 each.

Amount of common stock, paid for in cash is $1,000.

The amount of actual capital, in cash or property or both, which this corporation owned and possessed at the time of executing these articles is $1,000.

ARTICLE VI

The term of this corporation is fixed at 30 years.

ARTICLE VII

Names of stockholders, their residences and shares subscribed by each are:

	Number of shares
Henry E. Bodman, 20 McKinley Place, Grosse Pointe Farms, Mich	1
Edsel B. Ford, 100 Lake Shore Road, Grosse Pointe Shores, Mich	1
John C. Grier, jr., 8100 East Jefferson Avenue, Detroit, Mich	1
Sherwin A. Hill, Northville, Mich	1
Ernest Kanzler, 2501 Iroquois Avenue, Detroit, Mich	1
Robert O. Lord, 17 McKinley Place, Grosse Pointe Farms, Mich	12
Fred T. Murphy, 17620 East Jefferson Avenue, Grosse Pointe, Mich	1
Phelps Newberry, 36 Cloverly Road, Grosse Pointe Farms, Mich	1
James L. Walsh, 8161 East Jefferson Avenue, Detroit, Mich	1

ARTICLE VIII

The officers and directors for the first year of the corporation's existence, are as follows:

Directors:
- Henry E. Bodman, Penobscot Building, Detroit, Mich.
- Edsel B. Ford, Ford Motor Co., Dearborn, Mich.
- John C. Grier, jr., Penobscot Building, Detroit, Mich.
- Sherwin A. Hill, Union Trust Building, Detroit, Mich.
- Ernest Kanzler, Penobscot Building, Detroit, Mich.
- Robert O. Lord, Penobscot Building, Detroit, Mich.
- Fred T. Murphy, Penobscot Building, Detroit, Mich.
- Phelps Newberry, Penobscot Building, Detroit, Mich.
- James L. Walsh, Penobscot Building, Detroit, Mich.

Officers:
- Henry E. Bodman, chairman of the board, Detroit, Mich.
- Robert O. Lord, president, Detroit, Mich.
- John C. Grier, jr., vice president, Detroit, Mich.
- James L. Walsh, vice president, Detroit, Mich.
- Phelps Newberry, vice president and treasurer, Detroit, Mich.
- Lewis K. Walker, secretary, Detroit, Mich.
- Arthur T. Vogt, assistant treasurer, Detroit, Mich.
- Robert C. Lehman, assistant secretary, Detroit, Mich.

ARTICLE IX

The holders of the stock of this corporation shall be individually and severally liable (in proportion to the number of shares of its stock held by them respectively) for any statutory liability imposed upon this corporation by reason of its ownership of shares of the capital stock of any bank or trust company.

This corporation reserves and shall have the right from time to time upon the affirmative vote of three-fourths of its directors to issue and dispose of all or any of its unissued or increased stock for the purpose of acquiring stock of banks or trust companies, without offering to the stockholders of this corporation for subscription any of the stock so to be disposed of.

In witness whereof, we, the parties designated as provided by law by the parties associating, as shown under Article VII of these articles, for the purpose of giving legal effect to these articles, hereunto sign our names this 9th day of May, A. D. 1929.

HENRY E. BODMAN.
JOHN C. GRIER, Jr.
ROBERT O. LORD.

STATE OF MICHIGAN,
County of Wayne, ss:

On this 9th day of May, A. D. 1929, before me, a notary public in and for said county, personally appeared Henry E. Bodman, John C. Grier, jr., and Robert O. Lord, known to me to be the persons named in, and who executed the foregoing instrument, and severally acknowledged that they executed the same freely and for the intents and purposes therein mentioned.

JOSEPH I. WEBB.
Notary Public, Wayne County, Mich.

My commission expires November 19, 1929.

This is to certify that at the organization meeting of the incorporators of Guardian Detroit Group (Inc.), a corporation to be formed under Act 84, Public Acts of 1921, of the State of Michigan, as amended, held this 9th day of May, 1929, the following resolution was unanimously adopted and that the undersigned was elected to act and did act as secretary of said meeting:

Resolved, That Henry E. Bodman, John C. Grier, jr., and Robert O. Lord, be, and they are hereby designated to sign and acknowledge the Articles of Association of Guardian Detroit Group (Inc.), for themselves and for the remainder of the incorporators of said corporation.

JOHN C. GRIER,
Secretary of the Organization Meeting of Guardian Detroit Group (Inc.).

MICHIGAN DEPARTMENT OF STATE,
CORPORATION DIVISION,
C–6240. *May 31, 1929.*

Received of Guardian Detroit Group (Inc.), five and no/100 dollars. (For filing amendment, $5.)

JOHN S. HAGGERTY, *Secretary of State.*

MICHIGAN DEPARTMENT OF STATE,
CORPORATION DIVISION,
C–5655 *May 10, 1929.*

Received of Guardian Detroit Group (Inc.), three thousand seven hundred and fifty-five and no/100 dollars. (For franchise fee, articles, $3,750, filing articles, $5.)

JOHN S. HAGGERTY, *Secretary of State.*

CERTIFICATE OF AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE GUARDIAN DETROIT GROUP (INC.)

We, the undersigned, being the president and secretary of the Gurdian Detroit Group (Inc.), a corporation existing under the provisions of Act. No. 84 of the Public Acts of 1921, as amended, do hereby certify, as required by section 9, chapter 1, Part II of said act:

That at a meeting of the stockholders of said corporation expressly called for the purpose of amending its articles of association and held at the office of said company on the 23d day of May, A. D. 1929, it was resolved by the unanimous vote of the capital stock of said corporation, that Article V of the articles of association be, and the same is, amended so as to read as follows, viz:

"ARTICLE

"The total capital stock authorized is $7,500,000.
"The amount subscribed is one thousand dollars ($1,000).
"The amount paid in is one thousand dollars ($1,000).
"The number of shares of common stock is 375,000 of the par value of $20.

"The amount of common stock paid for in cash is one thousand dollars ($1,000).

"The amount of actual capital in cash or property or both which this corporation owned and possessed at the time of executing these articles is one thousand dollars ($1,000)."

In witness whereof we hereunto sign our names this 23 day of May, A. D. 1929.

ROBERT O. LORD, *President.*
L. K. WALKER, *Secretary.*

(Indorsement:)

STATE OF MICHIGAN,
OFFICE OF THE SECRETARY OF STATE.

I, John S. Haggerty, secretary of state of the State of Michigan, do hereby certify this amendment of articles of association of Guardian Detroit Group (Inc.) to be a true and correct copy of the original on file in this office, as of May 31, A. D., 1929.

In testimony whereof I have hereunto set my hand and official seal at Lansing, this 31st day of May, in the year of our Lord 1929.

JOHN S. HAGGERTY, *Secretary of State.*

June 3, 1929: Received for filing amendment to articles of association of Guardian Detroit Group (Inc.). Charles C. Thompson, deputy clerk.

CERTIFICATE OF AMENDMENT OF ARTICLES OF ASSOCIATION GUARDIAN DETROIT GROUP (INC.)

We, the undersigned, being the president and the secretary of Guardian Detroit Group (Inc.), a corporation existing under the provisions of Act No. 84, of the Public Acts of 1921, do hereby certify, as required by section 10, chapter 2, Part II of said act:

That at a meeting of the stockholders of said corporation expressly called for the purpose of amending its articles of association and held at the office of said company on the 17th day of August, 1929, it was resolved by a vote of more than two-thirds of the capital stock of said corporation that the shares of stock of said company be increased from three hundred seventy-five thousand (375,000) shares to five hundred thousand (500,000) shares, and that Article V of the articles of association be, and the same is amended so as to read as follows, namely:

"ARTICLE V

"The total capital stock authorized is ten million dollars ($10,000,000).

"The amount subscribed is seven million two hundred eighty-five thousand dollars ($7,285,000).

"The amount paid in is seven million two hundred eighty-five thousand dollars ($7,285,000).

"The number of shares of stock is five hundred thousand (500,000) of the par value of $20 each.

"The amount of common stock paid for in cash is two million nine hundred forty-seven thousand five hundred dollars ($2,947,500), and four million three hundred thirty-seven thousand five hundred dollars ($4,337,500) has been paid in property, the description and valuation at which each item is taken is as follows:

	Number of shares
Consideration, issued in exchange for 50,000 "Guardian Units" (i. e., unified stock of Guardian-Detroit Bank, Guardian Trust Co., of Detroit, and Guardian Detroit Co., $5,000,000	250,000
Consideration, issued in exchange for 10,000 shares of Highland Park State Bank, $1,000,000	50,000
Consideration, issued in exchange for 5,000 shares of Highland Park Trust Co., $500,000	12,500
Consideration, issued for 6,000 shares (entire issue) of R. O. L. Co., $747,000	15,000
Consideration, issued in exchange for 2,000 shares of Bank of Dearborn, $200,000	4,000
Total shares	331,500

"Actual value of property taken in exchange in excess of, $7,447,000.

"The amount of actual capital in cash, or property or both, which this company owned and possessed at the time of executing the original articles is $1,000."

In witness whereof we hereunto sign our names this 20th day of August, A. D. 1929.

ROBERT O. LORD, *President.*
L. K. WALKER. *Secretary.*

STATE OF MICHIGAN,
County of Wayne, ss:

Robert O. Lord, Henry I. Armstrong, and Lewis K. Walker being duly sworn depose and say that they are three of the stockholders of the Guardian Detroit Group (Inc.), a Michigan corporation, amendments to whose articles of association are hereto attached; that they know the property described in such amendments and taken in payment for capital stock, and that the same has been actually transferred to such corporation, and further say that said property is of the actual value of $7,447,000 and upwards.

And further say not.

ROBERT O. LORD.
HENRY I. ARMSTRONG, Jr.
LEWIS K. WALKER.

Subscribed and sworn to before me this 20th day of August, A. D. 1929.

HELEN L. MCKAY,
Notary Public, Wayne County, Mich.

My commission expires January 30, 1933.

GUARDIAN DETROIT GROUP (INC.), CERTIFICATE OF AMENDMENT OF ARTICLES OF ASSOCIATION.

No. B 1005.

MICHIGAN DEPARTMENT OF STATE,
Lansing, Mich., December 5, 1929.

Received from Guardian Detroit Group (Inc.) the sum of $5, balance due on filing fee.

[SEAL.] JOHN S. HAGGERTY.

No. 20073.

GUARDIAN DETROIT GROUP (INC.)—ARTICLES OF ASSOCIATION

STATE OF MICHIGAN, *County of Wayne, ss:*

I, Thomas F. Farrell, clerk of the county of Wayne, and of the circuit court for said county, do hereby certify that the foregoing articles of association were received for record in my office, on the 7th day of December, 1929, and are recorded in record of articles of association, liber, on page—.

In testimony whereof I have hereunto set my hand and affixed the seal of said Court and County, at Detroit, this 7th day of December, 1929.

[SEAL.] THOMAS F. FARRELL, *Clerk.*
Fee $3.
By O. BINGHAM, *Deputy Clerk.*

No. 20073. Fee paid, $2.

DECEMBER, 7, 1929.

Received for filing articles of association, Guardian Detroit Group.

O. BINGHAM, *Deputy Clerk.*

CERTIFICATE OF AMENDMENT OF ARTICLES OF ASSOCIATION

GUARDIAN DETROIT GROUP (INC.), DETROIT, MICH.

We, the undersigned, being the president and the secretary of Guardian Detroit Group (Inc.), a corporation existing under the provisions of act No. 84 of the Public Acts of 1921, do hereby certify, as required by section 10, chapter 2, Part II of said act, and by section 9, chapter 1, Part II of said act:

That at a meeting of the stockholders of said corporation expressly called for the purpose of amending its Articles of Association and held at the office of said company on the 18th day of October, 1929, it was resolved by a vote of more than two-thirds of the capital stock of said corporation that Articles I, V, and IX of the Articles of Association be, and the same hereby, are, amended so as to read as follows, and that the shares of stock of said Company be increased from 500,000 shares to 2,500,000 shares:

ARTICLE I

The name assumed by this association and by which it shall be known in law is Guardian Detroit Union Group (Inc.)

ARTICLE V

The total capital stock authorized is $50,000,000.

The total amount subscribed is 394,500 shares, the par value of which is $7,890,000.

The amount paid in is $11,594,500.

The number of shares of stock is 2,500,000 of the par value of $20 each.

The amount of common stock paid for in cash is $2,947,500 and $8,647,000 has been paid in property the description and valuation at which each item is taken is as follows:

	Consideration
250,000 shares, issued in exchange for 50,000 guardian Units (i. e., unified stock of Guardian-Detroit Bank, Guardian Trust Co. of Detroit and Guardian Detroit Co.)	$5, 000, 000
50,000 shares, issued in exchange for 10,000 shares of Highland Park State Bank	1, 000, 000
12,500 shares, issued in exchange for 5,000 shares of Highland Park Trust Co	500, 000
15,000 shares, issued in exchange for 6,000 shares (entire issue) of R. O. L. Co	747, 000
4,000 shares, issued in exchange for 2,000 shares of Bank of Dearborn	200, 000
16,250 shares, issued in exchange for 5,000 shares of National Union Bank & Trust Co., Jackson, Mich	500, 000
8,000 shares, issued in exchange for 4,000 shares of Federal Commercial & Savings Bank, Port Huron, Mich	400, 000
6,000 shares, issued in exchange for 3,000 shares of First National Bank & Trust Co., Port Huron, Mich	300, 000
Total shares issued for property, 361,750; actual value of property taken in exchange is in excess of	8, 647, 000

The amount of actual capital in cash, or property, or both, which this company owned and possessed at the time of executing the original articles is $1,000.

ARTICLE IX

The holders of stock of this corporation shall be individually and severally liable (in proportion to the number of shares of its stock held by them respectively) for any statutory liability imposed upon this corporation by reason of its ownership of shares of the capital stock of any bank or trust company, and the stockholders of this corporation by the acceptance of their certificates of stock of this corporation severally agree that such liability may be enforced in the same manner as statutory liability may now or hereafter be enforceable against stockholders of banks or trust companies under the laws of the United States or the State of Michigan. A list of the stockholders of this corporation shall be filed with the banking commissioner of Michigan and the Comptroller of the Currency whenever requested by either of those officers.

This corporation reserves and shall have the right from time to time upon the affirmative vote of three-fourths of its directors to issue and dispose of all or any of its unissued or increased stock for the purpose of acquiring stock of banks, trust companies, and other corporations without offering to the stockholders of this corporation for subscription any of the stock so to be disposed of.

In witness whereof, we hereunto sign our names this 12th day of November, 1929.

[SEAL.]

ROBERT O. LORD, *President.*
L. K. WALKER, *Secretary.*

STATE OF MICHIGAN, *County of Wayne, ss:*

Robert O. Lord, John C. Grier, jr., and L. K. Walker, being duly sworn, depose and say that they are three of the stockholders of Guardian Detroit Group (Inc.), a Michigan corporation, amendments to whose articles of association are hereto attached; that they know the property described in such amendments and taken in payment for capital stock, and that the same has been actually transferred to such corporation, and further say that said property is of the actual value of $8,647,000 and upward.

ROBERT O. LORD.
JOHN C. GRIER, JR.
L. K. WALKER.

Subscribed and sworn to before me this 12th day of November, 1929.

GERTRUDE HINTZ,
Notary Public, Wayne County, Mich.

My commission expires June 30, 1930.

GUARDIAN DETROIT UNION GROUP (INC.) BY-LAWS

ARTICLE 1. MEETINGS OF STOCKHOLDERS

Annual meetings.—1. The annual meeting of the stockholders of this company shall be held at the principal office of the company the fourth Tuesday of January of each year at 11 o'clock a. m., eastern standard time, for the election of directors and such other business as may properly come before said meeting.

2. Notice of such meeting shall be sent by the secretary to each stockholder, by mail, addressed to such stockholder at his address as shown on the records of the company at least 10 days prior to the date of such meeting.

Special meetings.—3. Special meetings of the stockholders shall be called at any time on the order of the president or upon a resolution of a majority of the directors, or upon a written request of the holders of the majority of the stock of the company. Such meetings shall be held at the principal offices of the company.

4. Notice of each special meeting of stockholders shall be given in the same manner as in the case of the annual stockholders' meeting, but in addition thereto such notice shall state the object of such meeting, and no business shall be transacted thereat which shall not have been specified in said notice.

Quorum.—5. The owners of a majority of the capital stock of the company, represented in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of the stockholders, but less than a quorum shall have power to take a recess or adjourn any such meeting.

Record of stockholders.—6. The board of directors of this corporation shall have the right to fix in advance a date, not exceeding 40 days preceding the date of any meeting of stockholders or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion, or exchange of capital stock.

ART. II. DIRECTORS

Number and election.—The affairs of the company shall be managed by a board of nine directors to be elected by the stockholders at each annual meeting to hold office for one year or until their successors are elected.

Amended August 8, 1929: The affairs of the company shall be managed by a board of 15 directors to be elected by the stockholders at each annual meeting to hold office for one year or until their successors are elected.

Amended September 10, 1929: The affairs of the company shall be managed by a board of 25 directors to be elected by the stockholders at each annual meeting to hold office for one year or until their successors are elected. Vacancies or newly created directorships may be filled at any time during the year.

Amended December 16, 1929: The affairs of the company shall be managed by a board of 41 directors to be elected by the stockholders at each annual meeting to hold office for one year and until their successors are elected. Vacancies or newly created directorships may be filled by the board of directors at any time during the year.

Amended January 28, 1930: The affairs of the company shall be managed by a board of 50 directors to be elected by the stockholders at each annual meeting, to hold office for one year or until their successors are elected. Vacancies or newly created directorships may be filled by the board of directors at any time during the year.

Quorum.—2. A majority of the directors shall constitute a quorum for the transaction of business.

Vacancies.—3. Vacancies in the board of directors shall be filled by the remaining members of the board.

Regular meetings.—4. The board of directors shall meet at the office of the company on the second Wednesday of December, March, June, and September, at 2 o'clock p. m. eastern standard time, unless such day be a legal holiday when such meeting shall be held on the next succeeding secular day at the same hour and place.

Special meetings.—5. Special meetings of the board of directors shall be called at any time on the order of the president or whenever a request of such meeting is made by a majority of the directors.

Directors' meeting—Notice.—6. No notice need be given of the time or place of the regular quarterly meetings of the board of directors, but notice shall be given of all special meetings, which notice may be in writing, or by telegram, addressed to each director at his address as shown on the books of the company, or verbally, or by telephone, at least 24 hours before the time of such meeting. Notice of special meetings of the directors need not specify the object of such meetings.

Powers.—7. The board of directors shall at each annual meeting or adjourned annual meeting elect the following officers: A chairman of the board, a president, one or more vice presidents, a treasurer, a secretary, one or more assistant treasurers, and one or more assistant secretaries. Each of the foregoing officers shall, unless meantime removed by the board of directors, hold office for the period of one year, or until his successor is elected.

The board of directors may also elect or appoint such additional officers as they may from time to time deem wise.

Executive committee.—8. The board of directors shall appoint from time to time an executive committee consisting of not less than 11 or more than 21 directors which committee shall have full power to act in the intervals between meetings of the directors, with all the power of the directors. The directors shall elect a chairman of said committee whose duty it shall be to preside at meetings thereof. The secretary of the company shall act as secretary of said committee and shall keep a record of its proceedings. Regular and special meetings of the executive committee shall be held at such times and places and upon the giving of such notice as the committee shall from time to time determine. A majority of such committee shall constitute a quorum for the transaction of business.

Advisory committee.—9. The board of directors shall appoint from time to time an advisory committee, none of whom shall be active, salaried operating officers of any of this corporation's affiliated companies, who shall have such duties as shall be delegated to it by said board of directors. The board of directors shall appoint a chairman of such committee. A majority of such committee shall constitute a quorum for the transaction of business.

ART. III. OFFICERS

Chairman of the board.—1. The chairman of the board of directors shall preside at all meetings of the board and of the stockholders of the company and in the absence or case of disability of any officers of the company may exercise the powers of any such officer.

President.—2. The president, subject to the board of directors, shall have general charge of the business, property, and affairs of the company. He shall be ex officio a member of all committees. He shall have power to execute, on behalf of the company, checks, drafts, orders, acknowledgments, receipts, certificates, and all other documents not by the by-laws of the company or by any resolution of the board required to be signed by another or two or more officers. He shall have power to sign in conjunction with the secretary or an assistant secretary certificates of stock of the company. He shall preside at meetings of the stockholders and of the board of directors in the absence of the chairman. He shall also have power to employ such executives and engage such employees of the company as are not required to be elected or appointed by the board.

Vice president.—3. Each of the vice presidents shall have and exercise such powers as the president may delegate and as are not required by these by-laws to be performed by some other officer; and in the absence or disability of the president, the vice president first in order of election shall have and exercise all the powers of the president, and in case of the absence or disability of the vice president first in order of election the other vice presidents shall in the order of their respective elections have and exercise the powers of the president.

ART. IV. SEAL

The seal of the corporation shall be in the form impressed hereon.

ART. V. STOCK CERTIFICATES

1. Stock in the company shall be represented by certificates in the following form:

2. Certificates representing stock of the company shall be executed by two officers of the company as follows: A president or a vice president and the secretary or an assistant secretary.

3. Transfers of shares of stock of this company shall be made upon the books of the company by the registered holder in person or by attorney duly authorized upon surrender of the certificate or certificates representing such shares, but only when duly indorsed upon the form appearing on the reverse side of the certificate.

ART. VI

These by-laws may be amended, altered, or repealed by the board of directors at any regular or special meeting.

1. That whenever at any meeting of the stockholders of a bank or trust company, of which this corporation shall at the time own 75 per cent or more of the outstanding stock, an election of a board of directors is held, the shares of such bank or trust company owned by this company shall be voted in favor of the election of a board of directors of which at least 75 per cent shall consist of directors residing in the municipality where said bank or trust company is located or within a radius of 50 miles thereof.

ART. VII. REGULAR DIRECTORS' MEETING

A regular meeting of the newly elected board of directors shall be held immediately upon the adjournment of the annual meeting of stockholders at the same place at which said annual meeting of stockholders is held, provided however, that the majority of directors attending said meeting may authorize and adjournment thereof. At said meeting the directors shall elect officers for the ensuing year.

ART. VIII. AUTHORIZED SIGNATURES

Whenever certificates representing stock of this company have been or shall be executed by or with the signature of officers authorized to execute the same, and any such officer or officers shall cease to be such officer prior to the issuance of such certificates, or any of them, said certificates may, nevertheless, be issued by this company and shall constitute valid certificates representing ownership of the stock of this company.

APPENDIX II

Units in which the Guardian Detroit Union Group (Inc.) holds a controlling interest

	Capital	Surplus	Undivided profits and reserves	Deposits	Resources
NATIONAL BANKS					
Battle Creek, Mich., City National Bank & Trust Co. (operating one branch)	$600,000.00	$700,000.00	$102,289.66	$6,336,270.86	$8,340,710.47
Detroit, Mich., National Bank of Commerce (operating 20 branches)	5,000,000.00	6,000,000.00	1,458,316.40	95,295,284.87	108,729,391.05
Grand Rapids, Mich., Grand Rapids National Bank (operating 8 branches)	1,000,000.00	500,000.00	251,437.60	18,994,321.97	22,056,233.97
Jackson, Mich.:					
National Union Bank & Trust Co. (operating 1 branch)	500,000.00	300,000.00	215,503.94	8,461,405.18	9,854,502.24
Peoples National Bank	200,000.00	200,000.00	155,095.71	7,307,853.75	8,053,592.08
Kalamazoo, Mich., First National Bank & Trust Co. (no branches)	600,000.00	200,000.00	451,312.92	8,066,337.40	9,388,839.32
Lansing, Mich., Capital National Bank (operating 1 branch)	600,000.00	600,000.00	523,844.24	10,606,003.17	12,963,647.79
Niles, Mich., City National Bank & Trust Co. (no branches)	150,000.00	100,000.00	53,519.20	1,811,117.19	2,193,386.39
Port Huron, Mich., First National Bank & Trust Co. (no branches)	300,000.00	200,000.00	170,760.29	6,503,868.72	7,322,043.71
Saginaw, Mich., Second National Bank & Trust Co. (operating 1 branch)	1,250,000.00	1,250,000.00	807,130.74	13,324,713.76	17,075,604.16
Total	10,200,000.00	10,050,000.00	4,189,210.70	176,707,176.87	205,977,951.18
STATE BANKS, MEMBERS OF FEDERAL RESERVE					
Dearborn, Mich., Bank of Dearborn (no branches)	200,000.00	50,000.00	10,263.51	1,836,235.11	2,205,452.03
Detroit, Mich., Bank of Detroit (operating 20 branches)	4,000,000.00	1,250,000.00	550,567.83	44,729,872.61	50,463,800.36
Guardian Detroit Bank (no branches)	5,000,000.00	3,000,000.00	1,355,230.12	54,348,410.51	63,844,785.79
Flint, Mich., Union Industrial Bank (operating 9 branches)	2,000,000.00	1,000,000.00	513,809.60	20,851,107.61	26,251,571.87
Highland Park, Mich., Highland Park State Bank (operating 7 branches)	1,000,000.00	2,000,000.00	494,178.04	27,032,722.22	30,561,081.53
Port Huron, Mich., Federal Commercial & Savings Bank (operating 4 branches)	400,000.00	210,000.00	197,448.08	7,085,981.52	8,192,695.54
Total	12,600,000.00	7,510,000.00	3,121,497.18	155,884,329.58	181,519,387.12
STATE BANKS, NONMEMBERS OF FEDERAL RESERVE					
Dearborn, Mich., Bank of Commerce (no branches)	200,000.00	56,000.00	37,247.65	1,698,667.85	1,983,254.91
Union State Bank (operating 2 branches)	200,000.00	203,150.00	35,916.31	3,623,032.01	4,068,104.72
Detroit, Mich., Michigan Industrial Bank (no branches)	500,000.00	125,000.00	57,390.27	1,836,544.59	3,187,022.51
Grosse Pointe Park, Mich., Jefferson Savings Bank (operating 1 branch)	100,000.00	30,000.00	8,858.69	1,029,866.81	1,168,725.50
Hamtramck, Mich., Bank of Hamtramck (no branches)	200,000.00	43,000.00	9,123.96	831,652.97	1,083,776.93
Trenton, Mich., Trenton State Bank (no branches)	50,000.00	35,000.00	10,638.00	1,110,946.39	1,206,694.29
Total	1,250,000.00	492,150.00	159,174.88	10,130,710.62	12,697,578.86

Units in which the Guardian Detroit Union Group (Inc.) holds a controlling interest—Continued

	Capital	Surplus	Undivided profits and reserves	Deposits	Resources
TRUST COMPANIES					
Detroit, Mich.:					
Guardian Trust Co. (no branches)	$1,000,000.00	$1,000,000.00	$1,140,684.69	$20,620,550.40	$23,704,366.20
Union Trust Co. (no branches)	5,000,000.00	2,500,000.00	357,587.47	34,065,779.92	42,496,421.79
Flint, Mich., Union Industrial Trust Co. (no branches)	300,000.00	24,000.00	7,060.78	288,026.56	692,372.31
Grand Rapids, Mich., Grand Rapids Trust Co. (no branches)	750,000.00	800,000.00	68,420.54	1,715,539.50	3,365,383.84
Highland Park, Mich., Highland Park Trust Co. (no branches)	500,000.00	250,000.00	80,224.29	1,428,058.74	5,935,980.91
Total	7,550,000.00	4,574,000.00	1,653,977.77	58,117,955.12	76,194,525.05

Units in which the Guardian Detroit Union Group (Inc.) are interested but holds only 40 per cent stock interest

	Capital	Surplus	Undivided profits and reserves	Deposits	Resources
STATE BANKS, NONMEMBERS					
Blanchard, Mich., Blanchard State Bank	$25,000.00	$5,500.00	$4,567.12	$310,134.73	$345,201.85
Clinton, Mich., State Savings Bank	50,000.00	20,000.00	23,212.24	928,562.10	1,027,672.46
Hudson, Mich., Thompson Savings Bank	100,000.00	50,000.00	56,981.33	1,343,347.05	1,550,328.38
Remus, Mich., State Savings Bank	26,000.00	11,500.00	1,230.60	320,718.58	359,449.18
Six Lakes, Mich., State Bank of Six Lakes	20,000.00	4,000.00	2,458.02	129,934.61	156,392.63
Stanton, Mich., State Savings Bank	40,000.00	11,300.00	5,002.88	422,381.98	503,384.86
Vestaburg, Mich., State Bank of Vestaburg	20,000.00	4,500.00	655.65	129,230.27	154,384.92
Total	281,000.00	106,800.00	94,107.84	3,584,309.32	4,096,815.28

Recapitulation

	Capital	Surplus	Undivided profits and reserves	Deposits	Resources
10 national banks	$10,200,000.00	$10,050,000.00	$4,189,210.70	$176,707,176.87	$205,977,951.18
6 State banks (members Federal reserve system)	12,600,000.00	7,510,000.00	3,121,497.18	155,884,329.58	181,519,387.12
6 State banks (nonmembers Federal reserve system)	1,250,000.00	492,150.00	159,174.88	10,130,710.62	12,697,578.86
5 trust companies	7,550,000.00	4,574,000.00	1,653,977.77	58,117,955.12	76,194,525.05
27	31,600,000.00	22,626,150 00	9,123,860.53	400,840,172.19	476,389,442.21

Corporations the majority of the stock of which is owned by Guardian Detroit Union Group (Inc.)

	Capital stock	Surplus	Undivided profits and reserves	Total resources
Cleveland, Ohio, Ohio-Pennsylvania Joint Stock Land Bank	$770,000.00	$177,500.00	$114,432.68	$14,614,402.24
Detroit, Mich.:				
Bancdetroit Corporation	1,000.00		22,067.13	90,275.13
Guardian Detroit Co	5,000,000.00	1,000,000.00	1,280,573.13	21,893,830.84
Guardian Holding Co	10,000.00	990,000.00	23,937.62	5,595,342.95
Guardian Safe Deposit Co	100,000.00		4,785.24	112,825.74
Keane, Higbie & Co	1,000,000.00		3,086,595.72	7,673,022.21
New Union Building Co	5,000,000.00		[1] 741,216.05	11,398,741.72
Union Co of Detroit	500,000.00		[1] 130,122.40	2,638,305.94
Union Joint Stock Land Co	600,000.00	100,000.00	214,270.50	9,919,642.84
Union Title & Guaranty Co	1,00,000.00		225,752.68	1,636,236.42
Grand Rapids, Mich., Grand Rapids National Co	40,000.00		650.27	133,531.15
Jackson, Mich.:				
Union & Peoples Co	70,000.00	39,729.50	115,353.15	260,082.65
National Union Building Co	1,000.00	854,527.98		855,527.98
Kalamazoo, Mich., F. N. B. Securities Co	150,000.00		36,267.97	186,267.97
Los Angeles, Calif., Guardian Detroit Co	10,000.00		7,827.56	252,173.90
Total	14,252,000.00	3,161,757.48	4,261,175.20	77,260,209.68

[1] Deficiency.

APPENDIX IV

GUARDIAN DETROIT UNION GROUP (INC.)

BASIC POLICIES

President Hoover, in his recent message to Congress, referred to the group banking movement as "a groping for stronger support to the banks and a more secure basis for these institutions." However, he also raised the question as to whether the development of group banking might not "concentrate control of credit" and enunciated as one of the fundamentals of the American credi tsystem that "Credit which is based upon banking deposits should be controlled by persons within those areas which furnish these deposits and thus be subject to the restraints of local interest and public opinion in these areas."

The President has stated, briefly, but completely, the advantages to be sought and the disadvantages to be avoided, in any program of group banking. In this connection, it may be pertinent to quote Article VI of the by-laws of Guardian Detroit Union Group (Inc.):

"Whenever at any meeting of the stockholders of a bank or trust company of which this corporation shall at the time own 75 per cent or more of the outstanding stock, an election of a board of directors is held, the shares of such bank or trust company owned by this company shall be voted in favor of the election of a board of directors of which at least 75 per cent shall consist of directors residing in the municipality where said bank or trust company is located or within a radius of 50 miles thereof."

From its very inception, Guardian Detroit Union Group has, by common consent, stood committed to fundamental policies in full accord with the ideals expressed by the President of the United States. In order that there might be no possibility of misunderstanding in this regard, the board felt that the present was an opportune time to go formally on record in reference to the "control of credit" and also the fundamental basis of the relationship between the Group Co. and a local bank, which is a unit member of the group. It was, therefore,

Resolved, That credit based upon the deposits in a local bank, which is a unit member of Guardian Detroit Union Group (Inc.), shall be controlled wholly by the board of directors and the officers of the local unit bank; and

Resolved, That Guardian Detroit Union Group (Inc.), in its relationships with local banks which are unit members of the group, accepts as its sole function, responsibility and duty—to provide "stronger support to the banks and a more secure basis for these institutions,"—and the officers and staff of the group be and they hereby are directed to devote their energies and restrict their activities accordingly.

In order to put into effect these broad policies and such other more specific courses of action as may be adopted in conformity thereto, it is necessary to develop a form of organization for the group which will not only allow the greatest possible latitude in the transaction of local business, but will also, by a process of mutual education, make constantly available to each unit all the accumulated knowledge and expert opinion possessed by all the other units.

In considering this subject of the organization and functions of the Group Co., it should be borne in mind that Act No. 66, Public Acts of 1929, State of Michigan, effective April 19, 1929, provides:

"Sec. 14. The affairs of each bank shall be managed by a board of not less than five directors * * *.

"Sec. 15. The board of directors, or a quorum thereof * * * shall meet at least once each month and shall at such meetings examine the loans and investments made by the officers thereof since the last meeting of such board and shall review the other transactions of such bank. It shall cause to be spread upon the records of such bank, in the record book thereof which shall be kept for that purpose, the minutes of such meeting and all its actions thereat, including the approval of all loans required to be approved by the board of directors * * *.

"Sec. 17. The board of directors of each bank shall appoint from its members or stockholders an examining committee, or committees, not including any officer who has active management of the bank, whose duties it shall be to examine the condition of the bank at least once every six months. The examining committee shall report to the board, giving in detail all items included in the assets of the bank which they have reason to believe are not of the value at which they appear on the books and records of the bank, and giving the value of each of such items as in their judgment they may have determined."

From the above paragraphs, it is evident that, in each local bank incorporated or existing under the act referred to, and similarly in each bank chartered under the national banking act, the directors have certain statutory duties, for the satisfactory performance of which they are held personally responsible, and which can not be by them delegated to any other person or persons.

Aside from the bald illegality of any attempt to usurp the functions or hamper the activities of the board of directors of a local unit bank, such a course would run directly counter to prudence, good judgment and common sense. Experience indicates that the bulk of profitable business enjoyed by a given bank is the result of the personal efforts of directors and officers. Hence, any policy which impairs, even in the slightest degree, the prestige and enthusiasm of a local board of directors is a body blow at the growth of the local unit bank, and therefore at the growth and prosperity of the group as a whole.

The deliberate adoption of policies so obviously suicidal is unthinkable; nevertheless, extreme care must be exercised to insure that group management does not perhaps unconsciously, encroach upon the statutory and customary authority and responsibility of the unit bank management. Accordingly, it was deemed advisable to particularly emphasize "the group policy of noninterference with local management," by formal action of the group board of directors. It was, therefore,

Resolved, That the board of directors of each local unit institution in Guardian Detroit Union Group (Inc.), is responsible for the management of the affairs of the institution in question; and that the officers of each unit institution in the group are responsible directly to the board of directors of their own institution and to no other authority, except the law.

In brief, the local banks, trust companies and other unit members of the group are, and should be, considered as enjoying all the rights and accepting all the responsibilities of full partnership in the group, among the advantages of which are:

First. Each separate institution has the backing of resources many times greater than its own, giving the depositor even greater assurance as to the safety of his funds.

Second. The larger local corporations need no longer go to New York or Chicago for such accommodations as they may need in the matter of loans. The group should be able to provide all the funds to which any of the local corporations are entitled.

Third. The depositors will have available to them the credit information and the financial and investment advice of a large organization, including specialists in many lines. A single institution of moderate size could not afford to employ such experts.

Fourth. The depositors are assured of the continuance of capable management of the local institution. The group company must, of necessity, be in a position to furnish capable personnel to any unit member of the group when called upon to do so.

Fifth. The group provides contact with innumerable types of businesses and cooperation in developing new business for clients.

Sixth. The original stockholders of the unit bank, after exchanging their stock for stock of the group company, will have a diversity of risk, dependent not alone on the prosperity of their local community, but supplemented by larger resources with the investment spread over banking institutions located in many cities—in banks serving a wide range of industry and territory.

Seventh. Their new group stock is part of an issue of much greater number of shares, owned by thousands rather than hundreds of investors, giving them a broader and more active market in case they care to buy or sell—a stock recognized as desirable collateral in every large city in the country.

Of course, the advantages referred to above can be obtained only as a result of establishing sound policies uniformly throughout the group; developing unit organizations with the ability to put these policies into effect; and providing a means for measuring the degree in which these policies are effectively applied. The problem is to devise a form of organization which will accomplish these purposes without in any way infringing upon local autonomy.

GENERA FUNCTIONS OF GROUP CO.

It would appear that the board of directors of the Group Co. (upon which practically all units are represented by one or more directors) could, with perfect propriety, announce its belief in the soundness of a given policy, and request the president to bring it, as a "recommended policy" to the attention of the board of directors of all unit member institutions liable to be benefited thereby.

The board of directors of the local unit institution would be at liberty to agree or disagree with the recommendation, but when, as, and if approved by the local board, it would become the "approved policy" of the local unit institution.

Both the board of directors of the local unit institution and that of the group would have, then, a joint interest in seeing that these "approved policies" are put into effect. They also have a natural desire to know the degree of conformity to established policies attained by the local unit in question and how it compares in relative operating efficiency with other units of the group.

Apparently, then, the Group Co. can perform the following useful functions for the local unit institutions without in any way violating the basic policy of encouraging local management to run their own banks, namely:

(*a*) Acting as a clearing house for information bearing upon policies, practices, and results obtained by the various member unit institutions.

(*b*) Systematically making available to all units the practice of the best with a view to enabling all to reach the highest standards of operation and resultant profit.

(*c*) Providing expert advice at minimum cost in regard to tax and insurance matters, and extraordinary legal questions.

(*d*) Providing capable supervision in connection with building construction and management.

(*e*) Coordinating business development activities.

(*f*) Purchasing standard equipment and supplies in quantity.

(*g*) The Group Co. should also provide an independent examining force, in no way responsible for the condition which its examination discloses, to supplement the work of the board of directors of a local unit in connection with the examining responsibilities imposed by statute.

In brief, it should be the principal function of the Group Co. to act in an advisory capacity—recommending to the boards of the local units, policies, practices, economies, etc. The local boards and the local officers of the units must operate their own banks or trust companies. They are better able to know and judge local conditions.

ORGANIZATION OF GROUP COMPANY

In connection with the organization of the group company a tentative organization chart has been drawn up and a copy attached hereto.

The advisory committee is largely a policy-making committee, its membership is comparatively small and includes no active operating officers of any unit. This committee has, and should have, entire freedom in criticizing either the policies or handling of any unit or any department of the associated institutions. Its meetings are not held on stated days, but at irregular intervals upon the call of the chairman. Operating heads of units or departments will, from time to time, be called to confer with this committee as to any questions under consideration.

The following have been elected members of the advisory committee:

Fred T. Murphy, chairman; Henry E. Bodman, Edsel B. Ford, James Inglis, Alvan Macauley, Jerome H. Remick, Murray W. Sales, Roy D. Chapin, Charles H. Hodges, Ernest Kanzler, Charles S. Mott, John R. Russel, Charles B. Warren.

The executive committee includes largely the advisory committee together with other members of the board of directors who are operating men in the organizations in the group. Its duties are much the same as any executive committee, empowered to act on behalf of the board of directors.

The following have been elected members of the executive committee:

H. E. Bodman, chairman; Frank W. Blair, John C. Grier, jr., Carlton M. Higbie, Richard P. Joy, Robert O. Lord, Fred T. Murphy, Phelps Newberry, Henry H. Sanger, James L. Walsh, Harry C. Bulkley, C. H. Haberkorn, jr., Sherwin A. Hill, Ernest Kanzler, Charles S. Mott, Edwin H. Nelson, Murray W. Sales, John N. Stalker.

The operating committee is made up of the operating heads of the various large units in the group. Their funtion is to discuss operating details, new business, and other matters pertaining to direct operations of the various institutions, which would make for better and more economical operation and for the further growth and development of the units in the group. When deemed advisable more than one member from each unit can be included in the membership of this committee.

The following have been elected members of the operating committee:

James L. Walsh, chairman; Frank W. Blair, John C. Grier, jr., Carlton M. Higbie, Charles A. Kanter, Samuel R. Kingston, Robert O. Lord, Duncan McNabb, Phelps Newberry, Bert K. Patterson, Henry H. Sanger, John N. Stalker, Arthur H. Vogt; Frank E. Quisenberry, representing Highland Park; Frank J. Maurice, representing Highland Park; George B. Judson, representing Bank of Detroit; H. S. Reynolds, representing Jackson; George R. Paul, representing Jackson; S. A. Graham, representing Port Huron; H. R. Wilkin, representing Flint; E. R. Morton, representing Battle Creek.

To this committee will be added, from time to time, representatives of other important departments in the above institutions and also representatives of other units which may come into the group.

IMMEDIATE OBJECTIVES

The future success of the Guardian Detroit Union Group is a question of management. The board of directors and such committees of the group as may be appointed can contribute in a large measure. If we are to operate successfully and increase the earnings of the separate units, and of the group company, we must concentrate our efforts upon the following:

1. Increase the deposits of the banks and trust companies.
2. Increase the trust business of the Union Guardian Trust Co. and of the other trust units.
3. Develop the investment business of the Guardian Detroit Co. and of our general distribution through the out-of-Detroit units.
4. Curtail expenses to the greatest possible extent consistent with operating efficiency.

FUNCTIONS OF GROUP OFFICERS

It is believed that the above objectives can be attained without creating a large operating organization in the group company. Such a course would not only be unnecessarily expensive, but would tend in time to weaken the authority, and therefore the sense of responsibility, of the management of local unit institutions.

Instead of setting up a number of departments or divisions in the group company, it is recommended that certain staff officers be appointed to assist the president of the group company in coordinating and stimulating the activities of local unit institutions in accordance with "approved policies."

Referring to the accompanying organization chart, it will be noted that but a single "line of authority" leads from the group board of directors, through the group president, the local board of directors, the president of the local unit institution, to the operating departments of the local bank or trust company. This has been done advisedly.

Nothing is more destructive of morale nor more conducive to confused and ineffective operation than to have every Tom, Dick, and Harry possessing an official title take it upon himself to write letters asking for information—which has perhaps already been furnished; making requests—with the force of demands—for action which may conflict with existing policies; dispensing information or advice—possibly not the most accurate or dependable to be obtained within the group, etc.

A cross-fire of conflicting communications can yield chaos in short order. Hence, the president will sign all the mail, even if the staff officers prepare most of the letters for his signature.

To further insure continuity and consistency of policy, a vice president and general manager has been provided to serve as an "alter ego" for the president, and to coordinate the work of the staff officers, who have been designated and assigned duties as follows:

GENERAL SALES MANAGER

(*a*) Coordinates and stimulates business development activities of all local units.
(*b*) Handles public relations for group.
(*c*) Initiates group advertising.
(*d*) Harmonizes advertising of local units.
(*e*) Operates central file showing relationships of all customers of all units in the group.
(*f*) Supervises technical instruction of business development personnel.

COMPTROLLER GENERAL

(*a*) Keeps general books of the group.
(*b*) Prepares group balance sheet and operating statements.
(*c*) Develops standard operating methods, accounts, and reports.
(*d*) Develops standard accrual systems and audit procedures.
(*e*) Analyzes reports of auditing departments of local units.
(*f*) Supervises technical instruction of accounting and auditing personnel.

GENERAL PURCHASING AGENT

(*a*) Purchases standardized equipment and supplies on requisition of local units.
(*b*) Establishes standard stock records and normal inventories.
(*c*) Salvages surplus property.
(*d*) Supervises technical instruction of purchasing personnel.

INVESTMENT COUNSEL

(*a*) Advises local unit management in regard to purchase of securities for investment portfolio.
(*b*) Supervises technical instruction of investment personnel.

GENERAL TRUST OFFICER

(*a*) Establishes standard trust account records.
(*b*) Reviews investments made for trust accounts.
(*c*) Supervises technical instruction of trust personnel.

GENERAL CREDIT MANAGER

(*a*) Reviews financial programs of all local units.
(*b*) Analyzes characteristics of local deposits and loans.
(*c*) Assists in the development of standard program for conversion of funds.
(*d*) Specifies items for secondary reserve.
(*e*) Tests "turnover" and diversification of loans in unit institutions.
(*f*) Checks "follow-up" of slow and doubtful lines.
(*g*) Establishes standard set-up for credit files.
(*h*) Analyses reports of examination by State or national examiner, or clearing house.
(*i*) Assists, when required, in examination by examining committee of board of directors of local unit.
(*j*) Supervises technical instruction of credit personnel.

SUPERVISOR OF BUILDINGS

(*a*) Assists in the construction and operation of buildings owned by local units.
(*b*) Leases or sells vacant quarters not required by the activities of the group.
(*c*) Supervises technical instruction of building management personnel.

GENERAL COUNSEL

(*a*) Handles all legal matters affecting the group as a whole.
(*b*) Advises local units in the handling of income and personal property taxes.
(*c*) Supervises placing of fidelity, fire and other forms of insurance in connection with the property and business of the local units.

EXTRA COMPENSATION PLAN

Financial incentive has proved most effective in producing results, according to the experience of the larger New York and Chicago banks.

In order to insure that the local management of each local unit shall maintain the keenest possible interest, in the economical operation of the institution entrusted to its direction, as well as contribute to the general welfare and progress of the group as a whole, an extra compensation committee has been established by the board of directors with instructions to recommend, early in 1930, a definite profit-sharing or extra compensation plan for all local units.

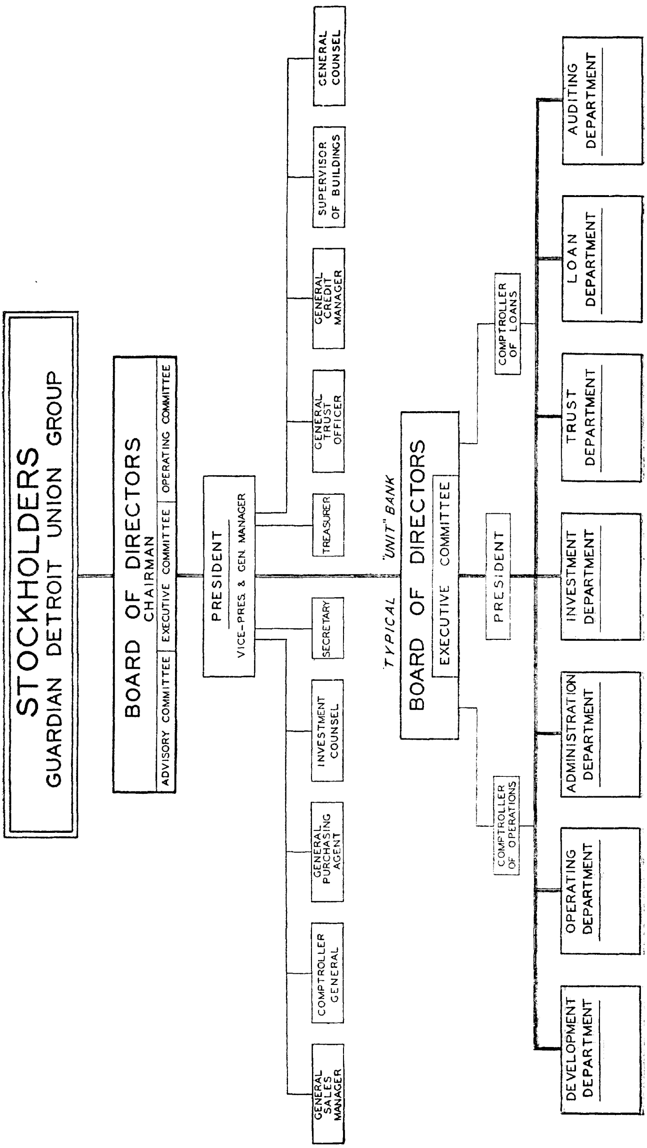
The following have been elected members of the extra compensation committee:

Clarence H. Booth, chairman; Roy D. Chapin, Murray W. Sales, Edwin H. Nelson, Hal H. Smith.

TRUST COMPANY ACTIVITIES

In order to provide the highest possible type of investment counsel for the Union Guardian Trust Co., a trust investment committee, composed of directors having an outstanding reputation in the mind of the public for experience and conservatism, none of whom are active operating officers, has been established and will include:

Henry E. Bodman, Walter O. Briggs, Roy D. Chapin, Luman W. Goodenough, Charles H. Hodges, Richard P. Joy, Alvan Macauley, Fred T. Murphy, Ralph H. Booth, Harry C. Bulkley, Edsel B. Ford, Sherwin A. Hill, Hobart Hoyt, Wm. Kales, Charles S. Mott, Hal H. Smith.


STOCKHOLDERS
GUARDIAN DETROIT UNION GROUP
BOARD OF DIRECTORS
CHAIRMAN
ADVISORY COMMITTEE
EXECUTIVE COMMITTEE
OPERATING COMMITTEE
PRESIDENT
VICE-PRES. & GEN MANAGER
GENERAL SALES MANAGER
COMPTROLLER GENERAL
GENERAL PURCHASING AGENT
INVESTMENT COUNSEL
SECRETARY
TREASURER
GENERAL TRUST OFFICER
GENERAL CREDIT MANAGER
SUPERVISOR OF BUILDINGS
GENERAL COUNSEL
TYPICAL "UNIT" BANK
BOARD OF DIRECTORS
EXECUTIVE COMMITTEE
COMPTROLLER OF OPERATIONS
PRESIDENT
COMPTROLLER OF LOANS
DEVELOPMENT DEPARTMENT
OPERATING DEPARTMENT
ADMINISTRATION DEPARTMENT
INVESTMENT DEPARTMENT
TRUST DEPARTMENT
LOAN DEPARTMENT
AUDITING DEPARTMENT

BUSINESS DEVELOPMENT ACTIVITIES

A central file, based upon the Findex system, has been established in room 777, Penobscot Building, Detroit, Mich. All commercial accounts of all units in the group have been cross-indexed under several different classifications; as to size, borrowing or nonbarrowing, branch or main office, possible related business, etc.

Information in answer to specific inquiries is available to the proper officers of all local units; but, in view of the semiconfidential nature of the data, no complete lists of customers, or other blanket information can be furnished.

The central file is particularly effective in preventing improper solicitation by one unit of a person, firm, or corporation already a customer of some other unit of Guardian Detroit Union Group, Inc. It ought to prove increasingly valuable in helping out-of-Detroit units secure local accounts of corporations controlled in Detroit which are already customers of a Detroit unit.

A business development committee has been organized as a subcommittee of the operating committee with membership as follows:

Alvan Macauley, jr., chairman; John A. Reynolds, L. H. D. Baker, Harry S. Covington, C. M. Beers, William A. Mayberry, Emanuel C. Lindman, R. O. Bisbee, Russell T. Jackson, A. B. Pfleiderer, Herbert H. Gardner, Andrew D. Hotchkiss, Andrew C. Lassen, Charles French.

CREDIT DEPARTMENT ACTIVITIES

A credit committee has been organized as a subcommittee of the operating committee with membership as follows:

Orville L. Hatt, chairman; Frank P. Evans, jr., B. F. Saylor, Charles M. Spinning, Gerald F. Collins, Griswold Adams, Norman H. Moysey, Harry C. Blackman, Russell T. Jackson.

Standardized forms for personal statement, etc.; notes; credit file; analysis sheets; have been determined upon and will be available, upon requisition, in the near future.

BUDGETARY CONTROL

As future meetings of the board serve to crystallize in the minds of the directors certain definite aspirations and ideals for the group, it is believed possible to gradually inaugurate in certain of the local units as system of budgetary control with a view to—

(*a*) Securing increased gross income through the establishment of definite goals or quotas.

(*b*) Locating opportunities for curtailment of expenditures through fixing personal responsibilities therefor.

(*c*) Securing increased net income as a result of economical operation, a more accurately informed management, and a more intelligent and aggressive personnel.

EXPENSES

Our problem to increase earnings is twofold:

1. Increase our volume of business.
2. Cut expenses.

The group as it is now constituted has annual gross revenue of upwards of $30,000,000—it is our job to save for net income just as large a percentage of that gross revenue as possible.

Extravagance and wastefulness on the part of more than 4,000 employees will mean many thousands of dollars of loss in earnings. Every effort should be made to impress upon all officers and employees in the entire organization, the necessity for curtailment of unnecessary expenses.

Probable lower rates for money during 1930 makes the expense question a vital one.

FRANK W. BLAIR, *Chairman.*
ROBERT O. LORD, *President.*

DECEMBER 31, 1929.

PRESENT STATUS OF PROGRAM

Upon the exchange of stock of the Guardian Detroit Union Group (Inc.) for stock of Union Commerce Corporation, the group corporation will own the following financial institutions (either directly or indirectly):

Corporation	Capital outstanding	Capital owned	Par value of shares
Guardian Detroit Bank	$5,000,000	$5,000,000	$100
Guardian Trust Co	1,000,000	1,000,000	100
Guardian Detroit Co	5,000,000	5,000,000	(1)
Guardian Safe Deposit Co	100,000	100,000	100
Guardian Detroit Co. of California	10,000	10,000	100
Bank of Detroit	4,000,000	3,993,600	100
Bank of Dearborn	200,000	200,000	100
Highland Park State Bank	1,000,000	1,000,000	100
Highland Park Trust Co	500,000	500,000	100
National Union Bank & Trust Co. of Jackson	600,000	600,000	100
Federal Commercial & Savings Bank of Port Huron	400,000	400,000	100
First National Bank & Trust Co. of Port Huron	300,000	300,000	100
Union Trust Co	5,000,000	5,000,000	100
National Bank of Commerce	5,000,000	5,000,000	100
Union Title & Guaranty Co	1,000,000	[2] 1,000,000	100
Union Co. of Detroit	500,000	[2] 500,000	100
Union Joint Stock Land & Bank	600,000	600,000	100
Union Savings Bank of Brightmoor	50,000	[2] 50,000	100
New Union Building Co	3,000,000	[2] 3,000,000	100
Michigan Industrial Bank	500,000	471,000	100
Keane, Higbie & Co	1,000,000	1,000,000	10
Union Industrial Bank, Flint	1,800,000	[3] 1,793,600	100
Union Industrial Trust, Flint	300,000		100
Ohio-Penn Joint Stock Land Bank	770,000	768,200	100
Bank of Commerce, Dearborn	200,000	187,500	100
Union State Bank, Dearborn	200,000	188,700	100
Jefferson Savings Bank, Grosse Pointe	100,000	91,000	100
Bank of Hamtramck	200,000	[4] 116,500	100
Blanchard State Bank, Blanchard	25,000	[5] 10,600	100
State Savings Bank, Clinton	50,000	[6] 21,000	100
City National Bank & Trust Co. of Battle Creek	600,000	562,640	100
Thompson Savings Bank, Hudson	100,000	[7] 40,000	100
State Savings Bank, Remus	26,000	[8] 10,500	100
State Bank of Six Lakes, Six Lakes	20,000	[9] 8,500	100
State Savings Bank, Stanton	40,000	[10] 15,000	100
Trenton State Bank, Trenton	50,000	[11] 39,000	100
State Savings Bank, Vestaburg	20,000	[7] 8,000	100

[1] No par value.
[2] By Union Trust.
[3] Unified stock.
[4] 58.2 per cent.
[5] 40.2 per cent.
[6] 42 per cent.
[7] 40 per cent.
[8] 40.3 per cent.
[9] 42.5 per cent.
[10] 37.5 per cent.
[11] 78 per cent.

OFFICERS OF GUARDIAN DETROIT UNION GROUP (INC.)

Temporary offices: Room 777 Penobscot Building, Detroit, Mich.
Frank W. Blair, chairman of the board.
Robert O. Lord, president.
Ernest Kanzler, vice president.
Phelps Newberry, vice president.
John N. Stalker, vice president and secretary.
Lewis K. Walker, vice president.
Arthur H. Vogt, assistant treasurer.
A. A. F. Maxwell, assistant secretary.
Henry E. Bodman, chairman, executive committee.
John C. Grier, jr., vice president.
James L. Walsh, vice president.
Henry H. Sanger, vice president.
Bert K. Patterson, vice president and treasurer.
Harry S. Covington, vice president.
Robert C. Lehman, assistant secretary.
George D. Clark, assistant secretary.
Charles B. Marks, assistant secretary.

BOARD OF DIRECTORS

Frank W. Blair, president Union Trust Co., Detroit.
Arthur C. Bloomfield, president National Union Bank & Trust Co., Jackson.
Henry E. Bodman, chairman Guardian Trust Co., Detroit.
Clarence H. Booth, chairman Motor Bankers Corporation, Detroit.
Ralph H. Booth, president Booth Newspapers (Inc.), Detroit.
Walter O. Briggs, chairman and president Briggs Manufacturing Co., Detroit.
Daniel D. Brown, president First National Bank & Trust Co., Port Huron.
Harry C. Bulkley, Campbell, Bulkley & Ledyard, Detroit.
Roy D. Chapin, chairman Hudson Motor Car Co., Detroit.
Harry S. Covington, executive vice president National bank of Commerce, Detroit.
George R. Fink, president Michigan Steel Corporation, Detroit.
William A. Fisher, president Fisher Body Corporation, Detroit.
Edsel B. Ford, president Ford Motor Co., Detroit.
Stephen A. Graham, president Commercial & Savings Bank, Port Huron.
John C. Grier, jr., president Guardian Detroit Co., Detroit.
C. H. Haberkorn, jr., chairman Bank of Detroit, Detroit.
Carlton M. Higbie, chairman Keane, Higbie & Co., Detroit.
Sherwin A. Hill; Warren, Hill & Hamblen, Detroit.
Charles H. Hodges, vice president American Radiator & Standard Sanitary Corporation, Detroit.
James Inglis, president American Blower Corporation, Detroit.
Richard P. Joy, chairman National Bank of Commerce, Detroit.
George B. Judson, president Bank of Detroit, Detroit.
Ernest Kanzler, president Universal Credit Corporation, Detroit.
Jerome E. J. Keane, director Keane, Higbie & Co., Detroit.
Dwight B. Lee, president and treasurer Motor Products Corporation, Detroit.
Robert O. Lord, president Guardian Detroit Bank, Detroit.
Alvan Macauley, president and general manager, Packard Motor Car Co., Detroit.
Francis C. McMath, director Canadian Bridge Co. (Ltd.), Detroit.
Charles S. Mott, vice president General Motors Corporation, Detroit.
Fred T. Murphy, chairman Guardian Detroit Bank, Detroit.
Edwin H. Nelson, president Nelson, Baker & Co., Detroit.
Phelps Newberry, vice president, Guardian Detroit Bank, Detroit.
Jerome H. Remick, president Detroit Creamery Co., Detroit.
Herbert S. Reynolds, president Peoples National Bank, Jackson.
Murray W. Sales, president Murray W. Sales & Co., Detroit.
Henry H. Sanger, president National Bank of Commerce, Detroit.
Hal H. Smith; Beaumont, Smith & Harris, Detroit.
Oscar W. Smith, president Parke-Davis & Co., Detroit.
John N. Stalker, executive vice president, Union Trust Co., Detroit.
James L. Walsh, vice president Guardian Detroit Bank, Detroit.
Charles Beecher Warren; Warren, Hill & Hamblen, Detroit.

APPENDIX V

ANNUAL REPORT OF THE GUARDIAN DETROIT UNION GROUP (INC.), 1929

DIRECTORS

Frank W. Blair, chairman Union Trust Co., Detroit.
Arthur C. Bloomfield, president National Union Bank & Trust Co., Jackson.
Henry E. Bodman, chairman Guardian Trust Co., Detroit.
Clarence H. Booth, chairman Motor Bankers Corporation, Detroit.
Ralph H. Booth, president Booth Newspapers (Inc.), Detroit.
Joseph H. Brewer, president Grand Rapids Trust Co., Grand Rapids.
Walter O. Briggs, chairman and president Briggs Manufacturing Co., Detroit.
Daniel D. Brown, president First National Bank & Trust Co., Port Huron.
Harry C. Bulkley; Campbell, Bulkley & Ledyard, Detroit.
Charles S. Campbell, president First National Bank & Trust Co., Kalamazoo.
Roy D. Chapin, chairman Hudson Motor Car Co., Detroit.
George R. Fink, president Michigan Steel Corporation, Detroit.

William A. Fisher, president Fisher Body Corporation, Detroit.
Edsel B. Ford, president Ford Motor Co., Detroit.
Frank E. Gorman, vice president Capital National Bank, Lansing.
Stephen A. Graham, president Federal Commercial & Savings Bank, Port Huron.
John C. Grier, jr., president Guardian Detroit Co., Detroit.
C. H. Haberkorn, jr., chairman Bank of Detroit, Detroit.
Carlton M. Higbie, chairman Keane, Higbie & Co., Detroit.
Sherwin A. Hill; Warren, Hill & Hamblen, Detroit.
Charles H. Hodges, vice president American Radiator & Standard Sanitary Corporation, Detroit.
James Inglis, president American Blower Corporation, Detroit.
Richard P. Joy, director National Bank of Commerce, Detroit.
George B. Judson, president Bank of Detroit, Detroit.
Ernest Kanzler, president Universal Credit Corporation, Detroit.
Jerome E. J. Keane, director Guardian Detroit Bank, Detroit.
Dwight B. Lee, president and treasurer Motor Products Corporation, Detroit.
Robert O. Lord, president Guardian Detroit Bank, Detroit.
Alvan Macauley, president and general manager Packard Motor Car Co., Detroit.
Francis C. McMath, director Canadian Bridge Co. (Ltd.), Detroit.
George B. Morley, chairman Second National Bank & Trust Co., Saginaw.
Charles S. Mott, vice president General Motors Corporation, Detroit
Fred T. Murphy, chairman Guardian Detroit Bank, Detroit.
Edwin H. Nelson, president Nelson, Baker & Co., Detroit.
Phelps Newberry, vice president Guardian Detroit Bank, Detroit.
Ransom E. Olds, chairman Reo Motor Car Co., Lansing.
Jerome H. Remick, president Detroit Creamery Co., Detroit
Herbert S. Reynolds, president Peoples National Bank, Jackson.
John R. Russel, director Russel Steel Construction Co.
Murray W. Sales, president Murray W. Sales & Co., Detroit.
Henry H. Sanger, president National Bank of Commerce, Detroit.
R Perry Shorts, president Second National Bank & Trust Co., Saginaw.
Hal H. Smith, Beaumont, Smith & Harris, Detroit.
Oscar W. Smith, president Parke Davis & Co., Detroit.
John N. Stalker, president Union Trust Co., Detroit.
James L. Walsh, vice president Guardian Detroit Bank, Detroit.
Charles Beecher Warren, Warren, Hill & Hamblen, Detroit.
Dudley E Waters, chairman Grand Rapids National Bank, Grand Rapids.

OFFICERS

Frank W. Blair, chairman of the board.
Henry E. Bodman, chairman executive committee.
Robert O. Lord, president.
John C. Grier, jr., vice president.
James L. Walsh, vice president.
Henry H Sanger, vice president.
Bert K. Patterson, vice president and treasurer.
C. H. Haberkorn, jr., vice president.
Lewis K. Walker, vice president.
Joel H. Prescott, vice president.
Andrew L. Malott, vice president
A. A. F. Maxwell, secretary.
H. A. Conner, assistant secretary.
Ernest Kanzler, vice president.
Phelps Newberry, vice president.
John N. Stalker, vice president
Arthur H. Vogt, vice president and comptroller.
Samuel R. Kingston, vice president.
Charles A. Kanter, vice president.
Harry S. Covington, vice president.
R. Perry Shorts, vice president.
W. J. Penningroth, assistant treasurer.
O. A. Waldow, assistant comptroller.

Advisory committee: Fred T. Murphy, chairman; James Inglis, vice chairman; Henry E. Bodman, Roy D. Chapin, Edsel B. Ford, Charles H. Hodges, Ernest Kanzler, Alvan Macauley, George B. Morley, Charles S. Mott, Jerome H. Remick, John R. Russel, Murray W. Sales, Charles B. Warren.

Executive committee: Henry E. Bodman, chairman; Frank W. Blair, Harry C. Bulkley, John C. Grier, jr., C. H. Haberkorn, jr., Carlton M. Higbie, Sherwin A. Hill, Richard P. Joy, Ernest Kanzler, Robert O. Lord, Charles S. Mott, Fred T. Murphy, Edwin H. Nelson, Phelps Newberry, Murray W. Sales, Henry H. Sanger, John N. Stalker, James L. Walsh.

Operating committee: James L. Walsh, chairman; Frank W. Blair, Frank M. Brandon, Joseph H. Brewer, Harry S. Covington, Frank E. Gorman, Stephen A. Graham, John C. Grier, jr., Carlton M. Higbie, George B. Judson, Charles A. Kanter, Samuel R. Kingston, Robert O. Lord, Duncan J. McNabb, Frank J. Maurice, E. R. Morton, Phelps Newberry, Bert K. Patterson, George R. Paul, Frank E. Quisenberry, Herbert S. Reynolds, Henry H. Sanger, Earl H. Shepherd, R. Perry Shorts, John N. Stalker, Arthur H. Vogt, Herbert R. Wilkin.

JANUARY 28, 1930.

To the stockholders of Guardian Detroit Union Group (Inc.):

The Guardian Detroit Union Group (Inc.), was organized May 10, 1929. It now has outstanding 1,538,801 shares ($20 par value) of an authorized issue of 2,500,000 shares. The banks, trust companies, and other related institutions now units of the group are as follows:

BANKS AND TRUST COMPANIES

Detroit and the metropolitan district: National Bank of Commerce, Guardian Detroit Bank, Bank of Detroit, Highland Park State Bank, Michigan Industrial Bank, Jefferson Savings Bank, Bank of Hamtramck, Bank of Dearborn, Union State Bank, Dearborn; Bank of Commerce, Dearborn; Trenton State Bank, Trenton; Union Savings Bank, Brightmoor; Union Trust Co., Guardian Trust Co., Highland Park Trust Co.

Battle Creek: City National Bank & Trust Co.

Flint: Union Industrial Bank, Union Industrial Trust Co.

Grand Rapids: Grand Rapids National Bank, Grand Rapids Trust Co.

Jackson: National Union Bank & Trust Co., Peoples National Bank.

Kalamazoo: First National Bank & Trust Co.

Lansing: Capital National Bank.

Niles: City National Bank & Trust Co.

Port Huron: Federal Commercial & Savings Bank, First National Bank & Trust Co.

Saginaw: Second National Bank & Trust Co.

The group company owns all or practically all of the capital stock (except directors' qualifying shares) of the above named banks and trust companies. The company also owns approximately 40 per cent of the stock of the following banks:

Blanchard State Bank, Blanchard.
State Savings Bank, Clinton.
Thompson Savings Bank, Hudson.
State Savings Bank, Remus.
State Bank of Six Lakes, Six Lakes.
State Savings Bank, Stanton.
State Savings Bank, Vestaburg.

The group company owns either directly or indirectly all or substantially all of the capital stock of the following corporations:

SECURITIES COMPANIES

Guardian Detroit Co.
Keane, Higbie & Co.
National Union Co., Jackson.
F. N. B. Securities Co., Kalamazoo.
Grand Rapids National Co., Grand Rapids.
Guardian Detroit Co. of California.
Peoples National Co., Jackson.

JOINT-STOCK LAND BANKS

Union Joint Stock Land Bank, Detroit.
Ohio-Pennsylvania Joint Stock Land Bank, Cleveland.

OTHER AFFILIATED INSTITUTIONS

Union Title & Guaranty Co., Detroit.
New Union Building Co., Detroit.
Guardian Safe Deposit Co.
Guardian Holding Co.
National Union Building Co., Jackson.

PURPOSES

In the past decade, banking like industry has felt the economic pressure toward larger units and closer connection of units. The progress of business has emphasized the interdependence of communities within the same industrial area, and has shown the need for a more comprehensive banking service.

The purpose of the group has been to gather together under unified ownership outstanding banks, trust companies, and financial institutions in the leading industrial and commercial centers of Michigan to the end that—

1. Industry, commerce, and the individual shall be better served, by a strong and progressive group of banking and financial institutions, whose directors and officers have a clear and sympathetic understanding of the needs and problems of business in the vast industrial region of lower Michigan—one of the most important manufacturing districts in the world.

2. There shall be retained for Michigan and for its cities the banking resources and deposits which might otherwise of necessity go in substantial amounts to financial centers outside of the State.

3. Further growth and development in Michigan shall be aided and fostered by Michigan institutions and by Michigan capital.

The practical advantages which the group offers are many. Each unit institution is associated with the group company having aggregate resources many times greater than its own, giving the depositor even greater assurance of the safety of his funds. The larger local corporations need no longer go elsewhere for such loan accommodations as they may need. If individual units of the group do not have sufficient legal loaning capacity to provide for the requirements of the large corporations, the other units of the group should be able to take care of these requirements.

Depositors will have available the credit information and the financial and investment service of a larger organization fully equipped to render such service. The group through its units and through its outside relationships provides contact with innumerable types of business and cooperates in developing new business for customers.

POLICY OF MANAGEMENT

From its inception Guardian Detroit Union Group (Inc.) has stood committed to the fundamental policy of developing the standing and prestige of local management and has placed the responsibility of such management upon the local boards of directors and local officers.

Article VI of the by-laws of the group provides:

"Whenever at any meeting of the stockholders of a bank or trust company of which this corporation shall at the time own 75 per cent or more of the outstanding stock, an election of a board of directors is held, the shares of such bank or trust company owned by this company shall be voted in favor of the election of a board of directors of which at least 75 per cent shall consist of directors residing in the municipality where said bank or trust company is located or within a radius of 50 miles thereof."

To further carry out these policies, the board of directors of Guardian Detroit Union Group (Inc.) adopted the following resolutions:

"*Resolved*, That credit based upon the deposits in a local bank, which is a unit member of Guardian Detroit Union Group (Inc.), shall be controlled wholly by the board of directors and the officers of the local unit bank; and

"*Resolved*, That Guardian Detroit Union Group (Inc.), in its relationships with local banks which are unit members of the group, accepts as its sole function, responsibility and duty—to provide 'stronger support to the banks and a more secure basis for these institutions'—and the officers and staff of the group be and they hereby are directed to devote their energies and restrict their activities accordingly; and

"*Resolved*, That the board of directors of each local unit institution in Guardian Detroit Union Group (Inc.), is responsible for the management of the affairs of the institution in question; and that the officers of each unit institution in the group are responsible directly to the board of directors of their own institution and to no other authority, except the law."

Subject to the broad policies outlined above, the group company can perform the following useful functions for local unit institutions:

(*a*) Acting as clearing-house for information bearing upon policies, practices, and results obtained by the various member unit institutions;

(*b*) Systematically making available to all units the practice of the best with a view to enabling all to reach the highest standards of operation and resultant profit;

(*c*) Providing expert advice at minimum cost in regard to tax and insurance matters, and extraordinary legal questions;

(*d*) Providing capable supervision in connection with building construction and management;

(*e*) Coordinating business development activities;

(*f*) Purchasing standard equipment and supplies in quantity;

(*g*) The group company should also provide an independent examining force, in no way responsible for the condition which its examination discloses, to supplement the work of the board of directors of a local unit in connection with the examining responsibilities imposed by Statute.

In order to perform the above functions effectively, the following committees have been elected, by the board of directors: Advisory committee, executive committee, operating committee.

The advisory committee is largely a policy-making committee; its membership is comparatively small, and includes no active operating officers of any unit. This committee has, and should have entire freedom in criticizing either the policies or the management of any unit or any department of the associated institutions. Its meetings are not held on stated days, but upon the call of the chairman. Operating heads of units or departments will have the advice and assistance of this committee as to any questions under consideration.

The executive committee includes several members of the advisory committee together with other members of the board of directors who are operating men in the organizations in the group. Its duties are much the same as any executive committee, empowered to act on behalf of the board of directors.

The operating committee is made up of the operating heads of the various large units in the group. Their function is to discuss operating details, new business and other matters pertaining to direct operations of the various institutions, which would make for better and more economical operation and for the further growth and development of the units in the group.

To assist in coordinating and stimulating group activities, the following staff officers have been provided for: Manager business development, comptroller, purchasing agent, chairman bank investment committee, general trust officer, manager department of examinations, supervisor of buildings, general counsel.

RESULTS OF OPERATIONS DURING 1929

The results of operations of the above unit institutions of Guardian Detroit Union Group (Inc.) for the year ending December 31, 1929, were satisfactory in spite of the difficult condition which confronted every banking institution during the last 10 weeks of the calendar year.

Aggregate gross earnings of the units of the group amounted to	$41, 847, 489. 21
From which all expenses (including taxes of all kinds, and depreciation of buildings and equipment) were paid to the amount of	32, 435, 031. 08
Leaving net earnings from operations (after writing off all known losses) in the amount of	9, 412, 458. 13

Or at the rate of 30.58 per cent on outstanding capital stock of 1,538,801 shares of $20 par value.

Of this amount, there was set aside reserves for unforseen contingencies in the amount of	$1,704,732.73
Leaving available for dividends	7,707,725.40
Or at the rate of 25.04 per cent on outstanding capital stock of 1,538,801 shares of $20 par value.	
Of this amount there was paid out in dividends during the year by the group or by the member banks prior to affiliation with the group	4,246,359.04
Leaving for additions to surplus or undivided profits	3,461,366.36

The banks and trust companies, units of the Guardian Detroit Union Group (Inc.) now serve more than 500,000 customers.

Aggregate resources and liabilities of banks and trust companies affiliated with Guardian Detroit Union Group (Inc.) as of December 31, 1929

RESOURCES		LIABILITIES	
Loans and discounts	$227,245,022.82	Capital stock	$31,700,000.00
Bonds and securities	83,216,782.92	Surplus	27,527,400.00
Real estate mortgages	75,996,013.98	Undivided profits	7,600,673.01
Cash and due from banks	78,195,449.90	Reserves	1,432,124.97
Advances to trusts	6,355,536.99	Total invested capital	68,260,197.98
Customers' liability letters of credit and acceptances	851,318.15	Bills payable	21,842,176.33
Customers' securities—Safekeeping	12,594,330.16	Letters of credit and acceptances	857,466.92
First mortgage bonds—trust fund	3,699,193.96	Customers' securities—safekeeping	12,594,330.16
Banking houses, equipment, etc	21,256,041.50	Mortgage bonds	3,770,200.00
Other resources	540,121.85	Repurchase agreements	2,000,000.00
		Circulation	3,226,035.00
		Other liabilities	4,313,076.50
		Deposits	393,086,329.34
	509,949,812.23		509,949,812.23

Invested capital of banks and trust companies as indicated above (including contingent reserves)	68,260,197.98
Invested capital of all other corporations, units of the group, including the proportionate ownership where less than 50 per cent of the capital is owned by Guardian Detroit Union Group (Inc.)	12,777,190.58
Total invested capital	81,037,388.56

The Guardian Detroit Union Group (Inc.) has more than 8,000 stockholders. These stockholders can be of inestimable help in further developing the business of the various units of the group, not only through the use of all facilities offered by the units but also in urging their friends to do likewise. Much of this assistance has already been given by our stockholders for which the management wishes to express appreciation. In asking a further measure of support we are mindful that whatever benefits the units of the group is of direct benefit to the stockholders.

Acknowledgment is made of the loyal support and untiring efforts of all of our directors, officers, and employees during the past year.

By order of the executive committee.

ROBERT O. LORD, *President.*

Statement of condition of National Bank of Commerce, Detroit, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$87,806,901.65
United States bonds	275,000.00
Other bonds and securities	3,407,560.00
Cash and due from banks	18,926,748.85
United States bonds borrowed	3,900,000.00
Banking house and equipment	2,294,332.10
Other real estate	2,245.27
Customers' liability letters of credit and acceptances	440,751.20
Total	117,053,539.07

LIABILITIES

Capital stock	5,000,000.00
Surplus	6,000,000.00
Undivided profits	1,487,157.56
Reserve for interest, taxes, etc	285,100.75
Discount collected not earned	119,022.19
Dividends unpaid	1,822.50
Liability under letters of credit and acceptances	446,899.97
Bills payable	7,900,000.00
Rediscounts	895,000.00
United States bonds borrowed	3,900,000.00
Real estate mortgage and commitments	34,634.87
Deposits	90,983,901.23
Total	117,053,539.07

OFFICERS

Henry H. Sanger, chairman of the board and president.
Samuel R. Kingston, executive vice president and cashier.
Charles A. Kanter, executive vice president.
Harry S. Covington, executive vice president.
L. H. D. Baker, vice president.
Scott Carpenter, vice president.
Harry S. Finkenstaedt, vice president.
Orville L. Hatt, vice president.
Charles A. Kinney, vice president.
Charles N. Maycock, vice president.
Robert C. Wandel, vice president.
G. R. Harris, assistant vice president.
W. P. Jacobs, assistant vice president.
Albert P. Voss, assistant vice president.
W. E. Blakeley, assistant cashier.
Walter D. Brown, assistant cashier.
S. A. Clark, assistant cashier.
Leo J. Coleman, assistant cashier.
R. V. Free, assistant cashier.
A. D Freydl, assistant cashier.
George L. Greenup, assistant cashier.
Nels Johnson, assistant cashier.
John W. Johnston, assistant cashier.
S. W. Laird, assistant cashier.
Douglas G. McCracken, assistant cashier.
Charles F. Sawyer, assistant cashier.
Harry Schaefer, assistant cashier.
F W. Shelton, assistant cashier.
E. Schulz, auditor.
William Fredericks, assistant auditor.
Leo E. Kangas, assistant auditor.

Statement of condition of Bank of Detroit, Detroit, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts		$21,194,274.41
Bonds, mortgages, and securities		17,737,381.49
Securities sold subject to repurchase agreement		2,000,000.00
Federal reserve bank stock		150,000.00
Cash resources:		
Due from Federal reserve bank	$2,002,514.57	
Cash in vault and due from banks	6,567,603.03	
		8,570,117.60
Customers' liability letters of credit		35,817.02
Customers' bonds for safekeeping		2,097,400.00

Bank buildings and equipment	$2,338,623.01
Other real estate	284,833.24
Land contracts receivable	101,599.09
Income accrued receivable (net)	222,608.30
Interest and expenses prepaid (net)	60,471.47
Total	$54,793,125.63

LIABILITIES

Capital stock	$4,000,000.00
Surplus	1,250,000.00
Undivided profits	501,572.38
Dividend checks outstanding	883.85
Customers' bonds for safekeeping	2,097,400.00
Securities sold subject to repurchase agreement	2,000,000.00
Letters of credit	35,817.02
Deposits	44,907,452.38
Total	54,793,125.63

OFFICERS

C. H. Haberkorn, jr., chairman of the board.
Geo. B. Judson, president.
G. Ogden Ellis, vice president.
W. A. Fisher, vice president.
R. B. Gripman, vice president.
F. J. Beyer, vice president.
E. S. Burns, vice president.
C. M. Beers, vice president.
L. C. Van Auken, vice president.
W. R. Laing, cashier.
G. T. Murray, assistant cashier.
C. S. Goddin, assistant cashier.
E. T. McConnell, assistant cashier.
B. F. Saylor, assistant cashier.
A. J. Stocker, assistant cashier.
G. C. Auten, assistant cashier.
M. W. Heyrock, assistant cashier.
N. J. MacDonald, assistant cashier.
T. L. Higgins, auditor.

Statement of Condition of Guardian Detroit Bank, Detroit, Mich., at the Close of Business December 31, 1929

RESOURCES

Loans and discounts		$32,942,649.45
United States bonds and certificates		9,513,335.77
Other bonds		2,451,334.92
Federal reserve bank stock		240,000.00
Cash resources:		
Due from Federal reserve bank	$5,697,350.20	
Cash in vault and due from banks	12,150,777.00	
		17,848,127.20
Customers' liability letters of credit and acceptances		248,719.93
Banking quarters and equipment		1,121,661.49
Total		64,365,828.76

LIABILITIES

Capital stock	5,000,000.00
Surplus	3,000,000.00
Undivided profits	882,092.60
Reserve for interest, taxes, etc	516,736.06
Letters of credit and acceptances	248,719.93
Bills payable	None.
Deposits	54,718,280.17
Total	64,365,828.76

OFFICERS

Fred T. Murphy, chairman of the board.
Robert O. Lord, president.
Ernest Kanzler, vice president.
James L. Walsh, vice president.
John C. Grier, jr., vice president.
Phelps Newberry, vice president.
C. A. Shepardson, vice president.
Arthur H. Vogt, vice president.
Alvan Macauley, jr., vice president.
Frank P. Evans, jr., vice president.
John B. Dew, cashier.
John S. Wells, assistant vice president
John N. Daley, assistant vice president
Norman Rudolph, assistant cashier.
James J. O'Shea, assistant cashier.
Dan P. Caulkins, assistant cashier.
John R. Walsh, assistant cashier.
Maurice D. Watts, assistant cashier.

Guardian Trust Co. of Detroit, statement of condition of at the close of business December 31, 1929

RESOURCES

Cash and due from banks	$1,530,408.71
Collateral loans	12,246,150.35
Real-estate mortgages	6,567,694.47
Real-estate mortgages with State treasurer	213,125.50
Bonds	2,358,138.30
Advances to trusts	412,439.03
Total	23,327,956.36

LIABILITIES

Capital stock	1,000,000.00
Surplus	1,000,000.00
Undivided profits	899,904.57
Reserve for interest, taxes, etc	356,875.66
Trust deposits	20,071,176.13
Total	23,327,956.36

OFFICERS

Henry E. Bodman, chairman of the board.
Robert O. Lord, president.
Lewis K. Walker, vice president and secretary.
John C. Grier, jr., vice president.
Phelps Newberry, vice president.
Andrew L. Malott, vice president.
Rudolph E. Hofelich, vice president.
Arthur H. Vogt, vice president and comptroller.
A. A. F. Maxwell, assistant vice president.
Ernest C. Harris, assistant vice president.
A. B. Pfleiderer, assistant vice president.
John L. Cotter, assistant vice president.
Harold W. Buckheit, assistant vice president.
Charles A. Meyer, trust officer.
Louis J. Ronder, assistant secretary.
Charles B. Marks, assistant secretary.
George D. Clark, assistant secretary.
Wilbur F. Campbell, assistant secretary.

Statement of condition of Union Trust Co., Detroit, Mich., at the close of business December 31, 1929

RESOURCES

Collateral loans	$9,135,009.04
United States Government securities	165,095.52
Bonds, mortgages, etc	23,525,897.22
Cash on hand and in banks	6,529,987.88
Stock of New Union Building Co	3,000,000.00
Stock of Union Title & Guaranty Co	1,000,000.00
Advances to trusts	5,219,062.88

Real estate	$729,769.48
Furniture and fixtures	263,878.80
Accrued receivables, net	1,097,279.45
Total	50,665,980.27

LIABILITIES

Capital stock	5,000,000.00
Surplus	7,500,000.00
Undivided profits	402,133.81
Bills payable	5,232,500.00
United States Government securities borrowed	60,000.00
Other liabilities	15,250.00
Reserve for interest, taxes, etc	73,683.77
Accrued payable, net	461,694.74
Trust deposits	31,920,717.95
Total	50,665,980.27

OFFICERS

Frank W. Blair, chairman of the board.
John N. Stalker, president.
Charles R. Dunn, executive vice president.
Joel H. Prescott, executive vice president.
Andrew L. Malott, executive vice president.
Charles N. Crosman, vice president.
Charles H. Adams, vice president.
Merrill C. Adams, vice president.
Charles E. Clark, vice president.
John A. Reynolds, vice president.
Clinton F. Berry, vice president.
A. Douglas Jamieson, vice president.
Ralph E. Badger, vice president.
E. L. Deacon, vice president.
J. Monroe Roney, vice president.
Lawrence J. Toomey, vice president.
Morse D. Campbell, vice president.
Alvin W. Bond, vice president.
Eugene A. Miller, vice president.
Merrill C. Adams, secretary.
Charles E. Clark, treasurer.
Joseph J. Cavanaugh, trust officer.
Thomas J. Teare, trust officer.
James A. Pierce, trust officer.
George F. Aldrich, trust officer.
C. Stewart Baxter, trust officer.
George E. Parker, jr., trust officer.
Harry Slater, assistant to the president.
Louis H. Charbonneau, assistant vice president.
Herold G. Woodruff, assistant vice president.
John C. Evans, assistant vice president.
Wayne W. Putnam, assistant vice president.
William B. McNally, assistant vice president.
William J. Dickson, assistant vice president.
Wesley J. Carlyle, assistant vice president.
Arthur S. Gilmore, assistant secretary.
Ned W. Andrus, assistant secretary.
William H. Erskine, assistant secretary.
Wayne W. Putnam, assistant secretary.
Millard E. Bowlus, assistant secretary.
Robert T. Flattery, assistant secretary.
Thomas L. Patton, assistant secretary.
Herbert H. Schoenberg, assistant secretary.
Lucius A. Thomas, assistant secretary.
Edward L. Alward, assistant secretary.
E. Arthur Edwards, assistant secretary.
Walter C. Hartwig, assistant treasurer.
Charles H. Adams, manager bond department.
Roy R. Carpenter, manager corporate division, bond department.
Frank P. Keane, manager municipal division, bond department.
Paul D. Corbett, manager of sales, bond department.
E. John Lantz, auditor.
Irving C. Tuttle, assistant auditor.
John A. Reynolds, manager business extension department.
Robert T. Flattery, assistant manager business extension department.
Wilfred C. Dickie, assistant manager business extension department.
H. Raymond Bacon, assistant manager business extension department.

Statement of condition of Highland Park State Bank, Highland Park, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts		$5,197,257.58
Real-estate loans		10,882,703.87
United States bonds and certificates		1,858,334.19
Other bonds		6,314,197.97
Federal reserve bank stock		90,000.00
Cash resources:		
Due from Federal reserve bank	$837,685.59	
Cash in vault and due from banks	1,437,805.61	
		2,275,491.20
Banking houses and equipment		1,111,263.97
Customers' liability letters of credit		10,000.00
Total		27,739,248.78

LIABIITIES

Capital stock	1,000,000.00
Surplus	2,000,000.00
Undivided profits	258,895.22
Reserve for interest, taxes, etc	208,163.92
Letters of credit and acceptances	10,000.00
Bills payable	None
Deposits	24,262,189.64
Total	27,739,248.78

OFFICERS

James T. Whitehead, chairman of the board.
Robert O. Lord, president.
George R. Andrews, chairman of executive committee.
Frank E. Quisenberry, executive vice president.
Frank J. Maurice, executive vice president.
Herbert G. Wood, vice president.
Herbert H. Gardner, vice president.
Charles I. Norman, vice president and bond officer.
William A. Mayberry, assistant vice president.
Lloyd P. Thompson, cashier.
Leo C. Janisse, assistant vice president.
Griswold Adams, assistant cashier.
James H. Helliwell, assistant cashier.
L. F. Merz, manager foreign banking department.
B. Pesciarelli, assistant manager foreign banking department.

Statement of condition of Highland Park Trust Co., Highland Park, Mich. at the close of business, December 31, 1929

RESOURCES

Cash and due from banks	$168,707.12
Collateral loans	611,973.81
Real-estate mortgages	395,504.00
Bonds with State treasurer	205,562.53
Bonds	593,385.70
Advances to trusts	89,903.80
First mortgage bond trust fund	3,699,193.96
Furniture, fixtures, etc	19,949.01
Total	5,784,179.93

LIABILITIES

Capital stock	500,000.00
Surplus	250,000.00
Undivided profits	75,562.36
Reserve for interest, taxes, etc	95,588.37
First-mortgage bonds outstanding	3,686,500.00
Trust deposits	1,176,529.20
Total	5,784,179.93

OFFICERS

Robert O. Lord, chairman of the board.
Frank E. Quisenberry, president.
George R. Andrews, chairman of executive committee.
Frank J. Maurice, vice president.
Herbert H. Gardner, executive vice president and trust officer.
Charles I. Norman, vice president and bond officer.
Alfred Zahrn, secretary.
Herbert G. Wood, treasurer.
Leonard F. Betts, assistant trust officer.
William A. Mayberry, assistant secretary.
Lloyd J. Thompson, assistant secretary and assistant treasurer.
Leo C. Janisse, assistant treasurer.

Statement of condition of Michigan Industrial Bank, Detroit, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$3,202,454.18
Cash on hand and in banks	31,701.61
Furniture and fixtures	13,306.66
Other assets	77.30
Total	3,247,539.75

LIABILITIES

Capital stock	500,000.00
Surplus	125,000 00
Undivided profits	59,843.42
Interest received unearned	80,260.47
Reserve for interest, taxes, etc	21,296.70
Repayments on loans	1,110,200.03
Savings deposits	575,730.12
Bills payable	775,000.00
Other liabilities	209.01
Total	3,247,539.75

OFFICERS

Allan A. Templeton, president.
George B. Yerkes, vice president
Harold L. Wadsworth, vice president.
C. S. Fitzpatrick, executive vice president.
A. E. Betteley, vice president.
Carl M. Heck, vice president and treasurer.
S. P. King, secretary.

Statement of Condition of Trenton State Bank, Trenton, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$380,311.17
Real estate mortgages	328,408.61
Bonds	237,872.38
United States bonds carried as reserve	66,150.00
Cash and due from banks	64,986.88
Premium account	609.27
Banking house and equipment	44,697.68
Other real estate	3,365.00
Customers' bonds in safekeeping	1,250.00
Accrued interest paid	198.19
Total	1,127,789.18

LIABILITIES

Capital stock	$50,000.00
Surplus and undivided profits	42,196.88
Bills payable	25,000.00
Customers' bonds in safekeeping	1,250.00
Deposits	1,009,342.31
Total	1,127,789.18

OFFICERS

Austin Church, chairman of the board.
Nicholas A. Mans, president.
F. A. Lautenschlager, vice president and cashier.
Margaret Stone, assistant cashier.
Karl Fust, assistant cashier.

Statement of condition of Bank of Commerce, Dearborn, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$507,958.75
Bonds and mortgages	923,566.37
Cash and due from banks	251,094.40
Banking house and equipment	123,000.00
Interest accrued receivable	18,511.12
Total	1,824,130.64

LIABILITIES

Capital stock	200,000.00
Surplus	50,000.00
Undivided profits	40,081.10
Dividends unpaid	330.00
Deposits	1,533,719.54
Total	1,824,130.64

OFFICERS

Oren O. Otis, vice president and cashier.
William O. Gierk, assistant cashier.
Henry H. Sanger, president.
S. R. Kingston, vice president.

Statement of condition of Bank of Dearborn, Dearborn, Mich., at the close of business, December 31, 1929

RESOURCES

Loans and discounts	$675,020.13
Real estate loans	245,546.22
Other bonds	673,963.50
Federal reserve bank stock	7,500.00
Cash and due from banks	176,667.47
Banking house and equipment	163,804.72
Other resources	10,759.69
Total	1,953,261.73

LIABILITIES

Capital stock	200,000.00
Surplus	50,000.00
Undivided profits	9,931.70
Reserve for interest, taxes, etc	17,663.89
Deposits	1,675,666.14
Total	1,953,261.73

OFFICERS

Clarence H. Booth, president.
Frank E. Quisenberry, vice president.
Frank J. Maurice, vice president.
Emanuel C. Lindman, cashier.
Walter H. Bell, jr., assistant cashier.

Statement of condition of Union State Bank, Dearborn, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$2,087,661.65
Bonds and mortgages	799,944.04
Banking house and branches	197,692.28
Furniture and fixtures	20,446.56
Cash and due from banks and bankers	838,811.33
Total	3,944,555.86

LIABILITIES

Capital stock	200,000.00
Surplus	203,150.00
Undivided profits	25,999.69
Dividends unpaid	6,486.40
Deposits	3,508,919.77
Total	3,944,555.86

OFFICERS

Joseph Henn, chairman.
W. J. Rachow, president and cashier.
Frank W. Blair, vice president.
Howard O. Wells, vice president.
Percy J. Wines, assistant cashier.
Joseph A. George, assistant cashier.
F. C. Krusell, assistant cashier.
Hal H. Smith, attorney.
Victor Tinerean, manager foreign department.
C. H. Gates, manager new business department.

Statement of condition of Jefferson Savings Bank, Grosse Pointe Park, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$173,816.46
Real estate loans	335,994.85
Bonds	365,401.77
Cash and due from banks	207,719.51
Banking houses and equipment	56,079.00
Total	1,139,011.59

LIABILITIES

Capital stock	100,000.00
Surplus	30,000.00
Undivided profits	7,533.94
Reserve for interest, taxes, etc	1,000.00
Deposits	1,000,477.65
Total	1,139,011.59

OFFICERS

Jul. W. Berns, president.
W. Lloyd Webster, vice president and cashier.
S. Willard Hosking, assistant cashier.
Henry C. De Yonker, assistant cashier.

Statement of condition of Bank of Hamtramck, Hamtramck, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$361, 850. 24
Bonds and mortgages	402, 521. 20
United States bonds	42, 500. 00
Cash on hand and in banks	103, 672. 98
Banking house and equipment	152, 843. 85
Bonds left for safe keeping	9, 450. 00
Total	1, 072, 898. 27

LIABILITIES

Capital stock	200, 000. 00
Surplus	43, 000. 00
Undivided profits	5, 775. 57
Dividends unpaid	6, 000. 00
Bonds left for safe keeping	9, 450. 00
Deposits	808, 672. 70
Total	1, 072, 898. 27

OFFICERS

John F. Koenig, president.
Edwin R. Monnig, vice president.
W. E. Dingman, cashier.
J. J. Putera, assistant cashier.

Statement of condition of City National Bank & Trust Co., Battle Creek, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$4, 713, 443. 30
Bonds	1, 219, 809. 39
United States bonds to secure circulation	600, 000. 00
Banking house and equipment	1, 198, 650. 49
Cash on hand and in banks	683, 583. 60
Stock in Federal reserve bank	39, 000. 00
Redemption fund	30, 000. 00
Total	8, 484, 486. 78

LIABILITIES

Capital	600, 000. 00
Surplus	700, 000. 00
Undivided profits	57, 542. 27
National bank circulation	600, 000. 00
Bills payable and rediscounts	385, 472. 28
Deposits	6, 141, 472. 23
Total	8, 484, 486. 78

OFFICERS

Charles C. Green, president.
Edwin R. Morton, vice president and cashier.
Frederick A. Allwardt, vice president.
Nelson E. Hubbard, vice president.
Glenn Van Denbergh, assistant cashier.
Joseph P. Burgie, assistant cashier.
Earle J. Lee, manager West End Branch.

Statement of condition of Union Industrial Bank, Flint, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$10, 136, 565. 64
Real estate mortgages	8, 119, 313. 90
United States bonds and certificates of indebtedness	1, 323, 013. 38
Other bonds	5, 409, 441. 97
Federal Reserve Bank Stock	90, 000. 00
Due from Federal Reserve Bank	706, 983. 41
Cash and due from other banks	1, 464, 319. 46
Banking quarters and equipment	1, 125, 876. 70
Other resources	278, 282. 02
Total	28, 653, 796. 48

LIABILITIES

Capital	2, 000, 000. 00
Surplus	1, 000, 000. 00
Undivided profits	152, 256. 98
Reserve for taxes and contingencies	267, 641. 73
Bills payable	3, 350, 000. 00
Deposits	21, 883, 888. 77
Total	28, 653, 796. 48

OFFICERS

C. S. Mott, president.
H. R. Wilkin, executive vice president and cashier.
John E. Storer, vice president.
N. H. Moysey, vice president.
C. F. Barth, vice president.
Robert T. Longway, vice president.
A. M. Davison, vice president.
W. E. Fellows, vice president.
Herbert J. Strasler, auditor.
Earl F. Johnson, assistant cashier.
D. W. Chambers, assistant cashier.
Edward Holmes, assistant cashier.
E. C. Reid, assistant cashier.
Charles J. French, assistant cashier.

Statement of condition of Union Industrial Trust Co., Flint, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$112, 708. 42
Real estate mortgages	216, 675. 80
Municipal and other bonds	172, 850. 00
Cash on hand and in banks	228, 782. 98
Banking house and equipment	20, 027. 29
Advance to trusts	667. 84
Accrued interest receivable	111. 41
Investment account for sinking fund and interest reserve	54, 411. 99
Total	806, 235. 73

LIABILITIES

Capital stock	300, 000. 00
Surplus	24, 000. 00
Undivided profits	6, 662. 87
Reserve for interest	1, 538. 19
Sinking fund—first mortgage certificates	57, 912. 42
First mortgage certificates payable	83, 700. 00
Deposits	330, 516. 41
Other liabilities	1, 905. 84
Total	806, 235. 73

OFFICERS

Charles S. Mott, chairman of the board.
John N. Stalker, president.
S. S. Stewart, vice president.
A. M. Davison, vice president.
W. E. Fellows, vice president.
Lloyd G. Kirby, executive vice president, secretary, treasurer, and trust officer.
Allen T. Smith, assistant vice president and assistant trust officer.

Statement of condition of Grand Rapids National Bank, Grand Rapids, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts, bonds and mortgages		$15,918,028.52
Banking house and equipment, main office	$1,906,450.60	
Less deferred payment on bank-building site	200,000.00	
		1,706,450.60
Banking house and equipment branch offices		254,867.37
Five per cent redemption fund		45,000.00
Cash and due from banks		5,457,210.05
Other assets		187,780.24
Customers' liability, letters of credit and travelers' checks		108,755.00
Total		23,678,091.78

LIABILITIES

Capital	1,000,000.00
Surplus and undivided profits	855,558.20
Circulation	869,220.00
Rediscounts	473,000.00
Bills payable	None.
Unearned discount	10,420.19
Travelers' checks and letters of credit	108,755.00
Deposits	20,361,138.39
Total	23,678,091.78

OFFICERS

Dudley E. Waters, chairman of the board.
Joseph H. Brewer, president.
Charles H. Bender, vice president.
Alvah D. Crimmins, vice president and cashier.
J. D. Farr, assistant vice president.
Benjamin de Graaf, assistant vice president.
B. Vander Meulen, assistant cashier.
John Larson, assistant cashier.
Mahlon A. Smith, assistant cashier.
A. T. Edison, assistant cashier.
Harry Lundberg, assistant cashier.
A. K. Gibson, assistant cashier.
F. I. Card, auditor.
John R. Schermer, manager bond department.

Statement of condition of Grand Rapids Trust Co., Grand Rapids, Mich., at the close of business December 31, 1929

RESOURCES

Mortgage loans in office	$156,525.56
Mortgage loans with State treasurer	214,425.00
Other loans	131,571.54
Bonds in office	990,287.09
Cash due from banks and in transit	383,876.72
Advances to trusts	339,983.39
Banking house, vaults, furniture, and fixtures	1,052,685.90
Other assets	18,734.67
Total	3,288,089.87

LIABILITIES

Capital stock	$750,000.00
Surplus	800,000.00
Undivided profits and reserves	74,106.30
Dividends unpaid	29,388.00
Bills payable	295,000.00
Interim certificates	24,600.39
Deposits	1,314,995.18
Total	3,288,089.87

OFFICERS

Joseph H. Brewer, president.
Lee M. Hutchins, vice president.
Alex W. Hompe, vice president.
Paul Frederick Steketee, vice president.
James R. Hooper, vice president and trust officer.
Frank G. Deane, vice president.
Elmer F. Birdsall, vice president.
Peter D. Kline, vice president.
Henry C. Worfel, treasurer.
Arthur E. Wells, secretary.
Joseph B. Ware, assistant secretary.
Frank V. Burrows, assistant trust officer.
Frank W. Schmidt, assistant treasurer.
C. Leo Van Frank, auditor.
Fred A. Worden, manager real estate department.
Lee W. Finch, manager bond department.

Statement of condition of Peoples National Bank, Jackson, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$4,368,239.49
United States bonds and other securities	1,646,899.11
Real estate and fixtures	171,393.93
Cash and due from banks	2,331,626.24
Total	8,518,158.77

LIABILITIES

Capital stock	200,000.00
Surplus and undivided profits	367,231.71
Circulating notes	200,000.00
Deposits	7,750,927.06
Total	8,518,158.77

OFFICERS

Bradley M. De Lamater, chairman of the board.
Herbert S. Reynolds, president.
Hiram C. Blackman, vice president.
Jay F. Clark, cashier.
Clyde H. Edgar, assistant cashier.
Arthur J. Whitney, assistant cashier.
S. Clark Beise, trust officer.

Statement of condition of National Union Bank & Trust Co. (and East Side Affiliated Bank), Jackson, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts		$6,672,472.82
United States bonds and certificates		405,872.00
Other bonds		951,864.82
Federal reserve bank stock		27,150.00
Cash resources:		
Due from Federal reserve bank	$600,408.89	
Cash in vault and due from banks	1,464,379.91	
		2,064,788.80
Banking house and equipment		653,781.54
Total		10,775,929.98

LIABILITIES

Capital stock	$600,000.00
Surplus	307,250.00
Undivided Profits	222,123.78
Reserve for interest, taxes, etc	18,207.46
Circulation	382,960.00
Deposits	9,245,388.74
Total	10,775,929.98

OFFICERS

Main office:
Arthur C. Bloomfield, president.
Clarence B. Hayes, vice president.
Rollin O. Bisbee, vice president.
G. E. Paul, vice president.
Charles M. Spinning, vice president.
Frank H. Newkirk, vice president.
Henry A. Reece, cashier.
Clarence F. Logan, assistant cashier.
Albert R. Johnson, assistant cashier.
Edmund J. Tobin, jr., assistant cashier.
John W. Knight, assistant cashier.
Daniel C. Haefner, assistant cashier.
Trust and bond department:
George E. Paul, vice president and trust officer.
Albert C. Brown, assistant trust officer.
East side branch:
Rudolph L. Kantlehner, advisory officer.
Carl W. Spiegel, manager.

Statement of condition of First National Bank & Trust Co., Kalamazoo, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$6,233,535.22
Bonds and securities	1,038,537.76
United States bonds and certificates of indebtedness	845,500.00
Stock, Federal reserve bank	24,000.00
Cash and due from banks	1,267,820.72
Banking house and equipment	368,859.50
Real estate	2,200.00
With United States Treasurer	2,500.00
Total	9,782,953.20

LIABILITIES

Capital	600,000.00
Surplus and profits	570,304.83
Reserved for interest	46,310.36
Reserved for bond account	47,972.32
Circulation	48,860.00
Bills payable and rediscounts	244,700.30
Deposits	8,224,805.39
Total	9,782,953.20

OFFICERS

C. S. Campbell, president.
C. H. Stearns, vice president.
E. H. Shepherd, vice president.
H. B. Allen, vice president.
S. A. Pratt, assistant vice president.
R. G. Rye, cashier.
J. H. Tolhuizen, assistant cashier.
C. C. Boers, assistant cashier.

Statement of condition of Capital National Bank, Lansing, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$7,034,250.91
Bonds, securities, etc	4,374,046.49
Cash and due from banks	2,281,971.50
Redemption fund with United States Treasurer	30,000.00
Interest earned but not collected	7,672.47
Building and equipment	540,227.35
Total	14,268,168.72

LIABILITIES

Capital	$600,000.00
Surplus	600,000.00
Undivided profits	505,232.12
Unearned interest	54,253.34
Circulation	600,000.00
Rediscounts and bills payable	931,503.75
Deposits	10,977,179.51
Total	14,268,168.72

OFFICERS

Ransom E. Olds, president.
Arthur C. Stebbins, vice president.
Frank E. Gorman, vice president and cashier.
Bruce Anderson, vice president.
Albert A. Elsesser, vice president.
Marshall Westfall, assistant cashier.
Miles D. Grant, assistant cashier.
J. Harold Sessions, assistant cashier.
Ralph H. Parker, assistant cashier.

Statement of condition of City National Bank & Trust Co., Niles, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$937,453.21
Bonds and securities	578,778.00
United States bonds	35,000.00
Mortgages	269,268.00
Cash and due from banks	234,245.73
Stock in Federal reserve bank	7,500.00
Due from United States Treasury	1,250.00
Bank building and fixtures	72,000.00
Total	2,135,494.94

LIABILITIES

Capital stock	150,000.00
Surplus	100,000.00
Undivided profits and reserves	61,497.35
Circulation	25,000.00
Bills payable	100,000.00
Deposits	1,698,997.59
Total	2,135,494.94
Assets of trust department	384,662.37
Combined resources	2,520,157.31

OFFICERS

Frank M. Brandon, president.
Matthew Stoll, vice president.
Charles F. White, vice president.
Thomas C. Hance, cashier and trust officer.
Fred E. Powell, auditor.
Alfred E. Zordel, assistant cashier and assistant trust officer.

Statement of condition of Federal Commercial and Savings Bank, Port Huron, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$5,679,919.68
United States bonds and certificates	679,550.00
Other bonds	741,013.59
Federal reserve bank stock	18,300.00

Cash resources—		
Due from Federal reserve bank	$178,571.21	
Cash in vault and due from banks	585,396.85	
		$763,968.06
Banking quarters and equipment		475,966.30
Customers' bonds left for safekeeping		157,984.29
Total		8,516,701.92

LIABILITIES

Capital stock	400,000.00
Surplus	210,000.00
Undivided profits	175,985.70
Reserve for interest, taxes, etc.	42,589.49
Bills payable	125,000.00
Customers' bonds left for safekeeping	157,984.29
Deposits	7,405,142.44
Total	8,516,701.92

OFFICERS

Albert D. Bennett, chairman of the board.
Stephen A. Graham, president.
Louis A. Weil, vice president.
Samuel L. Boyce, vice president.
William D. Smith, vice president.
Russell T. Jackson, cashier.
Frank C. Wellman, assistant cashier.
Harry W. Maitland, assistant cashier.
Edward N. Branagan, assistant cashier.
Loy R. Morton, assistant cashier.
Howard M. Thomas, assistant cashier.

Statement of condition of First National Bank & Trust Co., Port Huron, Mich., at the close of business December 31, 1929

RESOURCES

Loans and discounts	$2,486,801.24
Bonds	450,700.00
United States, municipal, and other bonds	2,572,393.01
Federal reserve bank stock	14,250.00
Cash and due from banks	701,659.15
Banking house and equipment	192,150.00
Total	6,417,953.40

LIABILITIES

Capital stock	300,000.00
Surplus and undivided profits	313,183.54
Bills payable	360,000.00
Circulation	149,995.00
Deposits	5,294,774.86
Total	6,417,953.40
Trust department resources	2,523,529.31
Combined resources	8,941,482.71

OFFICERS

Daniel D. Brown, president.
Frank E. Beard, vice president.
David MacTaggart, vice president.
Andrew C. Lassen, cashier.
Alex D. Adams, assistant cashier.
Gerald F. Collins, assistant cashier.
Ira Bricker, Trust Officer.

Second National Bank & Trust Co., Saginaw, Mich., statement of condition of at the close of business December 31, 1929

RESOURCES

Loans and discounts	$9,098,123.85
United States securities	2,405,761.31
Other bonds	2,738,483.02
Cash and due from banks	1,585,416.38
Bonds deposited with State treasurer for account trust department	200,000.00
Stock in Federal reserve bank	75,000.00
Banking houses and office building	1,435,000.00
Other real estate	35,943.83
Due from United States Treasurer	17,500.00
Total	17,591,228.39

LIABILITIES

Capital stock	1,250,000.00
Surplus fund	1,250,000.00
Undivided profits and reserves	762,928.30
	3,262,928.30
National bank notes outstanding	350,000.00
Bills payable	750,000.00
Deposits	13,228,300.09
Total	17,591,228.39

OFFICERS

George B. Morley, chairman of the board.
R. Perry Shorts, president.
W. H. Wallace, vice president.
Albert H. Morley, vice president.
Ray T. Maynard, vice president and cashier.
Emil A. Tessin, vice president and trust officer.
Alfred H. Perrin, vice president.
Mervyn E. Curran, assistant cashier.
Thomas M. Morley, assistant cashier.
John J. Spencer, assistant cashier.
John A. Stewart, assistant cashier.

GUARDIAN DETROIT CO.

OFFICERS

Carlton M. Higbie, chairman of the board.
John C. Grier, jr., president.
Robert O. Lord, vice president.
Ernest Kanzler, vice president.
Robert C. Lehman, vice president.
Howard M. Smith, vice president.
Andrew D. Hotchkiss, vice president.
Pelham C. Wilmerding, vice president.
E. P. Kimbrough, vice president.
Percival J. Steindler, vice president.
Philip K. Watson, vice president.
Frederick W. Pritchard, comptroller.
Gerald E. Miller, secretary.
G. T. Marshall, jr., assistant vice president.
Leslie A. Morgan, assistant vice president.
Wesley L. Murray, assistant vice president.
Kenneth K. Martin, assistant vice president.
Archibald B. Morrison, assistant vice president.
Joseph D. Frost, assistant vice president.
Edgar R. Thom, assistant vice president.
Harold J. Lauver, assistant secretary.
Prosser M. Watts, assistant secretary.
L. J. Ronder, assistant treasurer.
S. McKim Rusk, assistant treasurer.

GUARDIAN DETROIT CO. OF CALIFORNIA

OFFICERS

John C. Grier, jr., president.
Robert O. Lord, vice president.
Ernest Kanzler, vice president.
E. Price Kimbrough, vice president.
Harvey Roney, vice president.
Milton F. Steindler, vice president.
W. F. Wickman, assistant vice president
Robert C. Lehman, secretary.
Frederick W. Pritchard, treasurer.
Gerald E. Miller, assistant secretary.

KEANE, HIGBIE & Co.

OFFICERS

Carlton M. Higbie, chairman of the board.
Duncan J. McNabb, president and treasurer.
N. Bradley Higbie, jr., vice president.
Henry S. Morgan, vice president.
Muir B. Snow, vice president.
Millard H. Pryor, vice president.
Frederick W. Pritchard, comptroller.
Robert C. Lehman, secretary.

CORPORATE CONNECTIONS OF THE DIRECTORS IN THE GUARDIAN DETROIT UNION GROUP

Charles H. Adams, Detroit; vice president Union Trust Co., vice president and director Union Joint Stock Land Bank, director Bank of Hamtramck.

Merrill C. Adams, Detroit; vice president and secretary Union Trust Co.; secretary-treasurer New Union Building Co., secretary and director Union Joint Stock Bank, secretary Union Title & Guaranty Co., director Wm P. Ternes Co.

George A. Alderton, Saginaw; director Second National Bank & Trust Co., president G. A. Alderton & Co., president Melze, Alderton Shoe Co.

H. B. Allen, Kalamazoo; vice president and director First National Bank & Trust Co.

F. A. Allwardt, Battle Creek; vice president and director City National Bank & Trust Co.

D. M. Amberg, Grand Rapids; director Grand Rapids National Bank, vice president and director Imperial Furniture Co., vice president and director Grand Rapids Chair Co.

Dr. Edward Ames, Kalamazoo; director First National Bank & Trust Co., physician.

Bruce Anderson, Lansing; vice president and director Capital National Bank, director Industrial Bank, director Loan & Deposit State Bank, Grand Ledge, director Hill-Diesel Engine Co., president and director Lansing Oldsmobile Co., vice president and director R. E. Olds Co., treasurer and director Lansing Community Hotel Corporation, treasurer and director Hotel Olds Operating Co.

John A. Anderson, Port Huron; director Federal Commercial & Savings Bank, president and treasurer Harrington Hotel.

Wendell W. Anderson, Detroit; director Guardian Detroit Bank, director Highland Park State Bank, director Highland Park Trust Co., secretary-treasurer Anderson & Gardner (Inc.), treasurer and director Bundy Tubing Co., treasurer and director Saunders Michigan Stores (Inc.), director Clarence Saunders Stores (Inc.), director Detroit & Canada Tunnel Co., director Cadillac Aircraft Corporation.

Frank W. Andreae, Port Huron; director First National Bank & Trust Co., president Yale Woolen Mills, director Excello Aircraft & Tool Corporation, director Duro Wood Products (Inc.).

George R. Andrews, Detroit; chairman executive committee and director Highland Park State Bank, chairman executive committee and director Highland Park Trust Co., director Bank of Detroit, director Bank of Dearborn.

Roger M. Andrews, Detroit; director Bank of Detroit, president Times Publishing Co., publisher the Detroit Times, publisher and owner the Menominee Herald-Leader, Menominee.

Thomas Jackson Anketell, Detroit; director Union Joint Stock Land Bank, president Gratiot Lumber & Coal Co., president Anketell Lumber & Coal Co.

F. N. Arbaugh, Lansing; director Capital National Bank, director Industrial Bank, president and manager the F. N. Arbaugh Co., president Capital Electric Supply Co., vice president Barker Fowler Electric Co., vice president Standard Real Estate Co., treasurer Dail Steel Products Co., director Arctic Dairy Products Co., director Lansing Oldsmobile Co.

Frederic G. Austin, Detroit; director Union Trust Co., vice president, general manager and director Whitney Realty Co. (Ltd.), director General Brass Co.

Paul F. Bagley, Detroit; director Union Trust Co., president and director Woodmere Cemetery Association, director Bagley Land Co. (Ltd.).

George L. Bahl, Detroit; director Highland Park State Bank, director Highland Park Trust Co., general agent Penn Mutual Life Insurance Co., vice president Hutto Engineering Co., director Central West Casualty Co.

Hollis S. Baker, Grand Rapids; director Grand Rapids National Bank, president and general manager Baker Furniture Co.

L. H. D. Baker, Detroit; vice president National Bank of Commerce, director Michigan Industrial Bank, director Jefferson Savings Bank, Gross Pointe Park, director Husted Safety Wheel Co.

Ralph W. Ballantine, Lansing; director Capital National Bank, director First National Bank of Dearborn, president and director Michigan Mortgage-Investment Corporation, secretary, treasurer and director Community Land Co., director Lansing Community Hotel Corporation.

J. M. Barringer, Flint; director Union Industrial Bank, president General Foundry & Machine Co.

Charles F. Barth, Flint; vice president and director Union Industrial Bank, director Union Industrial Trust Co., vice president and general production manager Chevrolet Motor Co.

Frank E. Beard, Port Huron; vice president and director First National Bank & Trust Co., president Beard, Campbell Co., chairman St. Clair County Road Commissioners.

Charles H. Bender, Grand Rapids; vice president, chairman executive committee and director Grand Rapids National Bank, director Union Joint Stock Land Bank, Detroit, secretary, treasurer and director Hackley Phelps Bonnell Co., director Central West Casualty Co., director Ruggles & Rademaker Co.

Albert D. Bennett, Port Huron; chairman and director Federal Commercial & Savings Bank.

Frank T. Bennett, Jackson; director National Union Bank & Trust Co., president Bennett-McQuillan (Inc.), trustee F. D. Bennett estate.

Jul. W. Berns, Detroit; president and director Jefferson Savings Bank, Grosse Pointe Park; vice president Lochmoor State Bank, vice president Windisch-Commercial Bindery (Inc.), vice president Stanley Furnace Corporation.

Frank K. Berry, Battle Creek; director City National Bank & Trust Co., president A-B Stove Co., president Marshall Furnace Co.

Charles A. Bigelow, Saginaw; director Second National Bank & Trust Co., director Peoples Commercial & Savings Bank, Bay City; president Kneeland-Bigelow Co.

Charles Binder, Battle Creek; director City National Bank & Trust Co., R. Binder Co., director Margalexom Oil Co.

Rollin O. Bisbee, Jackson; vice president and director National Union Bank & Trust Co., director Peoples State Savings Bank of East Jordan, president Bankers Investment Co., president Fidelity Corporation of Michigan.

Arthur G. Bishop, Flint; director Union Trust Co., Detroit; director Union Joint Stock Land Bank, Detroit; president and director Genesee County Savings Bank, Flint; director First Trust & Savings Bank, Flushing; vice president and director General Motors Corporation, New York; director Durant Hotel Co.

M. R. Bissell, jr., Grand Rapids; director Grand Rapids Trust Co., vice president and director Bissell Carpet Sweeper Co.

Judge Edward D. Black, Flint; director Union Industrial Bank, director Union Industrial Trust Co., president Industrial Realty Co.

Hiram C. Blackman, Jackson; vice president and director Peoples National Bank, vice president Peoples National Co., director Jackson Citizens Finance Co.

Frank W. Blair, Detroit; chairman and director Guardian Detroit Union Group (Inc.), chairman and director Union Trust Co., president and director Union Joint Stock Land Bank, president Ohio-Pennsylvania Joint Stock Land Bank, president and director New Union Building Co., director Guardian Detroit Co., vice president and director Standard Savings & Loan Association, director National Bank of Commerce, director Union Title and Guaranty Co., director Keane, Higbie & Co., director Union State Bank of Dearborn, director Michigan Bell Telephone Co., director Central West Casualty Co., director Russel Steel Construction Co., director Detroit Bevel Gear Co., director Clawson State Savings Bank, director Wabash Portland Cement Co., director Michigan Steel Corporation, director National Grocer Co., director American Life Insurance Co., director Clayton and Lambert Mfg. Co., director National Steel Corporation, director Republic Gear Co.

Arthur L. Blakeslee, Kalamazoo; director First National Bank & Trust Co., president Kalamazoo Stove Co., director Industrial Finance Co.

Arthur C. Bloomfield, Jackson; director Guardian Detroit Union Group (Inc.), president and director National Union Bank & Trust Co., vice president National Union Co., vice president Longyear Mesaba Land & Iron Co.

Anthony Bodde, Detroit; director Michigan Industrial Bank, director Consolidated Brass Co., president and director Beaver Realty Co., secretary and director Detroit Metal Spinning Co., treasurer and director Detroit Steel Corporation, director Norton Hotel Co.

Henry E. Bodman, Detroit; chairman executive committee and director Guardian Detroit Union Group (Inc.), chairman and director Guardian Trust Co., director Guardian Detroit Bank, director Guardian Detroit Co., vice president and counsel Packard Motor Car Co., director Detroit City Gas Co., director Pennsylvania, Ohio & Detroit Railroad, director National Investors Corporation.

Carl W. Bonbright, Flint; director Union Industrial Bank, director Union Industrial Trust Co., vice president and director General Foundry & Machine Co., member advisory board American Industries Corporation.

Howard Bonbright, Detroit; director Guardian Detroit Bank, director Guardian Trust Co., president General Securities Corporation, special partner Nicol-Ford & Co.

Clarence H. Booth, Detroit; director Guardian Detroit Union Group (Inc.), director Guardian Detroit Bank, director Highland Park State Bank, director Highland Park Trust Co., president and director Bank of Dearborn, chairman Motor Bankers Corporation, president and director Gladwin Park Realty Co., vice president and director Detroit Ecorse Land Co., director Booth Newspapers (Inc.)

Ralph H. Booth, Detroit; director Guardian Detroit Union Group (Inc.), director Guardian Detroit Bank, director Guardian Trust Co., director Union Joint Stock Land Bank, president Booth Newspapers (Inc.), president Ralph H. Booth Corporation, president Detroit Ecorse Land Co., vice president Gladwin Park Realty Co., director Selected Securities Corporation.

Samuel L. Boyce, Port Huron; vice president and director Federal Commercial & Savings Bank.

George H. Boyd, Saginaw; director Second National Bank & Trust Co., chairman Saginaw Lumber Co., president Wyandotte Lumber Co., Wyandotte, president Boyd & Horine Lumber Co., Detroit, director Allington & Curtis Manufacturing Co.

Judson Bradway, Detroit; director Guardian Trust Co., president Judson Bradway Co., president Detroit & Canada Tunnel Co., president Bloomfield Village Corporation, president Maple-Cranbrook Corporation, president Eclipse Interchangeable Counterbore Co.

Frank M. Brandon, Niles; president and director City National Bank & Trust Co.

Joseph H. Brewer, Grand Rapids; director Guardian Detroit Union Group (Inc.), president and director Grand Rapids National Bank, president and director Grand Rapids Trust Co., president and director Pantlind Hotel Co., president and director Grand Rapids Hotel Co., director Grand Rapids Railway Co., director Grand Rapids Creamery Co., director Detroit Creamery Co.

Will A. Brewer, Saginaw; director Second National Bank & Trust Co., president Brewer Nienstedt Lumber Co., vice president and director Bancroft Hotel Co., treasurer and director Grant Grocer Co.

Walter O. Briggs, Detroit; director Guardian Detroit Union Group (Inc.), director Guardian Detroit Bank, director Guardian Trust Co., chairman and president Briggs Manufacturing Co., president Briggs Commercial & Development Co., president Briggs Bond & Investment Co.

Ralph Briscoe, Trenton; director Trenton State Bank.

Daniel D. Brown, Port Huron; director Guardian Detroit Union Group (Inc.), president and director First National Bank & Trust Co., director Port Huron Loan & Building Association.

George D. Brown, Detroit; director Highland Park State Bank, director Highland Park Trust Co.

David H. Brown, Grand Rapids; director Grand Rapids National Bank, treasurer Century Furniture Co.

Lewis J. Brown, Battle Creek; director City National Bank & Trust Co., president and director Nichols & Shepard Co., general manager Kellogg Co., director Kellogg Inn Co., Director Calhoun Savings & Loan Association.

Roy E. Brownell, Flint; director and attorney Union Industrial Bank, director and attorney Union Industrial Trust Co.

John A. Bryant, Detroit; director Union Trust Co., treasurer Bryant & Detwiler Co., vice president Feno Stamping & Manufacturing Co., director Detroit Motor Bus Co., director Wolverine Stone Co.

Fred Buck, Saginaw; director Second National Bank & Trust Co.; president, general manager, and director the Lufkin Rule Co., second vice president and director the Michigan Mutual Liability Co., Detroit.

Harry C. Bulkley, Detroit; director Guardian Detroit Union Group (Inc.), director Union Trust Co., director National Bank of Commerce, director Union Joint Stock Land Bank, director Detroit Legal News Co.

John K. Burch, Grand Rapids; director Grand Rapids National Bank, president, treasurer, and director A. F. Burch Co., president and director Division Avenue Realty Co.

George L. Burrows, Saginaw; director Second National Bank & Trust Co.

Charles J. Butler, Detroit; director Highland Park State Bank, director Highland Park Trust Co., president Morgan & Wright.

W. F. Butler, Trenton, director Trenton State Bank, Wayne County road commissioner, secretary Wayne County Park Board.

Charles S. Campbell, Kalamazoo; director Guardian Detroit Union Group (Inc.), president and director First National Bank & Trust Co., president F. N. B. Securities Co., president Fidelity Building & Loan Association, vice president Gilmore Bros., secretary George W. Taylor Clothing Co., treasurer Merchants Publishing Co., treasurer Kalamazoo Vegetable Parchment Co.

Douglas Campbell, Detroit; director Union Joint Stock Land Bank, secretary Baker, Simonds & Co., director Universal Products Co., director River Rouge Improvement Co., director Home Properties Corporation, director Russel Woods Co., director Woodlawn Cemetery Association.

Frederick Carlisle, Saginaw; director, Second National Bank & Trust Co.; president and treasurer F. W. & F. Carlisle Co.

Dan P. Caulkins, Detroit; director, Bank of Dearborn; assistant cashier, Guardian Detroit Bank.

Roy D. Chapin, Detroit; director, Guardian Detroit Union Group (Inc.); director, Guardian Detroit Bank; director, Guardian Trust Co.; chairman Hudson Motor Car Co.; member advisory board, Investment Co. of America; director, Detroit Garages (Inc.); director, Detroit Aircraft Corporation; director, North American Aviation (Inc.); director, Curtiss Airports Corporation; director, National Garages (Inc.).

Jay F. Clark, Jackson; cashier and director, Peoples National Bank; vice president, People National Co.; director, Commander Lighting Co.

Edgar B. Clarkson, Jackson; director, Peoples National Bank.

Austin Church, Trenton; chairman and director, Trenton State Bank; president Church Land Co.

Charles E. Clark, Detroit; vice president, Union Trust Co.; director, Jefferson Savings Bank, Grosse Pointe Park; director, Trenton State Bank, Trenton; vice president and director, Society for Savings; director, Clawson State Savings Bank, Clawson; vice president and director, Union State Bank, Dearborn; director, Crowley Milner & Co.

Leon T. Closterhouse, Grand Rapids; director, Grand Rapids Trust Co.; treasurer Grand Rapids Mutual Building & Loan Association; director, Globe Knitting Works.

Bernard C. Cobb, New York; director, Peoples National Bank, Jackson; chairman Commonwealth & Southern Corporation; president Central Illinois Light Co.; president Commonwealth Power Corporation; president Consumers Power Co.; president Grand Rapids Railroad Co.; president Illinois Power Co.; president Northern Ohio Power & Light Co.; president Ohio Edison Co.; president Penn-Ohio Edison Co.; president Southern Indiana Gas & Electric Co.; president Southern Michigan Light & Power Co.; president Tennessee Electric Power Co.

Howard E. Coffin, Detroit; director, Guardian Detroit Bank; director, Guardian Detroit Co.; vice president and director, Hudson Motor Car Co.; chairman and director, National Air Transport (Inc.); president Realty Investments (Inc.); chairman Sea Island Co.; director, Montauk Beach Development Co.; director, Transcontinental Air Transport; director, National Aviation Corporation (Inc.); director, North American Aviation (Inc.); director, Curtiss Airports (Inc.); director, Curtiss Flying Service (Inc.).

William A. Comstock, Detroit; director, Union Joint Stock Land Bank.

Frank C. Cook, Detroit; director, Michigan Industrial Bank; assistant treasurer and director, Detroit National Fire Insurance Co.; secretary, treasurer, and director, Oakland Theater Co.; secretary and director, Detroit Rendering Co.; director, Schroeder Paint & Glass Co.; director, Gratiot View Land Corporation.

George W. Cook, Flint; director, Union Industrial Bank; director, Union Industrial Trust Co.; Cook, Sheppard & Stipes.

George R. Cooke, Detroit; director Guardian Detroit Bank, director Guardian Trust Co., president George R. Cooke Co., president Cooke Asphalt Paving Co., vice president Detroit & Canada Tunnel Co., vice president A. J. Dupuis Co.

Edgar L. Cooley, Lansing; director Capital National Bank, director Industrial Bank, secretary, treasurer, and director Michigan Supply Co.

Lawrence Cornelius, Grand Rapids; director Grand Rapids National Bank, vice president and general manager Wolverine Brass Works.

Louis A. Cornelius, Grand Rapids; director Grand Rapids Trust Co., president and director Wolverine Brass Works, president and director Wolverine Co. (Inc.), New York City.

E. J. Cornwell, Saginaw; director Second National Bank & Trust Co., president and treasurer E. J. Cornwell Lumber Co., secretary-treasurer Cornwell Lumber Co., director the Schust Co., director Johannesberg Manufacturing Co., director Molalla Lumber Co.

Lambert B. Cowley, Jackson; director Peoples National Bank, Cowley's Shoe Store.

Frank Couzens, Detroit; director Bank of Detroit, director Guardian Trust Co., president Frank Couzens, Inc.

Harry S. Covington, Detroit; executive vice president and director National Bank of Commerce, director Union Industrial Bank, Flint; director National Tool Salvage Co., director Industrial Morris Plan Bank.

Lyman J. Craig, Detroit; director Bank of Detroit, director Bank of Dearborn, trustee James Craig Estate.

William W. Crapo, Saginaw; director Second National Bank & Trust Co., director Consolidated Coal Co.

William R. Craven, Cleveland, Ohio; director Ohio-Pennsylvania Joint Stock Land Bank, chairman Dayton Savings & Trust Co., vice president W. H. Kiefaber Co.

Alvah D. Crimmins, Grand Rapids; vice president, cashier, and director Grand Rapids National Bank.

Charles A. Cumings, Flint; director Union Industrial Bank, director Union Industrial Trust Co., secretary, treasurer, and director Cumings Bros.

Edward M. Cumings, Flint; director Union Industrial Bank, director Union Industrial Trust Co., president and director Cumings Bros., secretary and director Bendlecrest Corporation.

Thomas F. Daigle, Detroit; director Michigan Industrial Bank, president and treasurer Daigle Iron Works, president and treasurer Daigle Investment Corporation, president and treasurer Airmount Sign Service, second vice president Inyo Chemical Co., director Union Agency Corporation.

Ernest I. Dail, Lansing; director Capital National Bank, director Industrial Bank, president and general manager Dail Steel Products Co., director Capitol Savings & Loan Co.

Murray Dalziel, Jackson; director National Union Bank & Trust Co., president Collins, Hahn & Dalziel.

Arthur M. Davison, Flint; vice president and director Union Industrial Bank, vice president and director Union Industrial Trust Co., president Mount Morris State Bank, first vice president Capitol Theater Building Co., president Windiate-Pierce-Davison Co., partner A. M. Davison Co., director Cumings Bros., director City Ice & Fuel Co.

Mathew Davison, Flint; director Union Industrial Bank, director Union Industrial Trust Co., director R. B. Alling Co., director Cumings Bros., director Mount Morris State Bank.

Clarence M. Day, Jackson; director National Union Bank & Trust Co., general manager Jaxon Steel Products Co. Division General Motors Corporation.

Frank G. Deane, Grand Rapids; vice president and director Grand Rapids Trust Co.

Louis A. DeHayes, Detroit; director Jefferson Savings Bank, Grosse Pointe Park, president and treasurer Sterling Coal Co., treasurer Detroit Coal Exchange.

Bradley M. DeLamater, Jackson; chairman and director Peoples National Bank.

Paul H. Deming, Detroit; director Union Trust Co., director and president Mackinac Island State Bank, director Copeland Products (Inc.), chairman and director The George Washington Co., Cleveland.

Aaron DeRoy, Detroit; director Union Trust Co., director Michigan Industrial Bank, president and director Aaron DeRoy Management Corporation, president and director Aaron DeRoy Motor Car Co. of Detroit, president and director Aaron DeRoy Motor Car Co. of Pittsburgh, president and director Automobile Discount Co., president and director Si-Roy Properties Corporation.

Ward A. Detwiler, Detroit; director Bank of Detroit, president Bryant & Detwiler Co.

Victor F. Dewey, Detroit; director Highland Park State Bank, director Highland Park Trust Co., president and general manager Detroit Steel Products Co., vice president and director Fenestra Construction Co., director Ames Shovel & Tool Co.

C. W. Dickerson, Detroit; director Michigan Industrial Bank, vice president and secretary Timken Detroit Axle Co., vice president and director Michigan Mutual Liability Co.

Bartlett C. Dickinson, Kalamazoo; director First National Bank & Trust Co., treasurer Sutherland Paper Co., commissioner city of Kalamazoo.

Hon. Gerrit J. Diekema, Grand Rapids; United States Minister of the Netherlands, director Grand Rapids Trust Co., director Grand Haven State Bank, president Lokker Rutgers Co., president De Pree Co., director Michigan Bell Telephone Co., director Buss Machine Co.

William E. Dingman, Detroit; cashier and director Bank of Hamtramck.

Fred J. Dixon, Port Huron, director First National Bank & Trust Co., real estate.

Clayton N. Doty, Flint; director Union Industrial Bank.

J. Walter Drake, Detroit; director Union Trust Co., director Hupp Motor Car Corporation, director Detroit Gear & Machine Co., director Norge Corporation.

Martin J. Dregge, Grand Rapids; director Grand Rapids National Bank, president and director Luce Furniture Shops, president and director Luce Furniture Co., president and director Michigan Chair Co., president and director Furniture Shops of Grand Rapids, president and director Grand Rapids Duplex Divan Lumber Co., secretary, treasurer, and director Nichols & Cox Lumber Co.

Landon A. Dudley, Battle Creek; director City National Bank & Trust Co., district manager Northwestern Mutual Life Insurance Co

Charles R. Dunn, Detroit; executive vice president and director Union Trust Co., secretary, treasurer, and director Marion County Land Co., vice president and director Florida-Michigan Realty Co., vice president and director Newberry Lumber & Chemical Co., director Hubbard Realty Co.

Cady B. Durham, Flint; director Union Industrial Bank, director Union Industrial Trust Co.

Rudolf Eckert, Flint; director Union Industrial Bank, vice president and director Home Dairy Co., director International Foxes & Furs (Inc.), director Moffatt Grocer Co.

D. S. Eddins, Lansing; director Capital National Bank, vice president and general sales manager Olds Motor Works, member Board of Light and Water Commissioners.

G. Ogden Ellis, Detroit; vice president and director Bank of Detroit, publisher The American Boy.

Albert A. Elsesser, Lansing; vice president and director Capital National Bank, director Industrial Bank, vice president and director Mills Supplies Corporation.

Anthony M. Esper, Detroit; director Union State Bank of Dearborn, councilman City of Dearborn.

Henry T. Ewald, Detroit; director Bank of Detroit, president Campbell-Ewald Co.

Frank D. Ewen, Saginaw, director second National Bank & Trust Co.

Alonzo P Ewing, Detroit; director Bank of Detroit.

John A. Fead, Port Huron; director Federal Commercial & Savings Bank, secretary J. L. Fead & Sons.

Lawrence G. Fell, Battle Creek; director City National Bank & Trust Co., vice president and treasurer Michigan Carton Co.

William E. Fellows, Flint; vice president and director Union Industrial Bank, vice president and director Union Industrial Trust Co., director Flint Mortgage Co., director Guaranty Title & Mortgage Co., director Superior Felt Products, (Inc.).

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Hugh J. Ferry, Detroit; director Jefferson Savings Bank, Grosse Pointe Park, treasurer Packard Motor Car Co.

Leonard H. Field, jr., Jackson, director National Union Bank & Trust Co., architect.

George R. Fink, Detroit; director Guardian Detroit Union Group (Inc.), director National Bank of Commerce, director Union Trust Co., director Guardian Detroit Co., director Keane, Higbie & Co., president Michigan Steel Corporation, president National Steel Corporation, director Wilcox-Rich Corporation, director Square D Co.

Harry S. Finkenstaedt, Detroit; vice president and director National Bank of Commerce, director Peoples National Bank, Jackson, director Troyoak Land Co.

John W. Finkenstaedt, Detroit; director Union Trust Co., Partner Harris Small & Co.

Adolph Finsterwald, Detroit; director Union Trust Co., president The Fintex Corporation, president Finsterwald Investment Co., vice president Banker Securities Co., director Ray Jewelry Co., director Michigan Lafayette Building Co.

William A. Fisher, Detroit; director Guardian Detroit Union Group (Inc), vice president and director Bank of Detroit, director Guardian Trust Co., president Fisher Body Corporation.

Burch Foraker, Detroit; director Union Trust Co., director National Bank of Commerce, president and director Michigan Bell Telephone Co.

Edsel B. Ford, Detroit; president Ford Motor Co., director Guardian Detroit Union Group (Inc.), director Guardian Detroit Bank, director Guardian Trust Co., director National Bank of Commerce.

Joseph W. Fordney, Saginaw; director Second National Bank & Trust Co.

J. Richard Francis, Flint; director Union Industrial Bank, director Union Industrial Trust Co., senior vice president, member of finance committee and of executive committee, and director Borg-Warner Corporation, Chicago, president, general manager, and director Marvel Carburetor Co., vice president and director Wheeler-Schebler Carburetor Co., Indianapolis, vice president and director Groble Gas Regulator Co., Anderson, Ind., vice president and director National Bronze & Aluminum Foundry Co., Cleveland, Ohio, director Johnson Co., Detroit, director Mechanics Universal Joint Co., Rockford, Ill., director Warner Gear Co., Muncie, Ind.

D. H. Frazer, jr., Battle Creek; director City National Bank & Trust Co., secretary and director National Gas & Electric Corporation, secretary and director National Gas & Power Corporation, secretary and director Swingle Oil & Gas Co., secretary and director Hopewell Fuel & Gas Co., secretary and director Industrial Gas Co., secretary and director Gas Producing Co. of Ohio, secretary and director Consumers Utilities Co., secretary National Utilities Co. of Michigan, secretary and director Greeley Gas & Fuel Co., assistant secretary National Utilities Co. of Georgia, secretary, assistant treasurer, and director National Utilities Co. of South Carolina, secretary, assistant treasurer, and director National Utilities Co. of North Carolina, secretary and assistant treasurer National Utilities Co. of Missouri, secretary National Utilities of Alabama, secretary and director City Gas Co., secretary and director Reedy River Power Co., secretary and director Sullivan Power Co., assistant secretary-treasurer and director Battle Creek Gas Co., assistant secretary-treasurer American Gas & Power Co.

D. H. Frazer, Battle Creek; director, City National Bank & Trust Co.; president and director, Battle Creek Gas Co.; vice president and director, National Gas & Electric Corporation; vice president, National Gas & Power Corporation; director, American Gas & Power Co.

Frederick W. Freeman, Cleveland, Ohio; director, Ohio-Pennsylvania Joint Stock Land Bank; director, Ohio Finance Co., Columbus, Ohio; director, Hughes-Peters Electric Corporation, Columbus, Ohio.

Leonard Freeman, Flint; director, Union Industrial Bank; director, Union Industrial Trust Co.; president and director, Freeman Dairy Co.; vice president and director, Durant Hotel Co.

John H. French, director, Union Trust Co.; director, National Bank of Commerce; director, Michigan Industrial Bank; director, Union Title & Guaranty Co.; president and director, French Mortgage & Bond Co.; president and director, Mortgage & Bond Fidelity Corporation; president and director, Clinton View Greenhouses; director, Production Forging Co.; director, Briggs Manufacturing Co.; director, Dominion Forge & Stamping Co.

Edward Frensdorf, Detroit; vice president and director, Union Joint Stock Land Bank; president Peoples State Bank, Britton; president Tecumseh State Savings Bank, Tecumseh; president Bankers Bond & Mortgage Co., Hudson; president the Cutler-Dickerson Co., Adrian; president the State Land Realty Co.; president the Island Land Co.; vice president, First State Savings Bank, Hillsdale; director, Grange Life Insurance Co.; Lansing; director, the Hardie Manufacturing Co., Hudson; director, the Western Shoe Co., Toledo, Ohio; director, State Land Corporation, Pontiac; director, Hudson Milling Co.

Herbert H. Gardner, Detroit; executive vice president, director, and trust officer Highland Park Trust Co.; vice president, Highland Park State Bank.

George J. Genebach, Battle Creek; director, City National Bank & Trust Co.; director, Calhoun Savings & Loan Association; director, Battle Creek Citizens Loan & Investment Co.; president United Steel & Wire Co.; vice president, H. C. King & Sons; president, Margalexom Oil Co.; president Trenton Crude Oil & Gas Co.; director, Michigan Metal Products Co.

Donald S. Gilmore, Kalamazoo; director, First National Bank & Trust Co.; secretary Gilmore Bros.

Daniel Goldberger, Flint, director, Union Industrial Bank.

Grover C. Good, Grand Rapids; director, Grand Rapids National Bank; secretary, treasurer, and director, Globe Knitting Works; director, Malloch Knitting Mills; director, C. & D. Co.; director, World's Star Knitting Co., Bay City.

Luman W. Goodenough, Detroit; director, Guardian Detroit Bank; director, Guardian Trust Co.; director, Union Title & Guaranty Co.; Goodenough, Voorhies, Long & Ryan; president Gray Estate Co.; president, the Mortgage & Contract Co.

Theoron H. Goodspeed, Grand Rapids; director, Grand Rapids Trust Co.; president and director, Citizens Industrial Bank; president and director, American Box Board Co.; president and director, American Ply-Wood-Case Co; president and director, Kent Storage Co.; president and director, Goodspeed Real Estate Co.; president and director, Industrial Service Co.

Frank E. Gorman, Lansing; director guardian Detroit Union Group (Inc.), vice president, cashier, and director Capital National Bank, director Central Trust Co.

O. P. Gossard, Detroit; vice president and director Union Joint Stock Land Bank, vice president and director Ohio-Pennsylvania Joint Stock Land Bank, Cleveland, Ohio, director Central Discount Co.

Stephen A. Graham, Port Huron; director guardian Detroit Union Group (Inc.), president and director Federal Commercial & Savings Bank.

Charles C. Green, Battle Creek; president and director City National Bank & Trust Co., vice president and director Lubricating Devices (Inc.), vice president and director Michigan Metal Products Co., director Marshall Furnace Co.

L. H. Green, Detroit; director Bank of Detroit; president and director Automotive Materials Corporation, president and director Textileather Corporation of Ohio, president and director Standard Cotton Products Corporation of Flint, director Michigan Life Insurance Co., director Newcombe Separator Co. of America, director Union Steam Pump Co.

John M. Greissell, Flint; director Union Industrial Bank, director Union Industrial Trust Co.

L. R. Greusel, Battle Creek; director City National Bank & Trust Co., secretary and manager Central Electric Co., director American Finance Corporation.

John C. Grier, jr., Detroit; vice president and director Guardian Detroit Union Group (Inc.), president and director Guardian Detroit Co., vice president and director Guardian Detroit Bank, vice president and director Guardian Trust Co. of Detroit, director Keane, Higbie & Co., director National Investors Corporation, director United States & Overseas Corporation.

John A. Grosfield, Detroit; director Bank of Hamtramck, president Grosfield Investment Co.

Fred H. Haas, Trenton; director Trenton State Bank, vice president and director Michigan Foundation Co.

C. H. Haberkorn, jr., Detroit; vice president and director Guardian Detroit Union Group (Inc.), chairman and director Bank of Detroit, director Guardian Trust Co., president C. H. Haberkorn & Co.

Robert W. Hamilton, Detroit; director Highland Park State Bank, director Highland Park Trust Co., treasurer Gregory, Mayer & Thom, treasurer National Lithograph Co.

Thomas C. Hance, Niles; cashier, trust officer, and director City National Bank & Trust Co.

Esbern Hanson, Saginaw; director Second National Bank & Trust Co., treasurer and director Salling-Hanson Co., president and director Grayling Box Co., director Johannesburg Manufacturing Co.

A. B. C. Hardy, Lansing; director Capital National Bank, director Central Trust Co., director Union Trust Co., Detroit, director Union Joint Stock Land Bank, Detroit, director Title & Trust Co., Detroit; president Lansing Industrial Finance Corporation, director Detroit Motorbus Co., Detroit.

Jessel Hardy, Flint; director Union Industrial Bank, vice president Mount Morris State Bank, director Hardy Baking Co.

Walter A. Hardy, Flint; director Union Industrial Bank, director Flint Citizens Loan & Investment Co., president Hardy Baking Co., director Liberty Baking Corporation, New York.

J. Frederick Hartz, Detroit; director Highland Park State Bank, director Highland Park Trust Co., chairman J. F. Hartz Co., chairman C. M. Hall Lamp Co., director Charles W. Warren & Co.

Albert S. Harvey, Saginaw; director Second National Bank & Trust Co., president United States Graphite Co.

Orville L. Hatt, Detroit; vice president National Bank of Commerce, Director Bank of Commerce, Dearborn, treasurer and director National Tool Salvage Co., president and director Tool Salvage (Ltd.) of Canada, Walkerville.

Clarence B. Hayes, Jackson; vice president and director National Union Bank & Trust Co., director Kelsey-Hayes Wheel Co., director Lefree Forge & Machine Co.

Edward A. Haynes, Port Huron; director First National Bank & Trust Co., vice president Port Huron Sulphite & Paper Co., vice president North Shore Transit Co.

Frederick J. Haynes, Detroit; director Michigan Industrial Bank, president and director Durant Motors (Inc.), vice president and director Detroit National Fire Insurance Co., director Chateau Voyageurs.

Max P. Heavenrich, Saginaw; director Second National Bank & Trust Co., director Heavenrich Brothers & Co.

George K. Hebb, Detroit; director National Bank of Commerce, treasurer and director Evans-Winter-Hebb (Inc.), secretary, treasurer, and director Anchor Building Co., director, Anchor Press (Inc., director United Typothetate of America.

Richard C. Hedke, Trenton; director Trenton State Bank, vice president, general manager, and director Eaton-Clark Co., Detroit.

Joseph Henn, Detroit; chairman and director Union State Bank.

A. B. Herpolsheimer, Grand Rapids; director Grand Rapids National Bank, president Herpolsheimer Co., president Herpolsheimer Realty Co., vice president Wheeler-Van Label Co.

Parmely W. Herrick, Cleveland, Ohio; director Ohio-Pennsylvania Joint Stock Land Bank, director Society for Savings, Cleveland, president the Winch Co., president the Cuyahoga Co., vice president the Crawford Realty Co., director Union Trust Co., Cleveland, director Harriman National Bank, New York, director National Surety Co., New York, director Guarantee Title & Trust Co., Cleveland, director North American Aviation Corporation, New York.

John G. Hibbard, Cleveland, Ohio; secretary, treasurer, and director Ohio-Pennsylvania Joint Stock Land Bank.

E. K. Hibsman, Cleveland, Ohio; director Ohio-Pennsylvania Joint Stock Land Bank, director New York Joint Stock Land Bank, Rochester, N. Y.

Carlton M. Higbie, Detroit; director Guardian Detroit Union Group (Inc.), chairman and director Keane, Higbie & Co., chairman and director Guardian Detroit Co., director National Bank of Commerce, director Guardian Trust Co., vice president and director Kalamazoo Stove Co., vice president and director Brown Fence & Wire Co., director Reo Motor Car Co., director Wilcox-Rich Corporation, director Murray Corporation of America, director Square D Co., director Kingston Products Co., director General Brass Co., director Federated Publication (Inc.), director F. Burkhart Manufacturing Co., director Standard Steel Spring Co., director Penberthy Injector Co., director Mesta Machine Co., director National Steel Co.

Harley G. Higbie, Detroit; director Guardian Trust Co., treasurer and director Hugo Scherer Estate (Inc.), secretary and director Scherer & Co., secretary and director St. Clair Rubber Co.

N. Bradley Higbie, jr., Detroit; vice president and director Keane, Higbie & Co., director Pittsburgh Forging Co.

Phil Higer, Port Huron; director Federal Commercial & Savings Bank, proprietor L. Higer & Son.

Sherwin A. Hill, Detroit; director guardian Detroit Union Group, (Inc.), director Guardian Detroit Bank, director Guardian Trust Co., director Guardian Detroit Co., director Bank of Commerce, Dearborn, Warren, Hill & Hamblen, director Graham-Paige Motors Corporation, director Michigan Sugar Co., director Nicholson Universal Steamship Co., director Nicholson Terminal & Dock Co., director Wilcox-Rich Corporation, director Detroit & Canada Tunnel Co.

Fred M. Hodge, Kalamazoo; director First National Bank & Trust Co., president Kalamazoo Paper Co.

Charles H. Hodges, Detroit; director Guardian Detroit Union Group (Inc.), director Union Trust Co., director National Bank of Commerce, first vice president and director American Radiator & Standard Sanitary Corporation, first vice president, member of executive committee, and director American Radiator Co., chairman and director Detroit Lubricator Co., director American Blower Co., director Grand River Avenue Development Co., director American Industries Corporation.

C. H. Hodges, jr., Detroit; director Bank of Commerce, Dearborn, vice president Detroit Lubricator Co.

T. H. Hogsett, Cleveland, Ohio; vice president and director the Ohio-Pennsylvania Joint Stock Land Bank, director United Banking & Trust Co., director The Northern Ohio Power & Light Co., director The Lage Shore Electric Railway Co., director The Ohio Varnish Co.

Addison E. Holton, Detroit; director Michigan Industrial Bank, president and director Holton & Co., secretary and director Lewiston Oil & Refining Co., treasurer and director Sommerville & Co., secretary and director Century Oil Co., secretary and director Blackstone Oil Co., secretary and director Northern States Oil Co., director Anaconda Wire & Cable Co., director Regal Oil Co. (Ltd.).

A. W. Hompe, Grand Rapids; vice president and director Grand Rapids Trust Co., vice president Grand Rapids Furniture Co., director Macey Co., director John Widdicomb Co.

James R. Hooper, Grand Rapids; vice president, trust officer, and director Grand Rapids Trust Co.

J. A. House, Cleveland, Ohio; director Ohio-Pennsylvania Joint Stock Land Bank, president and director Guardian Trust Co. of Cleveland, president New England Co., director Goodyear Tire & Rubber Co., director New York, Chicago & St. Louis Railroad, director Wheeling & Lake Erie Railroad Co., director Standard Textile Co., director Morris Plan Bank of Cleveland, director Cleveland Builders Supply Co., director Monarch Fire Insurance Co., director Inland Investors (Inc.), director Industrial Rayon Corporation, director Kilby Manufacturing Co., director The Mills Co., director Jordan Motor Car Co.

Hobart B. Hoyt, Detroit; director Union Trust Co., director Union Title & Guaranty Co., vice president and director Michigan Steel Casting Co.

N. E. Hubbard, Battle Creek; vice president and director City National Bank & Trust Co., president Hubbard Electric Co., vice president Morton Investment Co.

Caspar B. Hughes, Detroit; director Union State Bank of Dearborn, secretary-treasurer Wayne Acres Land Co.

N. P. Hull, Lansing; director Capital National Bank, director Central Trust Co., director Union Joint Stock Land Bank of Detroit, president and director Grange Life Insurance Co., president and director Michigan Milk Producers' Association, president and director National Dairy Union, president and director Lansing Welfare Loan Association, vice president and director American Annuity Savings Association, vice president and director Michigan State Good Roads Association, chairman executive committee and director Michigan State Grange, director Lansing Community Hotel Corporation, director United States Mortgage Bond Co. of Detroit, director Michigan Producers Dairy Co., Adrian, director National Cooperative Milk Producers Federation, Washington.

George L. Humphrey, Saginaw; director Second National Bank & Trust Co., president, treasurer, and director C. K. Eddy & Sons, president, treasurer, and director Saginaw Milling Co., director Consolidated Coal Co., Director United States Graphite Co.

Lee M. Hutchins, Grand Rapids; director Grand Rapids National Bank, vice president and director Grand Rapids Trust Co., president and manager Hazeltine & Perkins Drug Co., director Grand Rapids Foundation.

James Inglis, Detroit; director Guardian Detroit Union Group (Inc.), director National Bank of Commerce, director Union Trust Co., president American Blower Corporation, president Canadian Sirocco Co. (Ltd.), Windsor, director American Radiator Co., New York, director Michigan Mutual Liability Corporation, advisory committee American Industries Corporation.

Fred F. Ingram, Jackson; director National Union Bank & Trust Co., president L. H. Field Co., president Field-Ingram Co.

Earl S. Irwin, Grand Rapids; director Grand Rapids National Bank, president Macey Co., president Steel Furniture Co., treasurer Robert W. Irwin Co., vice president C. J. Farley Co.

Glenn R. Jackson, Flint; director Union Industrial Bank, director Union Industrial Trust Co., president Continental Department Stores (Inc.), director Merchants & Mechanics Bank.

Edward Jenkins, Saginaw; director Second National Bank & Trust Co.

W. Lee Jenks, Port Huron; director F rst National Bank & Trust Co. attorney, president Moak Machine & Tool Co., vice president Moak Realty Co., president Port Huron Terminal Co.

Almon O. Jones, Battle Creek; director City National Bank & Trust Co., president United States Register Co., president Lubricator Devices (Inc.), director Simmons-Leedle Furnace Co., Marshall.

James B. Jones, Detroit; director National Bank of Commerce, vice president and general manager Crowley Milner & Co., director Better Business Bureau of Detroit (Inc.), director Detroit Shopping News, director Business Property Association of Detroit.

Richard P. Joy, Detroit; director Guard'an Detroit Union Group (Inc.), director National Bank of Commerce, director Union Trust Co., president and director La Salle County Carbon Coal Co., director Packard Motor Car Co., director Grace Harbor Lumber Co.

George B. Judson, Detroit; director Guardian Detroit Union Group (Inc.), president and director Bank of Detroit, director Bank of Dearborn.

Albert Kahn, Detroit; director Guardian Detroit Bank, president Albert Kahn (Inc.), director Truscon Steel Co., director Electro-Master Co., director Congress Investment Co.

William R. Kales, Detroit; director Union Trust Co., director Michigan Industrial Bank, vice president Whitehead & Kales Co., president Kales Stamping Co., secretary-treasurer Kales Realty Co., vice president Jefferson Terminal Warehouse Co., director Central West Casualty Co.

Charles A. Kanter, Detroit; executive vice president and director National Bank of Commerce, director Union Industrial Bank, Flint.

Rudolph L. Kantlehner, Jackson; director National Union Bank & Trust Co., president R. L. Kantlehner (Inc.), advisory officer East Side National Union Branch, director Jackson Community Finance.

Ernest Kanzler, Detroit; vice president and director Guardian Detroit Union Group (Inc.), vice president and director Guardian Detroit Bank, vice president and director Guardian Detroit Co., director Guardian Trust Co., president Universal Credit Corporation.

Joseph M. Karmann, Detroit; director Union State Bank of Dearborn.

Jerome E. J. Keane, Detroit; director Guardian Detroit Union Group (Inc.), director Guardian Detroit Bank, director Guardian Trust Co., director Sutherland Paper Co.

Ernst C. Kern, Detroit; director Bank of Detroit, The Ernest Kern Co.

William Kersjes, Kalamazoo; director First National Bank & Trust Co., president Wheeler Blaney Co.

A. Earl Kettle, Kalamazoo; director First National Bank & Trust Co., president Edwards & Chamberlin Hardware Co.

Samuel R. Kingston, Detroit; executive vice president, cashier, and director National Bank of Commerce, vice president and director Bank of Commerce of Dearborn, director First State Savings Bank of Birmingham, director Lochmoor State Bank, director Baker Land Co., director National Tool & Salvage Co.

Charles A. Kinney, Detroit; vice president and director National Bank of Commerce, director City National Bank & Trust Co., Battle Creek.

Lloyd G. Kirby, Flint; executive vice president, secretary and director Union Industrial Trust Co., director Union Industrial Bank.

George H. Klein, Detroit; director Union Trust Co., director National Bank of Commerce, director Union Title & Guaranty Co., secretary and director Detroit City Service Co., secretary and director Executives Trading Corporation, director Long Manufacturing Co.

Reinhard Kleinpell, Flint; director Union Industrial Bank, director Union Industrial Trust Co., treasurer, manager, and director Flint Lumber Co., vice president and director Veit & Davison Lumber Co., vice president and director Herman Hughes Lumber Co., president and director Flushing Lumber Co., chairman and director Flint Structural Steel Co., president and director Woodcroft Estates, president and director Burgess Realty Co., president and director Flint Savings Association, treasurer and director Flint Die & Tool Co., director Superior Felt Products Co., director Durant Hotel Co.

Albert Koegel, Flint; director Union Industrial Bank, director Union Industrial Trust Co., president A. Koegel & Co., director Sunset Hills Association.

John F. Koenig, Detroit; president and director Bank of Hamtramck, president and director Koenig Coal & Supply Co., president and director Koenig Transportation Co., treasurer and director Trombly Brick Co.

Rudolph F. Kompass, Niles; director City National Bank & Trust Co.

Leopold Koscinski, Detroit; director Bank of Hamtramck.

Arthur J. Lacy, Detroit; director Bank of Detroit, Anderson, Wilcox, Lacy & Lawson.

Charles F. Lambert, Detroit; director National Bank of Commerce, president, general manager, and director Clayton & Lambert Manufacturing Co., director Rhodes Metallic Packing Co.

Frederick Larkin, Flint; director Union Industrial Bank, president Realty Construction Co.

F. A. Lautenschlager, Trenton; vice president, cashier, and director Trenton State Bank.

Dwight B. Lee, Detroit; director Guardian Detroit Union Group, Inc., director Union Trust Co., director National Bank of Commerce, president, treasurer, and director Motor Products Corporation, director Kelvinator Corporation, director Dome Mines, Ltd., of Canada, director Black River Ranch.

T. Fred Lee, Detroit; director Michigan Industrial Bank, director Detroit National Fire Insurance Co.

Ernest G. Liebold, Detroit; director Bank of Dearborn, general secretary to Henry Ford.

Arnold Lenz, Saginaw; director Second National Bank & Trust Co., manager Chevrolet Motor Co., Grey Iron Foundry.

Murray D. Lincoln, Cleveland, Ohio; director Ohio-Pennsylvania Joint Stock Land Bank, general manager Ohio Farm Bureau Corporation, secretary-treasurer Ohio Farm Bureau Service Co., secretary-treasurer Farm Bureau Mutual Automobile Insurance Co., secretary Ohio Farm Bureau Federation, director Auxiliary Board First Citizens Trust Co., Columbus.

Edwin H. Lindow, Detroit; president and director Union Title & Guaranty Co.

Robert T. Longway, Flint; vice president and director Union Industrial Bank, director Union Industrial Trust Co., vice president Buick Motor Co.

Robert O. Lord, Detroit; president and director Guardian Detroit Union Group (Inc.), president and director Guardian Detroit Bank, president and director Guardian Trust Co., vice president and director Guardian Detroit Co., director Bank of Detroit, president and director Highland Park State Bank, chairman and director Highland Park Trust Co., director Universal Credit Corporation, director National Investors Corporation, director Keane, Higbie & Co.

W. H. Loutit, Grand Rapids; director Grand Rapids Trust Co., president and director Wm. H. Keller, Inc., chairman Michigan Conservation Commission.

Richard H. Loveland, Jackson; director Peoples National Bank; director Jackson Citizens Finance Co.

William B. Lowe, Detroit; director Highland Park State Bank, director Highland Park Trust Co., managing director Detroit Free Press, treasurer and director Free Press Photogravure Co., director Free Press Realty Co.

Albert B. Lowrie, Detroit; director Bank of Dearborn, director Michigan Industrial Bank, secretary-treasurer Lowrie-Robinson Lumber Co.

Alvan Macauley, Detroit; director Guardian Detroit Union Group, Inc., director Guardian Detroit Bank, director Guardian Trust Co., director Guardian Detroit Co., director National Bank of Commerce, president, general manager and director Packard Motor Car Co., president and director National Automobile Chamber of Commerce.

Alvan Macauley, jr., Detroit; vice president Guardian Detroit Bank; director Bank of Dearborn.

James C. MacGregor, M. D., Flint; director Union Industrial Bank, director Union Industrial Co.

David MacTaggart, Port Huron; vice president and director First National Bank & Trust Co., president David MacTaggart Co., President MacTaggart-Hoffman Co.

James M. MacTaggart, Port Huron; director First National Bank & Trust Co., secretary-treasurer Port Huron-Sarnie Ferry Co.

Andrew L. Malott, Detroit; vice president and director Guardian Trust Co., executive vice president Union Trust Co., director Union Title & Guaranty Co.

Nicholas A. Mans, Trenton; president and director Trenton State Bank, director Wyandotte Industrial Bank, president N. A. Mans & Sons, vice president O'Connor Properties Corporation, director A. R. Reno Drug Co., director Warren Park Land Co.

George K. March, Detroit; director Michigan Industrial Bank.

Howard R. Marsh, Jackson; director National Union Bank & Trust Co.

Henry Marx, Port Huron; director Federal Commercial & Savings Bank.

A. G. Masters, Detroit; director Union Joint Stock Land Bank of Detroit.

Frank J. Maurice, Detroit; executive vice president and director Highland Park State Bank, vice president and director Highland Park Trust Co., vice president and director Bank of Dearborn.

Ray T. Maynard, Saginaw; vice president, cashier, and director Second National Bank & Trust Co., director Saginaw Financing Corporation.

W. B. Mayo, Detroit; director Bank of Commerce of Dearborn, chairman and vice president Detroit Motorbus Co., vice president Stout Air Services (Inc.), vice president Stout Metal Airplane Co., vice president Hooven, Owens & Rentschler Co., vice president Aircraft Development Corporation (division Detroit Aircraft Corporation), president Hamilton Moulding Sand Co., director Pratt & Whitney Aircraft Corporation, director Dexter-Carpenter Coal Co., director General Machinery Corporation, director Maddux Airlines (Inc.), director New York, Rio & Buenos Aires Lines (Inc.), director Transcontinental Air Transport (Inc.), director Coast Range Steel Corporation, director United Aircraft and Transport Corporation, director United Aviation Corporation, director Sky View Lines (Inc.), director Northwest Airways (Inc.), director Towle Aircraft Corporation, director Detroit Aircraft Corporation, director Aviation Credit Corporation.

Norman McClave, Grand Rapids; director Grand Rapids National Bank, president Sligh Furniture Co.

Samuel L. McCune, Cleveland, Ohio; vice president and director Ohio-Pennsylvania Joint-Stock Land Bank.

Fred J. McDonald, Detroit; director Michigan Industrial Bank, president McDonald Coal & Brick Co.

J. C. McHannan, Cleveland, Ohio; director Ohio-Pennsylvania Joint-Stock Land Bank, vice president and director Central National Bank, treasurer Prospect-37th Co., treasurer and director Cleveland Rubber (Inc.), vice president and director Birkett L. Williams Co., treasurer Cleveland Industrial Exposition Co.

William S. McKay, Cleveland, Ohio; director Ohio-Pennsylvania Joint-Stock Land Bank, president and director First National Bank, Greenville, Pa., secretary and trustee Grove City College, Grove City, Pa., secretary, treasurer, and director Turner McKay Co., Grove City, Pa., secretary, treasurer, and director Hillcrest Realty Co., Grove City, Pa., chairman Agricultural Committee Pennsylvania Bankers Association.

John M. McKerchey, Detroit; director Michigan Industrial Bank, president Acacia Park Cemetery, president Woodward Avenue Improvement Association.

Francis C. McMath, Detroit; director Guardian Detroit Union Group (Inc.), director Union Trust Co., director National Bank of Commerce, president Essex Real Estate Co., director New Union Building Co., director Essex Terminal Railroad, Walkerville, Ontario, director Canadian Bridge Co. (Ltd.), Walkerville, Ontario.

Duncan J. McNabb, Detroit; president and treasurer Keane, Higbie & Co., director Guardian Detroit Co., director Union Joint Stock Land Bank, director Ohio-Pennsylvania Joint Stock Land Bank, director Kalamazoo Stove Co., Kalamazoo, director Wilcox-Rich Corporation, Saginaw.

George W. Mechem, Battle Creek; director City National Bank & Trust Co., director Battle Creek Gas Co.

Louis Mendelssohn, Detroit; director Guardian Trust Co.

Frank W. Merrick, Detroit; director Union Joint Stock Land Bank, director Ohio-Pennsylvania Joint Stock Land Bank, Cleveland, president and director State Savings Bank, Gladwin, vice president and director Pigeon State Bank, Pigeon, vice president and director Oscoda State Savings Bank, Oscoda, vice president and director Owendale Bank, Owendale, vice president Twining Bank, Twining, vice president Mikado Bank, Mikado, vice president Lincoln Bank, Lincoln, president and director Michigan Bean Co., Saginaw, director Lake City State Bank, Lake City, director Muncie Malleable Foundry Co., Muncie, director R. W. Babcock (Inc.), Detroit.

Mark Merriman, Jackson; director Peoples National Bank.

Edward Miller, Detroit; director Union State Bank, Dearborn.

R. Verne Mitchell, Cleveland, Ohio; director Union Trust Co., director Ohio-Pennsylvania Joint Stock Land Bank, vice president and general manager R. V. Mitchell & Co., president and director Harris-Seybold-Potter Co., director Continental Shares (Inc.), director General Printing Ink Corporation, New York, director, The Bonnot Co., Canton, Ohio, director the Buyers Machine Co., director City National Mortgage Co., Canton, Ohio, director Dill Manufacturing Co., director Haughton Elevator Co., Toledo, Ohio, director James Leffel & Co., Springfield, Ohio, director the Kaynes Co., director Investment Trust of New York (Inc.), New York, director Piqua Hosiery Co., Piqua, Ohio, director Reliance Manufacturing Co., Massillon, Ohio, director Thompson Products Co., director Union Metal Manufacturing Co., Canton, Ohio.

W. Ledyard Mitchell, Detroit; director Guardian Detroit Bank, director Guardian Trust Co., vice president and director Chrysler Corporation, vice president the Robert Mitchell Manufacturing Co., chairman Chrysler Export Corporation.

Edwin R. Monnig, Detroit; vice president and director Bank of Hamtramck.

Charles M. Montague, Niles; director City National Bank & Trust Co.

Charles E. Moon, Niles; director City National Bank & Trust Co.

Fred T. Moran, Detroit; director Union Trust Co., director Union Title & Guaranty Co., president Peninsular Stove Co.

Albert H. Morley, Saginaw; vice president and director Second National Bank & Trust Co.

George B. Morley, Saginaw; director Guardian Detroit Union Group (Inc.), chairman and director Second National Bank & Trust Co.

Ralph C. Morley, Saginaw; director Second National Bank & Trust Co., president and director Morley Bros., chairman and director Morley Murphy Co., president and director American Logging Tool Co., vice president and director Saginaw Timber Co.

S. A. Morman, Grand Rapids; director Grand Rapids National Bank, partnership S. A. Morman & Co., vice president and director American Box Board Co.

Benjamin F. Mortenson, Detroit; director Michigan Industrial Bank, president Mortenson Michelson Co., owner Benj. F. Mortenson Co.

Edwin R. Morton, Battle Creek; vice president, cashier, and director City National Bank & Trust Co.; director Union Joint Stock Land Bank, Detroit; president and director American Finance Corporation, president and director B. & M. Real Estate Co.; president and director Morton Investment Co.

W. E. Moss, Detroit; director Union Joint Stock Land Bank, director W. E. Moss & Co., director Greenfield Investment Corporation.

Charles S. Mott., Detroit; director Guardian Detroit Union Group (Inc.), president and director Union Industrial Bank, Flint, chairman and director Union Industrial Trust Co., Flint, director National Bank of Commerce, director Union Trust Co., director Guardian Detroit Co., vice president General Motors Corporation, director Detroit Aircraft Corporation, director Michigan Copper & Brass Co.

Oscar B. Mueller, Port Huron; director Federal Commercial & Savings Bank, president Mueller Brass Co., treasurer Mueller Investment Association.

William K. Muir, Detroit; director Guardian Trust Co., superintendent Detroit & Cleveland Navigation Co., secretary Stout-Detroit & Cleveland Air Lines (Inc.).

C. Hayward Murphy, Detroit; diector Bank of Detroit; director Guardian Trust Co., secretary Simon J. Murphy Co.

Fred T. Murphy, Detroit; director Detroit Guardian Union Group (Inc.), chairman and director Guardian Detroit Bank, director Guardian Trust Co., director Guardian Detroit Co., trustee Murphy Family Trusts, vice president Pacific Lumber Co.

Joseph Murphy, Cadillac; director Grand Rapids Trust Co., vice president Cadillac-Soo Lumber Co., vice president Grand Rapids Lumber Co., director Cadillac State Bank.

James R. Murray, Detroit; director Guardian Trust Co., president The Forging & Casting Corporation, president Standard Tube & Manufacturing Co., president Murray-Ross Corporation, president Pontiacres (Inc.), vice president Conductors' Protective Assurance Co., director Murray-Ohio Manufacturing Co., director Field-Jerome Laboratories (Inc.).

Joseph Neckel, Detroit; director Union State Bank of Dearborn.

Henry H. Neesley, Jackson; director National Union Bank & Trust Co.

Edwin H. Nelson, Detroit, director Guardian Detroit Union Group (Inc.), director Union Trust Co., director National Bank of Commerce, director Bank of Commerce of Dearborn, president and director Nelson, Baker & Co.

Phelps Newberry, Detroit; vice president and director Guardian Detroit Union Group (Inc.), vice president and director Guardian Detroit Bank, vice president and director Guardian Trust Co., director Guardian Detroit Co., director Highland Park State Bank, director Highland Park Trust Co., vice president Newberry Estate (Inc.), treasurer Tanglefoot Co., director Detroit Steel Casting Co., director Buhl Aircraft Co.

Elliott S. Nichols, Trenton; director Trenton State Bank, vice president and director Plymouth Road Development Corporation, director Maple Cranbrook Co.

Aaron E. Noble, Detroit; director Michigan Industrial Bank.

Robert Oakman, Detroit; director Union Trust Co., president and director Robert Oakman Land Co.

R. E. Olds, Lansing; director Guardian Detroit Union Group (Inc.), president and director Capital National Bank, director Union Trust Co., Detroit, president and director R. E. Olds Co., chairman and director Chateau Voyageurs, Detroit, chairman and director Ideal Power Lawn Mower Co., chairman and director Lansing Community Hotel Corporation, chairman and director Reo Motor Car Co., chairman and director Hill Diesel Engine Co., director Atlas Drop Forge Co., director Detroit Aircraft Corporation, Detroit, director National Automobile Chamber of Commerce, director Central Trust Co.

O. O. Otis, Detroit; vice president, cashier and director Bank of Commerce of Dearborn.

Edwin Owen, Grand Rapids; director Grand Rapids Trust Co., chairman and director Owen Ames Kimball Co., secretary, treasurer, and director Highland Park Association, director Michigan Hardware Co., director Stow Davis Furniture Co.

Felix Pagenstecher, Kalamazoo, director First National Bank & Trust Co., president and manager Bryant Paper Co., vice president Kalamazoo Citizens Loan & Investment Co.

Albert B. Parfet, Port Huron; director Federal Commercial & Savings Bank, president and treasurer Albert S. Parfet Co.

Frank E. Parker, Detroit; director Michigan Industrial Bank, vice president and general manager Merchants Credit Bureau (Inc.), director Michigan Credit Bureau (Inc.)

Harry B. Parker, Albion, director Peoples National Bank, Jackson, director Commercial & Savings Bank, vice president and general manager Albion Malleable Iron Co.

James Parkhill, Flint; director Union Industrial Bank, manager Armstrong Spring Co. division of General Motors Corporation.

William S. Paterson, Flint; director Union Industrial Bank, director Union Industrial Trust Co.

George E. Paul, Jackson, vice president, trust officer, and director National Union Bank & Trust Co., president National Union Co., vice president Bankers Investment Corporation.

Charles F. Pears, Niles; director City National Bank & Trust Co.

Andrew J. Peoples, Detroit; director Bank of Detroit, director Bank of Dearborn, director Michigan Industrial Bank, manager the American Brass Co., Detroit branch, director Michigan Mutual Liability Co.

James B. Peter, Saginaw; director Second National Bank & Trust Co., director Consolidated Coal Co.

J. Alfred Pip, Detroit; director Michigan Industrial Bank, president and treasurer Anderson & Pip Co., vice president Beaver Realty Co., treasurer

Eagle Paint Works, treasurer Eagle Properties Corporation, director Detroit Steel Corporation, director Detroit Concrete Receptacle Co.

Francis J. Plym, Niles; director Guardian Detroit Bank, president Kawneer Co., Niles, President Kawneer Manufacturing Co. of California, president Star Manufacturing Co., vice president and director Niles Hotel Co., director American Industries, Detroit, director First National Bank, South Bend.

Ferdinand Porath, jr., Detroit; director Union State Bank of Dearborn.

Drury L. Porter, Lansing; director Capital National Bank, vice president, treasurer, and director Motor Wheel Corporation.

Ray Potter, Lansing, director Capital National Bank, vice president, treasurer, and director Michigan Screw Co., director Federal Screw Works, Detroit, director Superior Screw & Bolt Manufactuing Co., Cleveland, director Motor Wheel Corporation, director Dail Steel Products Co., director Lansing Co.

Joel H. Prescott, Detroit; executive vice president and director Union Trust Co., president and director Palms Realty Co.

Frank E. Quisenberry, Detroit; executive vice president and director Highland Park State Bank, president and director Highland Park Trust Co., vice president and director Bank of Dearborn.

W. J. Rachow, Detroit; president, cashier, and director Union State Bank, Dearborn.

H. H. Rackham, Detroit; director Bank of Detroit.

John H. Rademaker, Grand Rapids; director Grand Rapids Trust Co., vice president and director Manistee County Savings Bank, president Anderson Lumber Co.

Ellis W. Ranney, Grand Rapids; director Grand Rapids Trust Co., president Ranney Refrigerator Co., Greenville, vice president Moore Plow & Implement Co., Greenville, vice president Commercial State Savings Bank, Greenville, director Michigan Surety Co., Lansing.

Austin B. Read, Kalamazoo; director First National Bank & Trust Co.

Jerome H. Remick, Detroit; director Guardian Detroit Union Group (Inc.), Union Trust Co., Grand Rapids Creamery Co., president and director Detroit Creamery Co., president and director Detroit Creamery Realty Co., vice president and director Parke, Davis & Co., Detroit Symphony Society.

Charles N. Remington, Grand Rapids; director Grand Rapids National Bank, Grand Rapids Trust Co., president Grand Rapids Mutual Building & Loan Association, director Grand Rapids Gas Light Co.

I. J. Reuter, Lansing; director Capital National Bank, president Olds Motor Works, vice president General Motors Corporation, managing director Opel Motor Co., Germany.

Herbert S. Reynolds, Jackson; director Guardian Detroit Union Group (Inc.), president and director Peoples National Bank, president Peoples National Co., director Sparks Withington Co.

Wiley R. Reynolds, Jackson; director Peoples National Bank, American Trust Co., New York, Calhoun State Bank, Homer, General Leather Co., Newark, N. J., DeForest Radio Co., Jersey City, N. J., chairman and director Reynolds Spring Co., president and director W. R. Reynolds & Co.

George W. Ritchie, Kalamazoo; director First National Bank & Trust Co.; retired capitalist.

Theodore J. Richter, Detroit; director Bank of Hamtramck.

C. J. Rouser, Lansing; director Capital National Bank, president C. J. Rouser Drug Co.

George Bagg Russel, Detroit; director Union Trust Co., vice president National Surety Co.

John R. Russel, Detroit; director Guardian Detroit Union Group (Inc.), National Bank of Commerce, Union Trust Co., Union Joint Stock Land Bank, vice president and director Clayton & Lambert Manufacturing Co., director Russel Steel Construction Co., Commercial Reproducing Co.

Murray W. Sales, Detroit; director Guardian Detroit Union Group (Inc.), Union Trust Co., National Bank of Commerce, president Murray W. Sales & Co., Sales Realty Co.

Henry H. Sanger, Detroit; vice president and director Guardian Detroit Union Group (Inc.), chairman, president, and director National Bank of Commerce, director Guardian Detroit Bank, Union Trust Co., president Bank of Commerce, Dearborn, vice president Union Joint Stock Land Bank, director Ohio-Pennsylvania Joint Stock Land Bank, Cleveland, director Keane, Higbie & Co., Whitman & Barnes (Inc.), Michigan Sugar Co., Saginaw.

Arnold Augustus Schantz, Detroit; director Union Trust Co., director Michigan Industrial Bank, director Detroit Convention & Tourist Bureau, president Detroit & Cleveland Navigation Co., president Ashley & Dustin Steamer Line, president Stout D. & C. Air Lines (Inc.), vice president Saunders of Ohio (Inc.), vice president Detroit Creamery Co., vice president Detroit Marine Aero Engine Co., vice president National Rivers and Harbors Congress, chairman Inland Water Lines Association, vice president Detroit Fire Commission, director White Star Navigation Co., director Detroit Creamery Realty Co., director Greater Detroit Committee, director Aviation Consolidated (Inc.), New York, director National Vending Corporation.

Stuart M. Schram, Jackson; director Peoples National Bank, president Central Automobile Co.

Dickson S. Scoffern, Niles; chairman and director City National Bank & Trust Co.

Edmund Secrest, Cleveland, Ohio; director Ohio-Pennsylvania Joint-Stock Land Bank, State forester, State of Ohio, associate director Ohio Agricultural Experiment Station.

Arthur H. Seibig, Cleveland, Ohio; director Ohio-Pennsylvania Joint-Stock Land Bank, director New York Joint-Stock Land Bank, president United Banking & Trust Co., vice president Cleveland Securities Corporation, treasurer Cleveland Automobile Club, director Guarantee Title & Trust Co., director Cleveland Builders Supply & Brick Co., director Cleveland Welding Co.

Edgar M. Sergeant, Kalamazoo; director First National Bank & Trust Co., president Sergeant Coal Co., commissioner city of Kalamazoo.

Alger Shelden, Detroit; director Guardian Trust Co., president Shelden Land Co.

Allan Shelden, Detroit; director National Bank of Commerce, director Guardian Trust Co., H. D. Shelden's Sons.

Earl H. Shepherd, Kalamazoo; vice president and director First National Bank & Trust Co., vice president F. N. B. Securities Co., vice president Martin Exchange Bank, Martin, director Kalamazoo Poper Box Co., director American Sign Co.

R. Perry Shorts, Saginaw; vice president and director Guardian Detroit Union Group (Inc.), president and director Second National Bank & Trust Co., vice president and director C. K. Eddy & Sons, secretary-treasurer Mitts & Merrill.

Albert E. Sleeper, Detroit; director Union Joint-Stock Land Bank, president State Savings Bank, Bad Axe, president Commercial State Bank, Murlette, president First National Bank, Yale, director State Bank, Croswell, director State Bank, Sandusky, director Nunica Malleable Foundry Co., director Michigan Surety Co.

Cramer Smith, Pontiac; president and director Pontiac Commercial & Savings Bank, Pontiac, president and director Pontiac Trust Co., Pontiac, director Union Trust Co., director National Grocer Co.

Hal H. Smith, Detroit; director Guardian Union Group (Inc.), director Union Trust Co., director National Bank of Commerce, director Union State Bank, Dearborn, president Central West Casualty Co., vice president Federal Motor Co.

Oscar W. Smith, Detroit; director guardian Detroit Union Group (Inc.), director National Bank of Commerce, director Union Trust Co., president and director Parke, Davis & Co, director American Drug Manufacturers Association.

Roger W. Smith, Jackson; director National Union Bank & Trust Co., president Smith-Winchester Co., vice president Alloy Steel Spring Co.

William D. Smith, port Huron; director Federal Commercial & Savings Bank, Smith Bros.

Muir B. Snow, Detroit; vice president and director Keane, Higbie & Co., director Whitman & Barnes (Inc.), director Canadian Detroit Twist Drill Co. (Ltd.).

Clifford M. Sparks, Jackson; director Peoples National Bank, vice president Sparks-Withington Co., vice president Cardon-Phonocraft Corporation.

Harry G. Sparks, Jackson; director National Union Bank & Trust Co., vice president and general manager Cardon-Phonocraft Corporation, vice president Sparks-Withington Co.

William Sparks, Jackson; director Peoples National Bank, president Cardon-Phonocraft Corporation, president Sparks-Withington Co.

William R. Spencer, Jackson; director National Union Bank & Trust Co., proprietor W. R. Spencer Grocery Co, president Hayes Hotel Co., president Jackson Storage & Trucking Co., president Luna-Manganese Co.

J. Ben Sperry, Port Huron; director Federal Commercial & Savings Bank, president J. P. Sperry Co.

Charles M. Spinning, Jackson; vice president and director National Union Bank & Trust Co., president National Union Building Co.

John N. Stalker, Detroit; vice president and director Guardian Detroit Union Group (Inc.), president and director Union Trust Co., president and director Union Industrial Trust Co, Flint, chairman and director Union Title and Guaranty Co., treasurer and director Union Joint Stock Land Bank, vice president and director New Union Building Co., director National Bank of Commerce, director Industrial Morris Plan Bank, director Ohio-Pennsylvania Joint Stock Land Bank, director Detroit City Service Co., director Long Manufacturing Co.

Clare H. Stearns, Kalamazoo; vice president and director First National Bank & Trust Co., attorney, director Merchants Publishing Co., director Kalamazoo Vegetable Parchment Co.

A. C. Stebbins, Lansing; vice president and director Capital National Bank, vice president and director Capital Savings & Loan Co., vice president and director Young Bros, Realty Co.

Dan C. Steketee, Grand Rapids; director Grand Rapids National Bank, Paul Steketee & Sons.

Paul Frederick Steketee, Grand Rapids; vice president and director Grand Rapids Trust Co, partner Paul Steketee & Sons.

B. F. Stephenson, Detroit; director Union Trust Co., president, treasurer, and director Troyak Land Co.; secretary, treasurer, and director Robert E. Barber Land Co.; president, treasurer, and director McCordie Construction Co.; secretary, treasurer, and director Seven Oak Land Co. and Eight Oak Land Co.; president, treasurer, and director Stephenson Land Co.; president, treasurer, and director Stephenson Leland Co.

H. LeRoy Stevens, Port Huron; director First National Bank & Trust Co., attorney and director Dunn Sulphite Paper Co.

S. Sidney Stewart, Flint; director Union Industrial Bank, vice president Union Industrial Trust Co., president and treasurer the W. F. Stewart Co., director Superior Felt Products Co., director Flint Citizens Loan & Investment Co.

Matthew Stoll, Niles; vice president and director City National Bank & Trust Co.

John E. Storer, Flint; vice president and director Union Industrial Bank.

Edward T. Strong, Flint; director Union Industrial Bank, director Union Industrial Trust Co., president, general manager, and director Buick Motor Co.; vice president General Motors Corporation, president and director Modern Housing Corporation and General Motors Institute of Technology.

Louis W. Sutherland, Kalamazoo; director First National Bank & Trust Co., president Sutherland Paper Co., American Sign Co., and Kerston Radio Co.

John W. Symons, jr., Saginaw; director Second National Bank & Trust Co., president and director Symons Bros. & Co.

Louis J. Taber, Cleveland, Ohio; director Ohio-Pennsylvania Joint Stock Land Bank, president Eastern Ohio Publishing Co., vice president Farmers & Traders Life Insurance Co., director National Grange Liability Co., New York Joint Stock Land Bank, and National Grain Corporation.

B. E. Taylor, Detroit; director Union Trust Co., real estate.

Seneca V. Taylor, Detroit; director Michigan Industrial Bank, president and director Concrete Steel Fireproofing Co., vice president and director All-Steel Products Co. and Seminole Properties Corporation.

James M. Teahen, Detroit; director Michigan Industrial Bank, treasurer and director Detroit National Fire Insurance Co.

William W. Tefft, Jackson; director National Union Bank & Trust Co., vice president Fargo Engineering Co., president board of trustees Albion College.

Allan A. Templeton, Detroit; president and director Michigan Industrial Bank, vice president and director Detroit National Fire Insurance Co., and Acacia Park Cemetery Association; director Society for Savings, Michigan Mutual Liability Co., and Title & Trust Co.

Emil A. Tessin, Saginaw; vice president, trust officer, and director Second National Bank & Trust Co.

John R. Thompson, Detroit; director Union Joint Stock Land Bank; president and director Coldwater National Bank, Coldwater; director Wolverine Portland Cement Co., Coldwater; and director and trustee Investment Corporation, Coldwater.

John H. Tigchon, Detroit; director Jefferson Savings Bank of Grosse Pointe Park.

John M. Toolin, Detroit; director Union Trust Co., president The Great Atlantic & Pacific Tea Co., central western division, director The Great Atlantic & Pacific Tea Co. of America (and subsidiaries).

Charles Trankla, Grand Rapids; director Grand Rapids National Bank, managing partner Charles Trankla & Co.

C. W. Treadwell, Detroit; director Jefferson Savings Bank of Grosse Pointe Park, owner C. W. Treadwell Co., owner and director Lincoln Park Development Co.

George W. Trendle, Detroit; director Union Trust Co. and Motion Pictures Theater Owners of Michigan; vice president, general manager, and director Kunsky Theaters Corporation; vice president, secretary, and director Madison Realty Co.; vice president, secretary, and director Strand Theater (Inc.), Columbia Theater (Inc.), Adams Theater Co., and Cooperative Booking offices (Inc.).

Luther S. Trowbridge, Detroit; director Guardian Trust Co. and Union Title & Guaranty Co., and Trowbridge, Lewis & Watkins.

Charles B. Tuttle, Detroit; director Union Trust Co. and National Bank of Commerce; treasurer and director S. S. Kresge Co., S. S. Kresge Co. (Ltd.), and Kresge Realty Co.; president and director Great Miami Realty Co.; director Mount Clemens Pottery Co., Mortenson Mickelson Co.. Detroit City Service Co., and Universal Cooler Co. (Ltd.).

Paul J. Ullrich, Mount Clemens; director Union Joint Stock Land Bank, Detroit, and Ullrich Savings Bank, president Macomb County Savings Bank, treasurer Mount Clemens Bath Co., director Detroit Fidelity & Surety Co.

C. J. Van Etten, Grand Rapids; director Grand Rapids Trust Co., secretary-treasurer Blodgett Co. (Ltd.).

Sam L. Vreeland, Trenton; director Trenton State Bank and Farmers Mutual Fire Insurance Co.

Harold L. Wadsworth, Detroit; vice president and director Michigan Industrial Bank, treasurer and director Lewistown Oil & Refining Co., president and director Wadsworth-Campbell Box Co. and Thermal Engineering Corporation; vice president and director Holton & Co., American Box Supply Co., and Somerville & Co.; treasurer and director C. W. Toles & Co., Century Oil Co., and Northern States Oil Co.; director Regal Oil Co.

Harrington E. Walker, Detroit; director Union Trust Co. and National Trust Co. (Ltd.) Toronto, president Huron Manufacturing Co., Garden Court Realty Co., Walkerville & Detroit Ferry Co., Walkerville Land & Building Co. (Ltd.), Walkerville; Walkerville Securities (Ltd.), Walkerville; Walkerville Lumber Co. (Ltd.), Walkerville; Yorkshire Securities (Ltd.), Walkerville; and Border Construction Co. (Ltd.), Walkerville; vice president Walkerside Dairy (Ltd.), Walkerville; Walkerville Water Co. (Ltd.), Walkerville; Walkerville Construction Co. (Ltd.), Walkerville; and New Era Dredge Co. (Ltd.), Walkerville; director, General Engineering Co., and Northward Mines (Ltd.), Toronto.

Hiram H. Walker, Detroit; director, Guardian Trust Co. and Guardian Detroit Co.; president Hoskins Manufacturing Co., Walkerville Water Company (Ltd.), and Walkerside Dairy (Ltd.); vice president Walkerville Land & Building Co., Prince Edward Hotel Co., Walkerville-Detroit Ferry Co., and Walkerville Lumber Co., and director, Garden Court Realty Co.

Lewis K. Walker, Detroit; vice president Guardian Detroit Union Group (Inc.); vice president, secretary, and director, Guardian Trust Co.; and director, Union Title & Guaranty Co.

William H. Wallace, Saginaw; vice president and director, Second National Bank & Trust Co.; president and director, Michigan Sugar Co.; president Wallace & Morley, Bad Axe Grain Co., Wallace Stone Co., and Bay Port Fish Co.

James L. Walsh, Detroit; vice president and director, Guardian Detroit Union Group (Inc.) and Guardian Detroit Bank; director, Bank of Detroit, Highland Park State Bank, Union Industrial Bank, Flint; Bank of Dearborn, McGraw-Hill Publishing Co. (Inc.), Railway & Utilities Investing Corporation, and Cowan & Dengler (Inc.).

Charles Beecher Warren, Detroit; director, Guardian Detroit Union Group (Inc.), National Bank of Commerce, Union Trust Co., and Warren, Hill & Hamblen.

Arthur T. Waterfall, Detroit; director, Union Trust Co.; capitalist; president Redford Development Corporation and O'Donnell Land Co.; vice president and director, Farfall Industries (Inc.) and Parker Auto Sales Corporation; and director, Stout Air Services.

Dudley E. Waters, Grand Rapids; director, Guardian Detroit Union Group (Inc.); chairman and director, Grand Rapids National Bank; vice president and director, Union Joint Stock Land Bank, Detroit; director, Detroit Creamery Co.; president and director, Klingman Furniture Co., Hackley-Phelps-Bonnell Co., and Furniture Exhibition Building Co.; vice president and director, Michigan Bell Telephone Co., Hayes Body Corporation, and Grand Rapids Creamery Co.; and director, Grand Rapids Railway Co.

Dudley H. Waters, Grand Rapids; director Grand Rapids National Bank.

W. Lloyd Webster, Detroit; vice president, cashier, and director Jefferson Savings Bank, Grosse Pointe Park, director Lochmoor State Bank, treasurer and director Stanley Furnace Corporation.

Louis A. Weil, Port Huron; vice president and director Federal Commercial & Savings Bank, vice president and treasurer Times-Herald Co.

Fred J. Weiss, Flint; director Union Industrial Bank, Union Industrial Trust Co.

Arthur E. Wells, Grand Rapids; secretary and director Grand Rapids Trust Co.

Charles E. Wetherald, Flint; director Union Industrial Bank, Union Industrial Trust Co., assistant manufacturing manager Chevrolet Motor Co., director Flint Citizens Loan Co.

W. A. Wheeler, Detroit; director Michigan Industrial Bank, secretary Paige Sales Co.

Charles E. White, Niles; vice president and director City National Bank & Trust Co.

Stuart B. White, Niles; director City National Bank & Trust Co.

James T. Whitehead, Detroit; chairman and director Highland Park State Bank, director Guardian Detroit Bank, Highland Park Trust Co., Bank of Dearborn, president Whitehead & Kales, Kales Realty Co., director Wider Woodward Land Co.

Justin R. Whiting, Jackson; director National Union Bank & Trust Co., counsel and director Michigan Electric Shares Corporation and affiliated companies, Frost Gear & Forge Co., Riverside Forge & Machine Co.

Rolland J. Whiting, Flint; director Union Industrial Bank, plant manager Fisher Body Corporation.

Matthew B. Whittlesey, Detroit; director Union Trust Co., president Detroit & Marquette Land Co., director National Grocer Co., Michigan Fire and Marine Insurance Co., governor Detroit Stock Exchange.

Rollin A. Wilbur, Cleveland, Ohio; director Ohio-Pennsylvania Joint Stock Land Bank, director Central National Bank, vice president and director The Herrick Co., president and director Sun Investing Co., New York City; director The Crawford Realty Co.

Clarence E. Wilcox, Detroit; director Highland Park State Bank; Highland Park Trust Co., Bank of Dearborn, corporation counsel for the City of Detroit, Anderson, Wilcox, Lacy & Lawson, trustee Children's Fund of Michigan, vice president Kales Stamping Co.

Herbert R. Wilkin, Flint, executive vice president, cashier, and director Union Industrial Bank.

Herbert J. Williams, Detroit; director Jefferson Savings Bank, Grosse Pointe Park, president Dautrick Co., president and treasurer Herbert J. Williams (Inc.)

William J. Willson, Port Huron; director First National Bank & Trust Co., real estate.

H. C. Wilmarth, Grand Rapids; director Grand Rapids National Bank, secretary-treasurer and director Grand Rapids Store Equipment Corporation, secretary and director, Tri-Art Printing Co., vice president and director, the Measuregraph Co., St. Louis, Mo.

Lewis T. Willmarth, Grand Rapids; director, Grand Rapids Trust Co.

C. E. Wilson, Detroit; director, Union Trust Co., vice president, General Motors Corporation, director, Bendix Aviation Corporation, director Fokker Aircraft Corporation of America.

LeRoy S. Wilson, Port Huron; director, First National Bank & Trust Co., vice president, Wilson Ice Cream Co., subsidiary of the Detroit Creamery Co.

William Robert Wilson, Detroit; director, Bank of Detroit, director, Guardian Trust Co., chairman, Copeland Products Co., chairman, Great Lakes Aircraft Corporation, president, Allied Motor Industries (Inc.), chairman, American Cirrus Engines (Inc.).

John G. Windiate, Flint; director, Union Industrial Bank, Union Industrial Trust Co., Mount Morris State Bank, treasurer, Windiate-Pierce-Davison Co., vice president and director, Flint Mortgage Co., Guaranty Title & Mortgage Co., president, Mount Morris Building Co.

Dallas E. Winslow, Flint; director, Union Industrial Bank, Union Industrial Trust Co., secretary-treasurer General Parts Corporation, president, Dallas E. Winslow (Inc.).

Benjamin Wolf, Grand Rapids; director, Grand Rapids Trust Co., secretary Northland Lumber Co.

James P. Wood, Cleveland, Ohio; director, Ohio-Pennsylvania Joint Stock Land Bank.

Harvey T. Woodfield, Jackson; director, National Union Bank & Trust Co., secretary-treasurer and general manager, Hartwick-Woodfield Co., secretary Wildwood Apartment Co.

Clarkson C. Wormer, jr., Detroit; director Guardian Detroit Bank, director Guardian Trust Co., president Wormer & Moore.

James T. Wylie, Saginaw; director Second National Bank & Trust Co., president Bliss & Van Auken Lumber Co., director Batchelor Timber Co.

W. H. Yeasting, Cleveland, Ohio; director Ohio-Pennsylvania Joint Stock Land Bank, president the Commercial Savings Bank & Trust Co., Toledo, Ohio, director State Savings Bank, Woodville, Ohio, director Morris Plan Bank, Toledo, Ohio, director National Bank of Port Clinton, Port Clinton, Ohio, president the Commercial Building Co., Toledo, Ohio, president State Savings Bank, Maumee, Ohio, treasurer Toledo Travelers Life Insurance Co., Toledo, Ohio, trustee Flower Hospital, Toledo, Ohio.

George B. Yerkes, Detroit; vice president and director Michigan Industrial Bank, Universal Products Co., president Burton Building Co., vice president Palmer-Woods Co., director Eureka Vacuum Cleaner Co., director Houseman-Spitzley Corporation, director Chester Heights Realty Co., director Burton Abstract & Title Co., director C. E. Jamieson & Co.

Mark V. Yost, Trenton; director Trenton State Bank.

L. A. Young, Detroit; director Union Trust Co., director National Bank of Commerce, president and director L. A. Young Spring & Wire Corporation, L. A. Young Co., Lay Improvement Corporation, Tiffany Stahl Products (Inc.), L. A. Young Investment Co., Southwick Young Corporation, Star Service Hanger Co.

Smith G. Young, Lansing; director Capital National Bank, president Young Bros. Realty Co., Young Bros. & Daley, the Ballantine Co., Lansing Warehouse Co., Community Land Co., director Lansing Community Hotel Corporation.

The Chairman. I want to compliment you, Mr. Lord, on your presentation of the case to the committee. I think it covers the situation quite thoroughly.

Mr. Luce, do you desire to ask any questions?

Mr. Luce. Just a few.

A paragraph on page 17 attracts my attention. It is about two-thirds of the way down the page:

> The chairman suggested that it was entirely possible that certain recommended policies might be applicable to certain member-unit institutions and obviously applicable to others.

Would you go into that a little further to give us some illustrations of certain policies?

Mr. Lord. Mr. Luce, the average city bank loans an individual on an unsecured basis very rarely. The country bank must do it. There is an example of a policy which would apply in Detroit which would not apply in a smaller community.

Mr. Luce. Would that extend to the charging of different rates of discount?

Mr. Lord. Our unit banks determine their rates and other policies for themselves. We have never attempted to direct them as to rates. They fix them themselves as though they were unit banks.

Mr. Luce. Would not the system of branch banking present a different situation?

Mr. Lord. I think it would. I think branch banking would materially reduce the rates of interest charges in the smaller communities. In our own group we have no very small communities.

Mr. Luce. Then we will set that down on the credit side for branch banking?

Mr. Lord. Yes, sir.

Mr. Luce. Is the same statement applicable to the rate of interest paid to depositors on balances?

Mr. Lord. In our group we have some banks that pay 4 per cent on savings and some that pay only 3. We have never disturbed their old-established rates. There are some cities known as 4 per cent cities and some as 3 per cent cities, throughout Michigan.

Mr. Luce. Is there any justification for that difference?

Mr. Lord. I think where they are 4 per cent cities the customers, in borrowing, pay the difference.

Mr. Luce. I notice in the pamphlet, the annual report for 1929, that there are listed, as a part of this organization, seven securities companies. What is their function? That will be found on page 6 of the annual report.

Mr. Lord. Their function, Mr. Luce, is the purchase and sale of investment securities. The reason there are so many is that some of the existing units had their own securities company.

The Bank of Detroit had its securities company.

The Grand Rapids National Bank had its securities company.

The National Union Bank of Jackson had its securities company.

The First National Bank of Kalamazoo had its securities company.

We have left those securities companies as small local institutions tied into the parent institution.

Mr. Luce. Am I to understand that the securities institution has no other function than to buy and sell bonds and securities?

Mr. Lord. Yes, sir.

Mr. Luce. And that covers corporation notes?

Mr. Lord. Yes, sir.

Mr. Luce. Is it not an economic waste to have seven different organizations doing that?

Mr. Lord. I should say it is.

Mr. Luce. It has been alleged that securities companies affiliated with banking institutions result at times in the purchase of—well, I do not want to say "questionably," but less valuable securities than would otherwise be bought, by reason of the fact that if offerings are not taken up no more offerings are made. How about that?

Mr. Lord. Applying it to our own group, Mr. Luce, we do not force any of our securities offerings on any unit in the group. They can either take them or reject them. There is no question of pressure whatsoever brought upon them.

Mr. Luce. Supposing your group comes to the conclusion that some industry or some locality is particularly promising in the way of investment. Does this set-up warp their judgment at all in that matter?

Mr. LORD. I do not think so, Mr. Luce. We do not lend money to our securities companies except on the same basis as outsiders; and, in fact, I think we are a little bit harder boiled with them.

Mr. LUCE. There is that possibility, however, that the judgment may be biased in this or that direction?

Mr. LORD. There is that possibility.

Mr. LUCE. There is the further criticism—and I am not advancing these criticisms as indicating the amount of weight that I am attaching to them, but simply to fortify myself in answering questions—the general criticism is (the one that arouses the most apprehension among most of the Members of Congress and in certain parts of the country) that both of these systems, group and branch banking, tend to drain the money out of the smaller communities and take it into the larger centers where more profit is to be made of its use. How do you answer that?

Mr. LORD. I would answer that in this way, that we have several cases where industries in such cities as Kalamazoo and Port Huron must, at certain times of the year, borrow more money than all the banks in those cities can give them. Instead of the Guardian Detroit Union Group draining the funds from those cities, they are loaning those industries money, rather than have them go to New York or Chicago and centralize their business there.

Mr. LUCE. Won't you explain a bit about the mechanism of doing that under a group system where you have maintained the individual units? Supposing more money is needed in Kalamazoo, for instance: How is it secured—by recourse to a single bank in Detroit?

Mr. LORD. By recourse, in this case, to the Guardian Detroit Bank. We have a loaning capacity, under the State banking laws, in the Guardian Detroit Bank, of $1,600,000, which is more than any industry in Kalamazoo needs at one time.

Mr. LUCE. Frankly, to a layman, this looks like a cumbersome form of organization which would not stand the test of time. Do you think you can hold out against branch banking?

Mr. LORD. We have both branch and group banking, Mr. Luce. We have 72 branches within our group right now. I think we can hold out, if we keep them as units, against branch banking.

Mr. LUCE. It looks to an outsider as though branch banking is a simpler way to meet the situation.

Mr. LORD. It is.

Mr. LUCE. And, of course, the simpler and cheaper form, in the long run, wins out. Is it possible that you may look upon group banking as a step toward branch banking?

Mr. LORD. I think it is.

Mr. LUCE. That is all.

Mr. WINGO. I have been somewhat interested in the practical benefits of your set-up. As I gather, you have three different provisions in your holding company, through which the benefits of your holding company are extended to individual units; that is, your advisory and your executive committee and operating committee. That is true, is it?

Mr. LORD. Yes, sir.

Mr. WINGO. What do you understand are the benefits which your set-up affords which can not be furnished by the individual unit banker or which your set-up can afford to a greater degree, both in volume and in safety?

Mr. LORD. As against the unit bank?

Mr. WINGO. Yes.

Mr. LORD. I think the greatest example that we have had in our experience of the benefit of a group organization came when 20 or 22 employees of the Union Industrial Bank at Flint stole a total of $3,600,000 from that bank. We were fortunate in having as the head of that bank Mr. Charles S. Mott, vice president of the General Motors Corporation. Mr. Mott immediately put up the funds to take care of that defalcation. Had he not done it, the group company would have done it. The day after the defalcation was discovered, we had 35 bank officers, tellers, and clerks in there running that bank, and without such support that bank would probably have closed.

Mr. WINGO. That was but a repetition of what has been done more than once by the Federal reserve bank at Kansas City in that territory.

Mr. LORD. The Union Industrial of Flint is a State bank.

Mr. WINGO. Mr. Mott did take care of it.

Mr. LORD. Yes.

Mr. WINGO. And he was the president of a unit bank, and he took care of it.

Mr. LORD. He was the chairman of the board.

Mr. WINGO. But he was the head?

Mr. LORD. Yes, sir.

Mr. WINGO. The responsible head of the institution. But what I was thinking about was a general benefit. Of course, the benefits of a banking system are twofold: One is the service that is afforded to the depositors and borrowers in the community in which it operates, and the other is the means of profit to the stockholders. Now, measured by that, do you think that your set-up affords a larger measure and a greater degree of safety, both to the depositors and to the borrower in the communities in which your units operate?

Mr. LORD. Yes, sir.

Mr. WINGO. Aside from furnishing a larger reservoir of capital. I am wondering if the benefits you have in mind include the advisory and operating group benefits.

Mr. LORD. I think they do.

Mr. WINGO. As I understand your advisory group in your holding corporation, that is the group that gives direct study to the general policies?

Mr. LORD. Broad policies.

Mr. WINGO. Broad policies, not only of your own holding corporation, but the broad policies that shall aid and insure the security and the prosperity of each unit in the group?

Mr. LORD. Yes, sir.

Mr. WINGO. And necessarily they have to consider the peculiar problems that concern each unit bank?

Mr. LORD. Yes, sir.

Mr. WINGO. And they, as well as the operating committee, have to consider the operations of each unit; do they not?

Mr. LORD. The advisory committee do not go into the detailed operations of the separate units. That is done by the operating committee.

Mr. WINGO. You stated that your advisory committee concerned itself only with the consideration of the broad questions which affect the policy of the group as a whole. I interpreted that statement to refer not to your holding corporation but to the individual units that compose your group, and you used the word "group." It concerns itself, then, with the broad questions which affect the policy of each unit of your group?

Mr. LORD. Yes, sir.

Mr. WINGO. You further stated that the executive committee is limited in its activities to functioning in lieu of the board during the intervals between regular quarterly meetings for the purpose of what I was discussing with you, but there is no use to pursue that further. In other words, it functions in the absence of your full board.

Mr. LORD. We have a board of 48 members, and it sometimes is difficult to get 48 men together.

Mr. WINGO. In other words, in the absence of the board, it simply performs the ordinary functions of an executive committee?

Mr. LORD. That is right.

Mr. WINGO. And it takes authority to act within the broad confines of the general, well-known policy?

Mr. LORD. Yes, sir.

Mr. WINGO. And then you went on and said that the operating committee is intended to be the instrumentality to which the operating heads of the various unit members bring their day-to-day operating problems. I presume, then, that your operating committee is your real committee?

Mr. LORD. Yes, sir.

Mr. WINGO. And your real agency whereby your local units and your local communities are benefited by your organization, other than through that reservoir of capital?

Mr. LORD. Yes, sir.

Mr. WINGO. We will just eliminate that broad benefit which you claim through a larger reservoir of capital, and we will now speak of the other benefits. I take it that the operating committee is the one that really has the practical working out of the extension of these benefits, and I am interested in how that can be demonstrated as being true other than in theory, so I want to ask you this: You say that they bring to that committee their day-to-day operating problems; do you mean that they confine their advice, assistance, direction and discussion with the local directors to the policies of that local unit, or do they go into a discussion with them in order to aid them and advise them in reference to the actual detailed operations of the bank?

Mr. LORD. More the detailed operations, and, in explanation of that statement, one of the first things that the operating committee undertook was to educate the unit banks as to a proper credit file and investigation of credit. If you have ever been in a country bank and tried to find a credit file, you have probably found out that it is usually on the cuff of the president of the bank, and when the personnel changes, it is almost impossible for a new officer to have a complete and satisfactory understanding of the demands of the credit situation, and so they had a committee made up of various members from the units, who studied the question of credit files, form of unsecured notes, and form of collateral notes, and that committee turned its recommendations in to the operating committee and the units were given the privilege of accepting this information and studying it, and I think most of them did.

Mr. Wingo. That is what you might call the mechanics of your credit agency?

Mr. Lord. Yes, sir.

Mr. Wingo. In other words, advising them how they could maintain accurate information, readily available, with reference to any depositor or borrower?

Mr. Lord. Yes, sir.

Mr. Wingo. Is that all? Do you not give any greater benefit? Let us assume that here is a board of local directors that is dealing with a local manufacturing concern, and a board of local directors are not satisfied as to their judgment with reference to the line of credit to give to that particular established manufacturing concern; would your operating committee or your advisory committee confer with your local board or with your local officers that are managing the bank in fixing the amount of credit to be given to this manufacturer?

Mr. Lord. I should say that the operating committee would secure the information and data on that industry and on the particular company, and it would be sent back to the local bank and the local board of directors would then decide whether or not their bank should lend this company money; and if so, how much.

Mr. Wingo. That is your hypothetical opinion. In actual experience, has your operating committee ever rendered any such service or assistance to a local unit?

Mr. Lord. The operating committee as such has not, but our own credit department has frequently done so for the unit.

Mr. Wingo. Here is the thought I had in mind: Here is your active vice president, or your cashier, or maybe the whole board, in some local bank that is considering whether or not they shall extend a certain line of credit to, say, the ABC Stepladder Co., located in their town. Do you know whether or not, in a case like that, the local bank, either through its cashier or managing vice president or other officer or its board, consults with your holding corporation, or the advisory committee or the operating committee?

Mr. Lord. For the sake of speed I would say they would come direct to the Guardian Detroit Bank and its credit department.

Mr. Wingo. I am talking about your opinion about what might happen; I am asking you whether or not you have any knowledge in actual operation of such benefits as you contend in theory might flow from your set-up to the local unit, whether or not such benefits have been extended or such service has been rendered to them.

Mr. Lord. It has, many times.

Mr. Wingo. Well, do you recall whether or not where a new business was being started the question came up whether or not this local unit should undertake to meet their credit needs, or whether or not they would undertake to send the request to a larger bank in the parent bank city or somewhere else, or whether or not they would undertake to act as their agents in procuring the larger line of credit for them? Has such a situation as that, to your knowledge, practically arisen and been passed upon by your group or organization and, if so, has it been the advisory board or the operating committee that passed on it and extended help?

Mr. LORD. To my knowledge it has not happened in the case of a new industry, but it has happened frequently in the case of established industries.

Mr. WINGO. What benefit is your operating committee to the local cashier or the local loan committee, say, of your board in determining whether or not the line of credit that they already had extended or the line of credit that they contemplate extending to a given customer is wise?

Mr. LORD. The operating committee is not necessarily made up of credit experts. If the question came up of the credit of a corporation, it would immediately be referred to the credit department either in the Guardian Detroit Bank or the National Bank of Commerce or the Bank of Detroit, or all of them, to find out and assemble all available information on that corporation. It would be referred immediately to credit experts rather than to operating men.

Mr. WINGO. I do not know whether I have made myself clear. I am not trying to get into any argument with you, but you have given the theory and I want the answer, if you have any as a result of your practical experience. Here is a little unit bank in one of your communities, and here is a proposed and particular loan of a particular borrower; do you know whether or not that bank has ever had the practical benefit of the assistance of the holding company on any such particular loan?

Mr. LORD. They have had the practical benefit and assistance of other members of the group on those loans.

Mr. WINGO. I am not talking about a particular industry, such as the automobile industry, or the plow industry, as to whether it is prosperous or not, but what I am talking about is this: When Bill Jones comes into the local bank, has the question of Bill Jones's loan and whether it is wise or unwise ever been considered at all by any part of your holding company?

Mr. LORD. There is a paper company in Kalamazoo that has need at different times in the year for as much as half a million dollars or more in money, and it comes to one of our units, the First National Bank & Trust Co. That bank has a loaning limit of less than $125,000, and we have loaned this paper company $250,000 for the benefit of our unit in Kalamazoo.

Mr. WINGO. You say "we"?

Mr. LORD. The Guardian Detroit Bank.

Mr. WINGO. But it is not your holding corporation?

Mr. LORD. No; the holding company is not in the banking business.

Mr. WINGO. Here is what I am trying to find out: In actual operation—not in theory—what practical benefit is there here to strengthen the local unit bank, by advice, say, in particular cases—and not in connection with general credit policies or the maintenance of a credit file but in actual everyday operation—that either makes or breaks a bank or determines the extent to which it will serve the community in which it is operating? In other words, wherein does your concern in actual practice help the local unit; and is that help in actual practice, according to your experience and not your theory, extended through the advisory committee or through the operating committee?

Mr. LORD. What is your question?

Mr. WINGO. Here is what I am trying to get at: I want you to forget the theory; I want your experience. Has your holding corporation ever been of any practical benefit to your local unit bank in exercising its judgment and passing upon any particular loan?

Mr. LORD. It has been of very considerable benefit in handling for the local banks, through other members in the group, loans for an amount larger than that which the local bank could handle.

Mr. WINGO. I see. Do you do that through your operating committee or advisory committee?

Mr. LORD. That goes through another unit in the group. You asked about the benefits; if the Kalamazoo bank were not a member of the Guardian Detroit Union Group, the Guardian Detroit Bank would feel no obligation whatever to take the excess amount of this paper in.

Mr. WINGO. But it would if it were a correspondent, would it not?

Mr. LORD. Not necessarily. It might take it if it were a correspondent, but it would be under no obligation to do so.

Mr. WINGO. My little touch with a few banks has shown me that sometimes there are correspondents that are competing for business of that kind which comes from the local banks.

Mr. LORD. But the first duty of the metropolitan bank is to its own customers.

Mr. WINGO. Then that operation does not go through your holding company?

Mr. LORD. No, sir. The holding company is not in the banking business.

Mr. WINGO. Your thought is that by reason of the fact that both of them are controlled by your holding corporation, naturally one of them goes to the other when it wants a larger loan handled than the smaller bank can handle?

Mr. LORD. A request for the handling of a loan might come to me as president of the holding corporation. I happen also to be president of the Guardian Detroit Bank. It goes to the holding corporation in that way, but it ends up in one of the unit banks, because the holding corporation does not lend money. It is not in the banking business; it is merely a vehicle by which these banks in the group are gathered in association together.

Mr. WINGO. So that is the service that your corporation has rendered where the local unit bank had an application for a larger line of credit than it was permitted to handle. But let us take a situation where the local bank is permitted to handle the loan. Let us say that I am located in one of these small communities where you have the unit banks, and that I am a customer of that unit bank and I walk up and ask for a loan of $10,000, which is within the limit of that bank. The only question to be determined is whether or not it is safe, whether or not they should give me that accommodation. In your experience, has your holding corporation ever given that local unit any benefit or assistance in determining the course of the local bank in that situation?

Mr. LORD. The local bank would make its own loan; make its own decision on the loan.

Mr. WINGO. We have been told and we have found by observation and some of us by experience that local banks are wrecked through improvident loans and not through corrupt practices or fraud. Now, your set-up offers no protection whatever to the local community against the wrecking of a unit bank by improvident loans, does it?

Mr. LORD. Yes; it does. We have two examinations a year.

Mr. WINGO. The presumption is that the examining authorities are efficient; that is a presumption of law, as you know, but, of course, they are not, and the same presumption of efficiency goes to your examiners, but in practice you will find that your examinations will sometimes fail and not be 100 per cent efficient. However, aside from that examining supervision, there is nothing in your set-up that will give any assistance to the local community against the danger of it being injured by the failure of a bank by reason of improvident loans, is there?

Mr. LORD. The holding company does not guarantee the deposits of the local banks.

Mr. WINGO. That is not my question.

Mr. LORD. How can we give other assistance except management assistance and advice as to the amount that they should loan on real estate or on other class of security?

Mr. WINGO. You just said that you did not give them any assistance other than on the broad general policies, that on the individual loans you give them absolutely no assistance. You just said that you did not.

Mr. LORD. The examinations point out the poor loans, just as the national bank examination points them out, and the group company, through its examining department, follow the criticized loans of their own report to see that they are taken care of.

Mr. WINGO. Who supervises that, the operating committee or the advisory committee?

Mr. LORD. An officer of the group company, Mr. Patterson.

Mr. WINGO. Neither of the committees exercises control over him?

Mr. LORD. He is accountable only to the board of directors.

Mr. WINGO. You have a more cumbersome set-up than I thought you had.

Now, you say that you are absolutely not engaged in the banking business?

Mr. LORD. No, sir.

Mr. WINGO. You have nothing to do with the operation of a local-unit bank except as to the broad policies, broad advice, and the inquisitorial and supervisory powers over your examiners?

Mr. LORD. Yes, sir.

The CHAIRMAN. You are speaking now of the holding company?

Mr. WINGO. Of the holding company, yes.

That brings me down to this question: You were saying that you were not doing a banking business, that you are simply a stockholding company?

Mr. LORD. Yes, sir.

Mr. WINGO. Then what is the justification for all of the expense of this extensive set-up, if you do nothing more than to give broad general advice and have these examinations?

Mr. LORD. There is no additional expense except the expense of examination and the license tax of our corporation.

Mr. WINGO. Do you not have any employees of your operating committee?

Mr. LORD. Outside of Mr. Patterson and his examining corps and the secretary of the company there are no salaries paid by the group company.

Mr. WINGO. You have no clerical force for the operating company?

Mr. LORD. No, sir. The talent that makes up the operating committee is contributed by the various units, and they are paid by their own institutions. They are not drawing a salary from the holding company.

Mr. WINGO. Then your operating committee does not have any unit of operation, with a stenographer, say, and a file, or anything else; it is just made up of these different gentlemen who are the heads of your larger banks, and they get together at intervals and discuss the situation? Is that what your operating committee is?

Mr. LORD. Putting it broadly, it is more or less of an educational committee to bring to the units the best practice, the best methods, both as to operations and as to the acquisition of business, and questions of investment of trust funds, questions as to income taxes, personal and property taxes, and the operation of the buildings owned by the banks. It is more of an advisory committee.

Mr. WINGO. I am wondering how they do it. If at any of these little gatherings a question of income-tax liability comes up, you refer that to an attorney, do you not?

Mr. LORD. I was speaking of the make-up of the return.

Mr. WINGO. All right. Do you furnish employees to help the local unit banks in making up their returns?

Mr. LORD. Yes; Mr. Patterson's department, or the comptroller of one of the banks.

Mr. WINGO. But Mr. Patterson's department is a department of the holding company, is it not?

Mr. LORD. That is correct.

Mr. WINGO. And it must have some stenographers and files?

Mr. LORD. Yes.

Mr. WINGO. So that you do have some expense there, do you not?

Mr. LORD. Yes.

Mr. WINGO. You are very careful to keep yourself in a position of not doing a banking business—I refer to your holding company?

Mr. LORD. We do not have the right under our charter to do it.

Mr. WINGO. I am wondering if there is anything else besides that. Have you any other reasons why in the statement which you read you were so careful to avoid any suggestion that you are engaged in the banking business? Is it because you do not want to violate the corporation laws of Michigan? Is that the sole reason?

Mr. LORD. Under the laws of Michigan, state-wide branch banking is not permitted, and our corporation was organized solely for the purpose of owning the capital stock of banks and trust companies and other corporations, and we propose and expect to live within the powers of our charter.

Mr. WINGO. I notice you have the opinion of the Attorney General that you are not performing any of the functions of a bank. Have you any other legal opinion as to the legal status of a holding corporation such as yours?

Mr. LORD. We, of course, had our own counsel's opinion before we went into it.

Mr. WINGO. You are not an attorney yourself, are you?

Mr. Lord. No, sir.

Mr. Wingo. And I assume you do not know whether he has any further opinions, but the real test, you can understand, as a layman, is not what you say you are but whether in reality you discharge any of the functions of banking.

Mr. Lord. Yes, sir.

Mr. Wingo. Your idea of the functions of banking is the everyday routine such as the discount of notes, the paying of checks, and such as that. The General Motors Corporation is not in the motor-car business, according to your theory, is it?

Mr. Lord. I do not recall the exact corporate set-up. They have several units.

Mr. Wingo. The General Motors Co., according to my understanding—and if I am wrong in this there are gentlemen here who will correct me—is a holding corporation that controls different corporations, like the Buick Co., and that Buick Co. with its own set-up engages in manufacturing. So, according to your theory, the General Motors Co. itself is not engaged in the manufacturing of automobiles.

Mr. Lord. I think that is correct.

Mr. Wingo. It is purely a holding corporation?

Mr. Lord. I think that is correct.

Mr. Wingo. It is no more engaged in the motor-car business than your corporation is engaged in the banking business. Do you not think that that would be news to Mr. Raskob and these other gentlemen, that they are not in the motor-car business?

Mr. Lord. I do not believe that the United States Steel Corporation is in the steel business.

Mr. Wingo. In other words, according to your theory, taking the banking business, the motor-car business, the steel business, and the dairy business—and, taking the Southern Dairy, I think they have a holding corporation—none of them is engaged in business excepting as holding and controlling and directing? Is not the greater part of the function of a bank the directing of that bank by the directors and the directing officers? They are the ones that engage in banking in my town; it is not the bookkeeper; it is not the paying teller; it is not the note teller. We, the officers and the directors, in my part of the country, are under the delusion or illusion that we are engaged in the banking business, not these employees of ours; and for all practical purposes your unit banks are nothing but employees of your holding corporation in carrying out a general policy in actual banking in their particular communities.

Mr. Lord. The unit banks are no more employees of the holding corporation in our group than any unit bank is an employee of its stockholders.

Mr. Wingo. So they are absolutely free to do as they please?

Mr. Lord. Absolutely. If you lived in Kalamazoo and had done your business with the First National Bank & Trust Co. of Kalamazoo, so far as the conduct of your business before and after the acquisition of the stock of that bank there was concerned, you would not know that the group existed.

Mr. Wingo. What is your definition of a trade area?

Mr. LORD. I have covered it in this way:

We feel at this time that group or branch banking should, so far as our own activities are concerned, be confined to an area which, by the very nature of its business and industries, is more or less dependent upon Detroit.

Mr. WINGO. Take the case of a wholesale dry-goods company at Kansas City; what is its trade area? Would you regard Texas as its trade area? I think Texas is its biggest area of distribution.

Mr. LORD. I should say that the trade area of such a concern should be where the major part of its business is transacted. I do not know whether a wholesale dry-goods business in Kansas City would go into Texas, but I should say, offhand, that Dallas would take a piece out of that trade area.

Mr. WINGO. You have other people right in Detroit to take something out of your trade area inside the city; that would not be the test as to whether you had an absolute monopoly?

Mr. LORD. No; but, following your statement, the trade area of Detroit is the world, because their motor cars are shipped all over the world.

Mr. WINGO. That is the point I wanted to get at. A trade area is rather a difficult thing to define, is it not?

Mr. LORD. I think it is very difficult.

Mr. WINGO. You could not define it in a statute, could you? It would necessarily have to be left to a supervisory board or an official?

Mr. LORD. I would think so, unless you, instead of designating trade areas, want to take the Federal reserve districts. I think it must be made flexible and left to a supervisory board.

Mr. WINGO. What would you do with a district like mine? Parts of my district is or was in a Federal reserve district different from that in which most of the rest of my State is located, as well as my capital city.

Mr. LORD. I think there might have to be permission to overlap.

Mr. WINGO. My district runs right along the State line, with the State line as an arbitrary dividing line. You see where you get. You have never heard of any business—banking or dry goods or groceries or anything else—that followed arbitrary political lines?

Mr. LORD. No.

(Thereupon the committee went into executive session, to resume its hearing at 2.30 o'clock p. m.)

AFTER RECESS

The hearing was resumed at 2.30 o'clock, p. m., at the conclusion of the recess.

The ACTING CHAIRMAN (Mr. Strong in the chair). The committee will come to order.

STATEMENT OF ROBERT O. LORD—Resumed

Mr. STRONG. You stated that the laws of your State do not permit State-wide branch banking?

Mr. LORD. Yes, sir.

Mr. STRONG. Is that the reason you organized the holding company?

Mr. LORD. Yes, sir.

Mr. STRONG. Then you purposely intended to do indirectly what the law prohibited your doing directly, to quote a gentleman here present?

Mr. LORD. I do not think so.

Mr. STRONG. Well, your laws prohibited it and you say you created the group to evade the law. Now, is not that a correct statement?

Mr. LORD. We created this holding company and gathered together this aggregation of banks which serve or feed into Detroit.

Mr. STRONG. But you said you did it because you can not indulge in State-wide branch banking?

Mr. LORD. I also stated that if we could do state-wide branch banking, I doubt if all the units would be taken in as branch banks.

Mr. STRONG. But you got up this organization because you can not indulge in state-wide branch banking?

Mr. LORD. We got it up in order to own the Highland Park State Bank, and we had to do that to have a holding company.

Mr. STRONG. In order to evade the law of your State. How many banks were in the original group?

Mr. LORD. Our original group before there was a holding company constituted the Guardian Detroit Bank, the Guardian Trust Co., and a securities company, the Guardian Detroit Co.

Mr. STRONG. Three?

Mr. LORD. Yes, sir.

Mr. STRONG. And you exchanged your stock for the stock of the holding company?

Mr. LORD. Yes, sir.

Mr. STRONG. Who passed upon that exchange of stock?

Mr. LORD. Our counsel, Mr. Henry E. Bodman.

Mr. STRONG. I mean the value of one stock for the other—who passed upon the number of shares of stock of the holding company you would give for the stock transferred to it?

Mr. LORD. Are you speaking of the original group?

Mr. STRONG. I am speaking of the original group; yes, sir.

Mr. LORD. The board of directors of the banks.

Mr. STRONG. When you take in another bank, who passes upon that?

Mr. LORD. The board of directors of their bank and the board of directors of the group company.

Mr. STRONG. They do not have an opportunity to pass upon the number of shares they shall receive for the number of shares they are to contribute to the holding company from the banks without the consent of your group, then?

Mr. LORD. No, sir; it is by mutual agreement. However, no stockholder, by any action of the board of directors in the unit bank, can be forced to exchange his stock. It is a purely voluntary act on the part of the stockholders.

Mr. STRONG. They can not be forced?

Mr. LORD. No, sir; he can retain the stock.

Mr. STRONG. And not take stock in the holding company?

Mr. LORD. Absolutely.

Mr. STRONG. How does he become a member of the group?

Mr. LORD. By consent of the stockholder, voluntarily. In the case of the Bank of Detroit, there have been 12 shares never exchanged.

In the case of the Grand Rapids National Bank, there were 25 shares.

In the case of the First National Bank & Trust Co., of Kalamazoo, there are 109 shares outstanding.

Mr. STRONG. But the majority of the shares were taken in?

Mr. LORD. Yes, sir.

Mr. STRONG. And if you control the majority of the shares, you control the bank?

Mr. LORD. But the stockholder has the same rights as before, if he does not want to exchange the stock.

Mr. STRONG. Even if he does not want to exchange the stock, enough have exchanged the stock to make a majority and that is control?

Mr. LORD. Yes, sir.

Mr. STRONG. You do not need the odd shares?

Mr. LORD. That is correct.

Mr. STRONG. What did you do to induce the other banks—how many are in the group now?

Mr. LORD. Twenty-seven.

Mr. STRONG. Have they any branches?

Mr. LORD. Included in those 27 banks are 102 places of business. That would leave 75 branches.

Mr. STRONG. There are 102 banks or places for business in your group?

Mr. LORD. Yes, sir.

Mr. STRONG. What inducement was held out, if any, to get them to join?

Mr. LORD. The offer of shares of the group company stock.

Mr. STRONG. Are any banks ever coerced?

Mr. LORD. No, sir.

Mr. STRONG. The reason I am asking you these questions is because I received a letter in the morning's mail from the Minneapolis Council of Agriculture. The writer says, in referring to a like statement made by Mr. Wakefield and Mr. Decker:

> It is the opinion of the writer that if an investigation was made and an examination held into the methods used by the First National Bank and the Northwestern National Bank in acquiring control of various banks now constituting their group, that red-blooded American citizens, having pride in the honesty of the banking institutions of the country, would bow their heads in shame.

Mr. WINGO. What is the gentlemon reading from?

Mr. STRONG. I am reading from a statement, something sent to the committee by the Minneapolis Council of Agriculture.

This indicates that the group banks of Minneapolis and St. Paul forced some of the smaller banks in their territory to join their system. Was anything of that kind done in your group?

Mr. LORD. No, sir.

Mr. STRONG. Mr. Wingo was asking you a line of questions, and your answers indicated you did not think the holding company was in the banking business?

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

Mr. STRONG. If any investments were made by any units in your group that caused the examiner to report that they were irregular and not in line with proper banking, would the officers of your group be called upon to explain them?

Mr. LORD. I would say not. The officers of the particular institution would be called upon to explain. No officer of our group has ever been called on to explain or discuss, by a State or National bank examiner, any report.

Mr. STRONG. Have some of the examiners called upon your banks to make explanations of loans and investments?

Mr. LORD. Of our unit banks?

Mr. STRONG. Yes.

Mr. LORD. Yes, sir; certainly.

Mr. STRONG But your holding company took no part?

Mr. LORD. We were not called upon by the examiner.

Mr. STRONG. And they took no part?

Mr. LORD. No, sir.

Mr. STRONG. But you could imagine there might be cases?

Mr. LORD. If a serious situation arose, I imagine the group company might be called upon to help.

Mr. STRONG. Why, if they were not in the banking business, could they be called upon?

Mr. LORD. In time of trouble. I think every agency should be called in to help.

Mr. STRONG. An agency not connected with the banking business would not be called upon?

Mr. LORD. Frequently other banks are called upon to help when a bank is failing.

Mr. STRONG. They might be called upon to take some paper and put up some money, but they are not called upon for an explanation of the loans and investments?

Mr. LORD. That is correct.

Mr. STRONG. But you think your group might be so called upon?

Mr. LORD. To explain investments?

Mr. STRONG. Yes.

Mr. LORD. No, sir; I think the local directorates are responsible.

Mr. STRONG. But you will admit that the Comptroller of the Currency might ask your group for an explanation?

Mr. LORD. I do not know what he might do, but we would be glad to help out if we could.

The CHAIRMAN. Is there any difference between your group, as a stockholder, and the individual as a stockholder?

Mr. LORD. Not the slightest that I can see.

The CHAIRMAN. The same relationship exists between your group as exists between the stockholder and any bank?

Mr. LORD. Yes, sir; absolutely.

Mr. STRONG. But there is this difference, that the group holds control of the shares of the banks?

Mr. LORD. Yes, sir; that is true.

Mr. STRONG. And can dominate them?

Mr. LORD. Yes, sir; can dominate them.

Mr. STRONG. You still think they are not in the banking business?

Mr. LORD. No, sir.

Mr. WINGO. I forgot to ask you one question. Mr. Strong, will you ask him this question at this point—what business do you contend you are in; what classification would you give it, if you had to answer some of these census or other comparable queries?

Mr. LORD. We are operating under the general corporation laws of the State of Michigan as a holding company.

Mr. FENN. There are some of us, Mr. Chairman, who are waiting to ask questions.

Mr. WINGO. I will withdraw the other question I had in mind.

Mr. STRONG. Do you also accept in your group only, such banks as are making money?

Mr. LORD. Up to date, we have accepted only such banks as are making money. We have had innumerable banks come to us and ask to be taken into the group.

Mr. STRONG. Then, your group banking does not provide a way to do away with the weak banks of the country. The statement has been made here that branch banking will eliminate the weak banks of the country. Your group banking does not propose to do that?

Mr. LORD. If all of the banks of the State of Michigan were in strong groups or strong banks, I would say that the weak banks would be eliminated.

Mr. STRONG. But you will not let the weak banks into your organization. That being so, how are you going to take care of the weak ones? You say you are only taking in those that make money?

Mr. LORD. That is correct.

Mr. STRONG. And the weak bank has no chance to get into the system?

Mr. LORD. Unless we want to take them in.

Mr. STRONG. That argument, then, does not apply to group banking—that it will help the weak bank?

Mr. LORD. It applies to the community in which we are operating and to the institutions we own. We can not own all of the banks.

Mr. STRONG. You say you did not admit any except those that make money. The weak banks have no haven of refuge in your group?

Mr. LORD. Do you think they should have?

Mr. STRONG. Do you not think some system should be devised where the people in the country should be served with banking facilities and should have such facilities?

Mr. LORD. I do not think there should be any law requiring a strong bank to take in a failing institution, whether a bank or otherwise.

Mr. STRONG. Do you think we should allow banking to fall only into the hands of the strong institutions and the weak banks be left out in the cold so that there would be people with no banking service?

Mr. LORD. After all, in any kind of business, it is the survival of the fittest and the weak ones will fail, whether they are in the automobile business, in the dry goods business, or in the banking business.

Mr. STRONG. Then you think there is no difference between the Government's charge of banking and the automobile business?

Mr. LORD. So far as the weak and strong are concerned.

Mr. STRONG. You think the Government ought to sit idly by and let you form strong groups and fail to take in the small communities of the country that need banking, and build up your groups, and let the others fail?

Mr. LORD. I think the Government should allow the strong groups to go into communities where there are weak banks, so that the communities can do business with the strong banks.

Mr. STRONG. Is there any one interfering with your taking over the weak banks? You do not let them in your system.

Mr. LORD. We do not want them.

Mr. STRONG. You control the clearing house in your city, do you not?

Mr. LORD. Our group?

Mr. STRONG. Yes.

Mr. LORD. No, sir; the Detroit Bankers Co. have greater resources than we.

Mr. STRONG. Are they also a banking group?

Mr. LORD. Yes, sir.

Mr. STRONG. What are the little banks in the small communities going to do if your groups control the banks in the city? They are pretty nearly forced out of business, or have to join your group, are they not?

Mr. LORD. There are small independent banks in Detroit making money.

Mr. STRONG. But in the small communities, are they not embarrassed because you control the banking in Detroit?

Mr. LORD. No, sir; the little bank would not get any business in Detroit any way if they are out from Detroit, whether we have a group or whether the Detroit Bankers Co. have a group.

Mr. STRONG. You do not think the little bank out from Detroit would be embarrassed in any way from the fact that, in Detroit and in the other cities of your State, your different groups control the banking business?

Mr. LORD. Not the slightest.

Mr. STRONG. How many banks in this group of yours are branch banks?

Mr. LORD. Do you want me to read them or count them? The City National Bank & Trust Co. of Battle Creek has 1 branch.

The National Bank of Commerce of Detroit has 20.

The Grand Rapids National Bank has 8.

The National Union Bank & Trust Co. of Jackson has 1.

The Capital National Bank of Lansing has 1.

The Second National Bank & Trust Co. of Saginaw has 1.

The Bank of Detroit, of Detroit, has 20.

The Union Industrial Bank of Flint has 9.

The Highland Park State Bank has 7.

The Federal Commercial & Savings Bank of Port Huron has 4.

The Union State Bank of Dearborn has 2.

The Jefferson Savings Bank of Grosse Pointe has 1.

Mr. STEVENSON. That totals 75

Mr. LORD. Yes, sir.

Mr. STRONG. Are there any chain banks in your group?

Mr. LORD. How do you define a chain bank?

Mr. STRONG. Where one or two men own a bank. They may join your group?

Mr. LORD. No, sir.

Mr. STRONG. I think that is all.

The CHAIRMAN. Mr. Brand, it is your turn.

Mr. BRAND. I yield to Mr. Fenn.

Mr. FENN. I have only one or two questions to ask. You said, Mr. Lord, that Michigan did not allow branch banking?

Mr. LORD. Not state-wide but within the municipality.

Mr. FENN. Yes. Now, you said to Mr. Strong, in reply to the interrogatories he directed to you—it seemed to me your rather agreed to his statement, as I listened to your answer—that you had formed this group in order to evade the laws of the State of Michigan?

Mr. LORD. I did not agree to that statement. He took it for granted. We have never intended to evade that law.

Mr. FENN. I took your answer the same as you have explained it. Let me ask you a little about the stockholders of this organization of yours. Is the stock in these banks which make up your association owned by the stockholders of the respective banks or owned by the association?

Mr. LORD. Owned by the Guardian Detroit Union Group (Inc.), except the directors' qualifying shares.

Mr. FENN. Just the directors' qualifying shares?

Mr. LORD. Yes, sir.

Mr. FENN. When you make an issue of stock—I understand you are capitalized at $50,000,000, but you have issued $32,000,000——

Mr. LORD. Between thirty and thirty-one million.

Mr. FENN. In what way, if you see fit to issue that treasury stock balance that is in your treasury—the unissued stock—how do you get that out? Is that issued for the purpose of taking in other banks as you see fit, or issued to the general public?

Mr. LORD. It may be issued for the purpose of taking in other banks, in which case, upon a three-fourths affirmative vote of the board of directors of the group company, it can be so issued without offering it to our stockholders.

If it be issued for cash and the cash should be used for any other purpose, or buying other banks for cash, then it is necessary for us to offer the stock first to our own stockholders.

Mr. FENN. By your own stockholders, do you mean individuals or banks?

Mr. LORD. Individuals.

Mr. FENN. Then it does go to individuals?

Mr. LORD. Absolutely. I thought you were speaking of the unit bands. The stock of the group company is owned largely by individuals.

The CHAIRMAN. You spoke this morning of the stockholders of the holding group agreeing to the double liability.

Mr. LORD. Yes, sir; it is in the certificate.

The CHAIRMAN. So when your group owns the stock of a national bank, for instance, your holding group assumes the double liability that is provided for?

Mr. LORD. It is not only in the certificate, but in the charter.

Mr. LETTS. Not the holding group?

Mr. LORD. The holding company.

Mr. LETTS. I understand from this, your stockholder has a pro rata liability, according to the liability for the entire holdings of the holding company?

Mr. LORD. That is correct.

Mr. FENN. May I pursue my interrogation, Judge Letts.

In your list of stockholders given, there is a schedule of percentages and number of stockholders, we will say, of New York. I presume that applies to New York City.

Mr. LORD. Yes, sir.

Mr. FENN. And then there is the eastern part of the country, and other sections. You have given it all very clearly in your history there. So I take it that these are individual stockholders of the group company?

Mr. LORD. Yes, sir.

Mr. FENN. Then, can that stock be bought and sold on the exchanges, or disposed of by the individual owner as he sees fit and when he sees fit?

Mr. LORD. At any time.

Mr. FENN. This is a little different from the northwestern and the other banking group in Minneapolis. There the banks making up that group, as I understood it, transferred their stock to the group center, and the group center owned the thing, and there were no private stockholders or personal stockholders or individual stockholders. But in your case the individual stockholders own their stock and can transfer or sell it or dispose of it as they see fit.

Mr. LORD. Of the group company, and the group company, in turn, owns all or practically all of the stock of the unit banks.

Mr. FENN. And gets it in that way?

Mr. LORD. Yes, sir.

Mr. FENN. What would be your course in case one of your banks became unfortunate, either through bad investments or lack of proper management, or for any other reason, and, in the phrase of the street, fell down? What would you do in that case if you had a bank of that kind that was going to smash or had gone to smash?

Mr. LORD. The group company would put up cash to make it good.

Mr. FENN. Would put up the cash to make it good?

Mr. LORD. Yes, sir.

Mr. FENN. Is that provided for in your articles of incorporation?

Mr. LORD. It is not provided for, but that is the law of self-preservation.

Mr. FENN. I see that you have a couple of joint-stock land banks in your group ownership.

Mr. LORD. Yes, sir.

Mr. FENN. Are they subject to the same surveillance and supervision that your other units are?

Mr. LORD. They certainly are.

Mr. FENN. How did you happen to go into the joint-stock land banks?

Mr. LORD. The Union Joint Stock Land Bank——

Mr. FENN. There is another bank of that name in Cleveland?

Mr. LORD. Yes, sir.

It was organized by the Union Trust Co. of the Detroit group. That bank has been in existence for a great many years, and has been operated and controlled by the same crowd.

Mr. FENN. In this double liability of yours, does that apply to State banks the same as national banks?

Mr. LORD. Yes, sir.

Mr. FENN. Is that the law of Michigan?

Mr. LORD. Yes, sir.

Mr. FENN. I ask that question because some States do not have double liability for their State organizations.

Mr. LORD. Michigan has.

Mr. FENN. I think that is all.

Mr. STEVENSON. I only want to ask one or two questions along the line Mr. Fenn was speaking about. When a bank of your group, that he was asking about, goes bad, you say it is up to the group corporation to make it good? There is no legal obligation to make it good?

Mr. LORD. None except the double liability of a stockholder.

Mr. STEVENSON. Any stockholder owes double liability?

Mr. LORD. Yes, sir.

Mr. STEVENSON. In your argreement I understand that liability is assumed by the stockholder in the holding company?

Mr. LORD. Yes, sir.

Mr. STEVENSON. You take it out of the stockholder in the group company and put it over in the till of the weak bank?

Mr. LORD. Mr. Stevenson, before an assessment would be levied on the stockholder of the group company, the resources of the group company would be used.

Mr. STEVENSON. Of course.

Mr. LORD. To protect any failing bank.

Mr. STEVENSON. At least you would go far enough to see if it was necessary to levy an assessment?

Mr. LORD. Yes, sir.

Mr. STEVENSON. The assessment would be levied by the State authorities on the stockholders of the group company?

Mr. LORD. Yes, sir; or by the national authorities in the case of a national bank.

Mr. STEVENSON. Have you any authority for levying the assessment, or is it merely a matter of contract between the stockholder and the group company?

Mr. LORD. I should say it is a matter of contract with the stockholder of the group company, inasmuch as that provision is a part of the stockholder's certificate.

Mr. STEVENSON. It is part of the contract; yes, but it is purely a contractual and not a statutory liability.

Mr. LORD. That is the way I understand it.

Mr. STEVENSON. The liability on the holding company, however, is a statutory liability in Michigan, as I understand it.

Mr. LORD. The holding company takes the place of the individual stockholder and there is the further protection that the stockholder of the holding company assumes that liability.

Mr. STEVENSON. That is all.

Mr. WINGO. While I think of it, is there anything in the record to show what State your corporation is incorporated under?

Mr. LORD. Under the laws of Michigan.

The CHAIRMAN. Mr. Beedy, you are next.

Mr. BEEDY. Of course, I can not ask any questions, because I did not hear the original statement.

The CHAIRMAN. Mr. Letts, you are next.

Mr. LETTS. Mr. Lord, can you tell us how many banks you have in the State of Michigan?

Mr. LORD. We have 27 banks and/or trust companies.

Mr. LETTS. I do not mean your group.

Mr. LORD. How many there are altogether?

Mr. LETTS. Yes.

Mr. LORD. I can not answer that question.

Mr. LETTS. Do you happen to know how many national banks there are?

Mr. LORD. No; I do not know. I can give you the total resources, but not the number of banks themselves.

Mr. LETTS. Then tell me how many banks there are, State and national, in the city of Detroit, including branches. How many banking places or banking offices are there in the city of Detroit?

Mr. LORD. I can not tell you that; they have been closing branches so rapidly.

Mr. LETTS. You can approximate it, of course.

Mr. LORD. I should say that there are, including our own group, between 250 and 275 places doing a banking business; probably nearer 300.

Mr. LETTS. How many banks do you have in your group in the city of Detroit?

Mr. LORD. We have the Guardian Detroit Bank, National Bank of Commerce, Bank of Detroit, Michigan Industrial Bank, Union Trust Co., and the Guardian Trust Co.; and the Guardian Trust Co. and Union Trust Co. have been consolidated into the Union Guardian Trust Co., a single institution.

Mr. LETTS. Are there other banks there as large and as strong as these?

Mr. LORD. Yes, sir. In the metropolitan district of Detroit, the Guardian Detroit Union group represents deposits of about $290,000,000; the Detroit bankers group represents deposits of approximately $560,000,000; and miscellaneous banks represent deposits of approximately $165,000,000.

Mr. LETTS. I notice in your statement that on March 27 just past, your group controlled 2 joint-stock land banks, 9 security companies, and 1 title guaranty company, as well as 2 building companies and 1 safety deposit company. Tell us what these security companies are.

Mr. LORD. The security companies are the Bancdetroit Corporation, which was a subsidiary of the Bank of Detroit, having a capital stock of $1,000; the Guardian Detroit Co., which is a securities company, having a capital stock of $5,000,000; the Guardian Holding Co., which has a present capital of $1,000,000; Keene-Higbie & Co., having a capital of $1,000,000; Grand Rapids National Co., having a capital of $40,000; Union & Peoples Co. of Jackson, with a capital of $70,000; the F. N. B. Securities Co., Kalamazoo, with a capital of $150,000; and the Guardian Detroit Co. of California, with a capital of $10,000.

Mr. LETTS. Were all of these security companies in existence at the time your group was started?

Mr. LORD. Yes, sir.

Mr. LETTS. Were they affiliated with some of these companies that are now in your group?

Mr. LORD. They were all affiliated when our group was put together.

Mr. LETTS. With some one or other?

Mr. LORD. With one or another.

Mr. LETTS. What is the nature of the business done by these companies?

Mr. LORD. The purchase and sale of bonds and investment stocks.

Mr. LETTS. Now, coming to the title guaranty company, is that the only title guaranty company in Detroit?

Mr. LORD. No, sir.

Mr. LETTS. How many are there?

Mr. LORD. There are two.

Mr. LETTS. Is this a strong company, or an old company?

Mr. LORD. Yes, sir; it has been in business for quite a number of years.

Mr. LETTS. You mentioned two building companies. What business do they engage in?

Mr. LORD. Those corporations are merely corporations for the purpose of owning the bank buildings, which are office buildings.

Mr. LETTS. They do not deal in real estate?

Mr. LORD. No, sir.

Mr. LETTS. I suppose that this safety-deposit company does the kind of business that its name indicates?

Mr. LORD. Yes, sir.

Mr. LETTS. Do you see a possibility of controlling many lines of business that are not banking in nature?

Mr. LORD. I do not see any possibility of controlling them; no. These securities companies are in business to buy and sell investments.

Mr. LETTS. I see on page 13 of your statement that you mention as one of the advantages to be gained by the group system the fact that the group provides contact with innumerable types of business and cooperation in developing new business for clients.

Just what do you mean by that?

Mr. LORD. We have on the books of the Guardian Detroit Bank a great many accounts of steel corporations all over the country. They want contact with the manufacturer and the users of steel, and we can give them that contact. We can not sell their goods, but we can open doors for them.

Mr. LETTS. Can you close doors for them? That is the thing I am interested in. Do you see any real danger that groups may close the doors of industry?

Mr. LORD. No, sir.

Mr. LETTS. In other words, one of the fears that I have is that the groups may become so strong that it may be practically impossible for men going single handed and alone to finance their affairs unless they submit to the will of those that control the banking policies of the community.

Mr. LORD. Mr. Letts, I do not know of any bank, in the years I have been in them, that has not been willing to loan to an individual or a corporation where that individual or corporation is entitled to credit. A bank must prosper on service to its customers.

Mr. LETTS. Is there such a thing as favoritism at times?

Mr. LORD. Not in our institutions.

Mr. LETTS. Very often there is quite distinct rivalry between enterprises in the same line of business, and it is quite conceivable that one might prosper because of the favoritism that is extended to him by those in control of banking, to the detriment of the other. That is true; is it not?

Mr. LORD. It is possible, but not probable. We can not in the banking business take sides, favoring one customer as against another, so long as our relationship with both customers has been a satisfactory one.

Mr. LETTS. In reading a prospectus of, I think, the Transamerica Corporation, or perhaps it was a statement by the Los Angeles Board of Trade in a report that they had made covering the state of the operations of that corporation and its possibilities, it was said that they would have the opportunity to divert large quantities of business to their companies, and illustrated that by saying that they could divert tremendous amounts of insurance to their insurance company, which is one of the industries that they further. Do you see any danger in that policy?

Mr. LORD. There might be, although I am not close enough to that to know.

Mr. LETTS. You have been in existence about 10 months?

Mr. LORD. As a group; yes.

Mr. LETTS. As a holding company?

Mr. LORD. Yes, sir.

Mr. LETTS. Directing the policies of the banks under your control?

Mr. LORD. Advising with the banks.

Mr. LETTS. Yes, of course; but you expect that advice to be accepted?

Mr. LORD. It is not always accepted.

Mr. LETTS. But it is natural that it would be?

Mr. LORD. It is listened to.

Mr. LETTS. Yes, of course; it ought to be.

Well, 10 months is not a very long time; and, yet, no doubt, because of the success with which you have met, you are looking ahead. Are you thinking of other possibilities than banking? Have you ever considered the possibility of an insurance company—fire, life, or accident?

Mr. LORD. We have, and discarded it.

Mr. LETTS. Why did you discard it?

Mr. LORD. Because it is quite apart from the banking business.

Mr. LETTS. It was said in this report of the Los Angeles Board of Trade that the Transamerica Corporation expected to handle real-estate transactions in the State of California. I do not pretend to quote from it, but I think that is the substance of it; and they do have a company that depends upon commissions from the sale of real estate and on making trades.

Have you thought of a possibility of that kind?

Mr. LORD. We have, and we felt that the outside broker can do it better than we can when it comes to the sale of real estate, and the only real estate we own (except our buildings) is what we may have to take under foreclosure.

Mr. LETTS. Is it your policy, then, to limit your operations to the holding of bank stocks and the developing of banking policies?

Mr. LORD. Yes, sir; so far as the group company is concerned.

Mr. LETTS. I am speaking of the group company.

Mr. LORD. Yes, sir.

Mr. LETTS. You say that yours is a mixed condition, group and branch?

Mr. LORD. It is a group of branch banking institutions.

Mr. LETTS. But not entirely?

Mr. LORD. Not entirely; no. There are some without branches.

Mr. LETTS. Now, I suppose that Detroit is the banking center of your State?

Mr. LORD. Yes, sir.

Mr. LETTS. And naturally you have an interest in the smaller communities of the State; you would like to see the smaller communities provided with suitable banking facilities?

Mr. LORD. Yes, sir.

Mr. LETTS. I understand that it is your judgment that those facilities can be furnished best by going to the branch system?

Mr. LORD. Yes, sir.

Mr. LETTS. In other words, you think that the strong banks which form your group could render a better service to the varied communities of your State if they were permitted to establish in those communities branches which would approximate the needs of the communities?

Mr. LORD. Yes, sir.

Mr. LETTS. Do you feel that this policy is one which will destroy individual initiative?

Mr. LORD. No, sir. Are you speaking of the person or the corporation?

Mr. LETTS. I am speaking of persons now.

Mr. LORD. Far from it.

Mr. LETTS. Can it do other than to encourage initiative within your group? It would destroy competition without the group, would it not?

Mr. LORD. I think it would encourage initiative within the group. Banking talent, banking brains, are scarce, and the opportunities are greater in an organization such as this than they ever can be in small unit banks.

So far as discouraging competition is concerned, as long as the banking business can be done safely and at a profit there is going to be competition. Neither you nor I nor anyone else can keep it out.

Mr. LETTS. Did you have bad times in Michigan, comparable in any way with those we experienced in Iowa?

Mr. LORD. No, sir.

Mr. LETTS. Did you lose any of your banks up there?

Mr. LORD. I believe the record shows that 66 banks failed during the period covered by Mr. Pole's testimony, in nine years.

Mr. LETTS. Do you now have more banks than are needed throughout the State, would you say?

Mr. Lord. In some communities, yes; and there is a very considerable duplication of branches throughout the city of Detroit. There may be three and four different branches within two blocks.

Mr. Letts. How many groups have you in the State of Michigan?

Mr. Lord. I can not recall. Mr. Pole's testimony shows it, I think.

Mr. Letts. How many do you have in Detroit?

Mr. Lord. There are three so-called groups in Detroit.

Mr. Letts. There are some not located in Detroit up there, are there?

Mr. Lord. I believe so.

Mr. Letts. Is there harmony among the three Detroit groups, or is there competition in a live sense?

Mr. Lord. There is very keen competition.

Mr. Letts. The feeling, I suppose, is good, however?

Mr. Lord. Entirely friendly; but take the other fellow's business if you can get it.

Mr. Letts. There is just one other thing that I had in mind. You have acquired the stocks that you possess largely by transferring the stock of the holding company in exchange?

Mr. Lord. Yes, sir.

Mr. Letts. At what value did you exchange the stock of the holding company for the stock of the unit banks?

Mr. Lord. It depended on the bank itself, but in general we matched actual value of group shares for actual value of unit bank shares, and our earnings against their earnings. In other words, our examiners would go into a unit bank prior to our proposal of exchanging stock and make a careful examination of the bank and set up reserves that the examiners considered were necessary to show the actual value of the shares of that bank.

Mr. Letts. You tried to maintain a parity, I suppose, as to the value that you sought to get?

Mr. Lord. Yes, sir.

Mr. Letts. What was that? Was it approximately $20 par, or more?

Mr. Lord. No. The actual value of the group company shares was somewhere between $55 and $56 per share of $20 par value.

Mr. Letts. Now, in your own bank——

Mr. Lord. The Guardian Detroit Bank.

Mr. Letts (continuing). How did you arrive at the ratio of exchange in that instance? That, I suppose, was the first one or one of the first?

Mr. Lord. That was the first. The Guardian Detroit Bank stock carried with it, for each share of bank stock, as a part of the certificate itself, one-fifth of a share of stock of the trust company and one share of stock of the securities company. The book value of that Guardian Detroit Bank share, carrying with it the other two interests, when it was $100 par value, was approximately $280. That was exchanged for five shares of group stock, $20 par value.

Mr. Letts. And that was arrived at by just figuring values?

Mr. Lord. It made no difference to the stockholder; he held exactly what he held before, so far as proportionate interest is concerned.

Mr. Letts. I want to ask you as to your judgment as to whether or not it is a wholesome thing for the country that banks are connecting with their institutions security companies, trust companies, and that sort of thing?

Mr. LORD. Yes, sir.

Mr. LETTS. They are largely doing the trust business of the country. Do you think that that is a wholesome thing?

Mr. LORD. I do, sir. I think they are better qualified to do it than the average individual.

Mr. LETTS. Do you see any danger incident to the policies that prevail throughout the country in managing securities companies?

Mr. LORD. No, sir.

Mr. LETTS. Have you solicited the banks that you connected with your group, or have they come to you?

Mr. LORD. We have solicited some, and some have come to us.

Mr. LETTS. How many have applied to you for affiliation with your group?

Mr. LORD. It is pretty hard to answer that. Many have applied to us that we have not taken in. In fact, we have had an entire group apply to us.

Mr. LETTS. Do you find that often it is desired that someone from Detroit, somebody connected with the holding company, should go on the board of directors or take a position as an official in the unit banks?

Mr. LORD. Some of them have insisted upon it; they wanted the help of an operating officer and asked to have that officer on the board.

Mr. LETTS. I believe that in your set-up, 75 per cent of the members of the board must be local?

Mr. LORD. Must be local, or must reside within 50 miles, the same as under the national bank law.

Mr. LETTS. Why is that necessary?

Mr. LORD. It would be necessary in our national bank units under the law. In our State bank units it would not be necessary, but we wanted to keep the local units local so far as possible.

Mr. LETTS. Well, leaving out of consideration the requirements of the law, is it desirable?

Mr. LORD. I think it is.

Mr. LETTS. Why would you think it is desirable?

Mr. LORD. Because we want the interest of the local people kept in the banks.

Mr. LETTS. And you think you get that better by having it known as their bank?

Mr. LORD. I do, sir.

Mr. LETTS. Rather than a Detroit bank?

Mr. LORD. I do. I think I would like to state in passing that the boards of directors of the local units banks, far from being dummy directors, are taking greater interest in the operation of their banks than they did before the banks were members of the group.

Mr. LETTS. Mr. Lord, have you been approached to become a part of some larger plan than yours?

Mr. LORD. No, sir.

Mr. LETTS. Or a plan that might cover the country?

Mr. LORD. No, sir.

Mr. LETTS. And extend through other States than Michigan?

Mr. LORD. No, sir.

Mr. LETTS. You have not had any such contact?

Mr. LORD. That is, not by a group or corporation that would take us over; no. We have been approached by other banks and other smaller groups that wanted to come into our system.

Mr. LETTS. Yes; I understand that, but I meant by an interest larger than yours that would like to associate you with other groups comparable in size and strength with yours?

Mr. LORD. No, sir.

Mr. LETTS. That is all.

The CHAIRMAN. Mrs. Pratt.

Mrs. PRATT. Mr. Chairman, Mr. Lord's statement is so comprehensive that I find that many of the questions that have arisen in my mind have been answered as he read his statement, but I would like to get this clearly in mind: Mr. Lord, your holding company, I think you mave made very clear, is not a bank, does not do any banking business, and is not in a parent position, is it, to the banks in that group? You do not attempt to control?

Mr. LORD. Only own them; not control them or operate them.

Mrs. PRATT. Have you formed sort of a liaison between the different unit banks?

Mr. LORD. Yes.

Mrs. PRATT. Would you attempt, for instance, to advise the transfer of funds from one bank to the other, or, rather, transfer the credits if you knew that one bank in your group could not meet the borrowing that it was called upon to meet of some depositor or other person? You would be in position to advise them that some other bank in your group could help them, would you not?

Mr. LORD. We would.

Mrs. PRATT. And you would do that?

Mr. LORD. We have done it many times.

Mrs. PRATT. Have you attempted in any way to control the type of security?

Mr. LORD. No; they buy their own securities.

Mrs. PRATT. I meant the security that the borrower must give.

Mr. LORD. Not through the group company. Each bank prescribes its own collateral.

Mrs. PRATT. In your position as more or less of an adviser, would you feel that you are in position to criticize certain types of collateral?

Mr. LORD. We would feel entirely free to criticize any type of security and advise the unit bank as to our opinion of such security.

Mrs. PRATT. And you would feel that your advice should prevail if they did not agree with you as to what was considered suitable?

Mr. LORD. If they thought they knew more about it than we, that would be their party.

Mrs. PRATT. Do you feel that your system of group banking is meeting the necessity for sounder banking facilities in the smaller communities?

Mr. LORD. We do not go in very small communities. Ionia and Niles, Mich., are the smallest communities in which we are located, of about 10,000 people.

Mrs. PRATT. Then you do not really cover the Federal reserve district?

Mr. LORD. No. We are in the seventh district, and that includes Chicago, Milwaukee, and quite a substantial number of large cities. We do not go outside of the State of Michigan, so far as our banks and trust companies are concerned.

Mrs. PRATT. Do you anticipate any further merging of groups in your communities——

Mr. LORD. I hope not.

Mrs. PRATT (continuing). Where you would ultimately be in control of the banking business?

Mr. LORD. No. We have had numerous opportunities in some of the communities in which we own units to buy all of the stocks of banks in the community, but we did not want it; we want competition

Mrs. PRATT. I think you said that in Detroit there were two other large groups.

Mr. LORD. We are the second in size; not the first.

Mrs. PRATT. And there is a third?

Mr. LORD. There is a third and smaller group.

Mrs. PRATT. You have no thought in mind of those large groups merging into one great monopoly?

Mr. LORD. I think not. If that were done, there would immediately start up in Detroit new banks that would compete.

Mrs. PRATT. I think that is all.

The CHAIRMAN. Mr. Busby.

Mr. BUSBY. In order to follow up the questions that Mr. Letts asked, I want to make this statement which I gathered from Governor Young's testimony, that there are 109 banks in Michigan that belong to groups or chains which do not operate branches, 26 banks belonging to groups or chains which operate 353 branches, as well as 36 banks that do not belong to groups or chains but which operate 86 branches. There are also 572 additional independent banks, making a total of 1,182 banks in your State.

Now as to your statement of a moment ago that you had not gone into cities of less than 10,000 inhabitants—

Mr. LORD. Except the seven small banks that are mentioned in the report, in agricultural communities.

Mr. BUSBY. Do you find that it is not desirable under your system to go into those places that are smaller than 10,000 in population?

Mr. LORD. I do not believe that a bank can survive in a small town over a period of years.

Mr. BUSBY. Do you believe that a bank will survive reasonably well in a town smaller than 10,000 people?

Mr. LORD. It will have in my opinion to have exceptionally able management.

Mr. BUSBY. What would be your suggestion in the way of affording banking facilities to places having a population smaller than 10,000?

Mr. LORD. Branch banking.

Mr. BUSBY. Do you think branch banking would be the desirable method of furnishing banking service to practically all places with a population of less than 10,000 inhabitants?

Mr. LORD. Yes.

Mr. BUSBY. You spoke awhile ago of the method that your holding company followed in transacting its business, and the manner in which it dealt with the several banks in your system, and your statement made this morning uses the term "recommended policy" that is arrived at by one certain group of your managers under the owning company.

What do you mean specifically by "recommended policy"?

Mr. LORD. This might be a recommended policy that a bank should not have over 50 per cent of its assets or loanable funds in securities based upon real estate, and we might have one, two, or three units that went above that percentage.

Mr. BUSBY. Is your "recommended policy" so worked out that it applies to the several banks individually, or is it a class action?

Mr. LORD. I think each unit would have to be taken into consideration, and the nature of the business in that community would have to be considered.

Mr. BUSBY. Then your board that defines the recommended policy would take up each individual unit in your system and adopt a recommended policy for that banking institution, if I understand you?

Mr. LORD. Yes, sir.

Mr. BUSBY. Now, are your examiners acquainted with the recommended policies for these several banks?

Mr. LORD. Probably the recommended policies are based upon the examination of the examiners.

Mr. BUSBY. I know, but when your examiners go out from the holding corporation to a unit bank are they made acquainted with the recommended policy for the handling of the business in that bank so that they can, in the light of that policy, better make a true and proper examination of the bank?

Mr. LORD. Yes, sir.

Mr. BUSBY. What happens if the directors of that bank refuse to follow the recommended policy for the bank as declared by the board that promulgated that policy, after an inspection has been made and it is disclosed that the directors of this local institution have refused to adopt the recommended policy?

Mr. LORD. They never have refused.

Mr. BUSBY. They never have refused? That is what I was getting at.

Mr. LORD. Because the recommended policies are based upon sound banking.

Mr. BUSBY. I understand that, of course.

Now, the trouble about the whole situation is that you have an ironclad method of doing business with each one of these several banking institutions through a recommended policy and your system of examination, do you not?

Mr. LORD. Mr. Busby, we do not have an ironclad fist or anything of that nature. For instance, one of the banks in the group has shown that it can operate its own bank as it pleases; it uses one of our competitors in Detroit as its principal Detroit correspondent, rather than us.

Mr. BUSBY. What do you assign as a reason for that?

Mr. LORD. Because they happen to have done business with that bank for a great many years and there is a certain sentiment attached to it, and if they want to continue it, it is all right with us.

Mr. BUSBY. You have no recommended policy for that bank along that line, have you?

Mr. LORD. We have not recommended a policy for that bank.

Mr. BUSBY. But if you recommended a policy to the contrary they would not dare to do that, would they?

Mr. LORD. We would not recommend it for a reason like that, because that is sound banking whether they take us or our competitor in Detroit as the correspondent.

Mr. BUSBY. This morning you stated that you were more "hard boiled" with your trust subsidiaries——

Mr. LORD. Securities companies.

Mr. BUSBY. Yes, securities companies—then you were with some disconnected security company that came to your bank for credit?

Mr. LORD. Yes.

Mr. BUSBY. Who does that act of being "hard boiled"?

Mr. LORD. I do.

Mr. BUSBY. You do?

Mr. LORD. Yes, now.

Mr. BUSBY. As the president of the holding company?

Mr. LORD. As the president of the Guardian Detroit Bank and of the holding company.

Mr. BUSBY. Suppose that they did not come to your bank but went to one of your other independent units; you would likely hear about it, would you not?

Mr. LORD. I know where the securities companies are borrowing their money. That is my business to know.

Mr. BUSBY. And you would certainly hear about that?

Mr. LORD. Yes

Mr. BUSBY. And yet you are the president of the holding company and not the manager of the banks; is that right?

Mr. LORD. Yes, sir.

Mr. BUSBY. But the fact is that you are indirectly the manager of all of these banks when it comes to making big transactions and putting out loans that are of unusual size, are you not?

Mr. LORD. No; I think I am merely the adviser.

Mr. BUSBY. Adviser?

Mr. LORD. Yes, sir.

Mr. BUSBY. With more than the usual emphasis upon that word, though, are you not?

Mr. LORD. I do not think so.

Mr. BUSBY. I find that while there are 610 banks in your State, a few of which are not in the area in which you operate, that are connected with the chain, group, and branch banking activities with yourself and others, there are 572 banks that are running and operating independently of any group, branch, or chain system. You say it is not your purpose to take over any more of those small banks?

Mr. LORD. No; I did not say that.

Mr. BUSBY. The fact is, that you have not taken any banks in small places, is it not?

Mr. LORD. No, sir; we have not.

Mr. BUSBY. You said that it was not your purpose to take over and that you had not taken over any except those that are making money. You said that, did you not?

Mr. LORD. That was the idea.

Mr. BUSBY. Well, they did not particularly need your protection, did they? They were making money and on a sound basis.

Mr. LORD. We did not take them over for their protection.

Mr. BUSBY. What did you take them over for?

Mr. LORD. To help build them up.

Mr. BUSBY. Did you not take them over to help you build up a strong banking institution in that section of the country, with which to make dividends?

Mr. LORD. Maybe; that may have been one of the reasons, yes.

Mr. BUSBY. Your institution is not so altruistic that it is going out for any other purpose than to make dividends, to make money, is it?

Mr. LORD. We can not prosper unless we do operate on a more or less altruistic basis so far as service to the customer at proper rates is concerned.

Mr. BUSBY. You have to show a certain amount of consideration to the trade, or the trade will not patronize you. I grant that.

Mr. LORD. Certainly.

Mr. BUSBY. But the ultimate purpose is the one I asked about?

Mr. LORD. Yes, sir.

Mr. BUSBY. You say that these banks, unless there is an unusual condition, can not make money in cities or towns of less than 10,000 population, and yet you do not think it is feasible for you—and, of course, you would not think it was feasible for others in the same line of operation that you are engaged in—to take them over. So what do you see left for them to do but to liquidate?

Mr. LORD. There are many communities in which the Guardian Detroit Union Group would be glad to establish branches.

Mr. BUSBY. Then you would not have all of those 572 banks go broke, or any appreciable number of them, because they were left out in the cold by the group organizations?

Mr. LORD. No.

Mr. BUSBY. What solution do you have for those particular cities, and how would you take care of them?

Mr. LORD. Branch banking would solve it.

Mr. BUSBY. Are you asking that a system be established that will compel branch banking in the field in competition with you?

Mr. LORD. No; that it be permitted, not compelled.

Mr. BUSBY. What if they did not take to it any more than you have taken to it?

Mr. LORD. You mean, to the communities?

Mr. BUSBY. To the smaller banks, the 572 that are operating independently of any branches.

Mr. LORD. Mr. Busby, a bank of limited size could be profitably operated as a branch, whereas it might not be possible to make even expenses operating it as a separate unit.

Mr. BUSBY. But you certainly would not think that a system which would continue 572, or even half that number of independent banks, especially those in towns of 5,000 or 6,000 people, as banking institutions on an independent basis, was feasible, would you?

Mr. LORD. If branch banking were permitted——

Mr. BUSBY. I am not asking you that.

In other words, your knowledge of banking operations would not lead you to, say, that independent banks in towns of 4,000, 5,000, 6,000, or 7,000 people should be encouraged to continue as they have done in the past? That is what I gathered from your statement.

Mr. LORD. I think that the record of failures in towns of that size would indicate that they can not continue on and continue profitably.

Mr. BUSBY. Your State has not such a bad record for failures, has it?

Mr. LORD. My State has an unusually good record.

Mr. BUSBY. In 1921 it had eight failures.

Mr. LORD. Yes.

Mr. BUSBY. And in 1922 it had 4; in 1923 it had 3; in 1924 it had 7; in 1925 it had 5; in 1926 it had 3; in 1927 it had 7; in 1928 it had none; and in 1929 it had 9—66 in all.

Mr. LORD. Why should it have had nine failures in 1929? With branches or group banking or a combination of the two, there should have been no failures in Michigan.

Mr. BUSBY. One reason is that which you spoke of awhile ago—somebody stealing $1,200,000—and, of course, the bank would have gone broke had it not been for the intervention which followed. Then, they will go broke for the same reason as that reported in to-day's paper in connection with a Texas bank, involving a steal by officers of the bank of over $1,000,000.

Dishonesty and bad management are reasons for the failure of banks.

Mr. LORD. A strong group, properly supervised, could protect the community against failure, even against a defalcation of that size.

Mr. BUSBY. But you will admit that 66 failures is a very small percentage, considering the fact that Michigan had 1,182 banks?

Mr. LORD. It has had a very wonderful record.

Mr. BUSBY. Why, then, do you make your statement that they can not safely operate as independent banks?

Mr. LORD. I did not say safely; I said profitably.

Mr. BUSBY. You say profitably?

Mr. LORD. Yes, sir.

Mr. BUSBY. Do you think the depositors are reasonably safe in those banks?

Mr. LORD. If the bank is reasonably well managed, yes.

Mr. BUSBY. Now, your investment companies, as you call them——

Mr. LORD. Yes.

Mr. BUSBY (continuing). Are engaged in buying and selling bonds, and in the general financial investment business?

Mr. LORD. Yes, sir.

Mr. BUSBY. Is that a more hazardous financial business for the institution than straight banking?

Mr. LORD. No; I do not think so. Their earnings may fluctuate up and down more than the ordinary banking or trust business.

Mr. BUSBY. If I recall, Mr. Wakefield seemed to express himself that it was much more hazardous, and Mr. Decker stated positively that it was much more hazardous than the ordinary banking business. What is your view on the subject?

Mr. LORD. I do not see why it should be.

Mr. BUSBY. It is only in recent years that that class of business has been coupled with banking, is it not?

Mr. LORD. Banks have had investment departments for many, many years. I worked for a bank in Chicago when I went to work in 1906, where the biggest part of its business was the investment business.

Mr. Busby. It has all grown up in the last 25 or 30 years, practically. Does it not appear to you that that type of banking activity, where the work is done under high pressure, is tending largely to place many investment bonds and securities in the field to-day?

Mr. Lord. Banks have certainly a very large distribution of investment securities; yes.

Mr. Busby. Does your holding company have any syndicates for the underwriting of security issues?

Mr. Lord. The securities companies have; not the holding company.

Mr. Busby. Well, they are owned by the holding company, are they not?

Mr. Lord. Yes, sir; just as the banks and trust companies are owned by the holding company.

Mr. Busby. Do you not think that that all tends to greatly inflate the credit of the country beyond the actual commercial needs of the country?

Mr. Lord. Why should it? If the banks——

Mr. Busby. To answer you, it has. Now, why did it?

Mr. Lord. If the banks do not supervise and handle securities and advise their customers independent so-called investment houses are going to sell to those customers. Would you not rather have the public get advice from the banker than perhaps some other advice?

Mr. Busby. Do you think that the advice of the bankers and of the officers of trust and investment companies has helped the public in the last two or three years?

Mr. Lord. Yes, sir; I do.

Mr. Busby. Do you not think that the banks and underwriting syndicates, with their agents going up and down these corridors and into every nook and corner where they thought they could interest somebody in buying a security or a stock, and by selling to many people who knew nothing about the stocks or the securities but who hoped that the stock market would go up and that they could sell at a better price than that at which bought, have done a great injury to the finances of this country in the last two or three years?

Mr. Lord. I do not think that the banks, generally speaking, advised the public to go in and buy stocks, either for cash or on margin, during the past two years or at any time.

Mr. Busby. Do you not know that the underwriting syndicates employ high-powered stock salesmen to go among the people everywhere they think they can sell stocks, and that these solicitors do not carry with them the knowledge that the bank possesses concerning the validity or the desirability of those securities?

Mr. Lord. Are you speaking of securities companies affiliated with their banks?

Mr. Busby. Yes.

Mr. Lord. Or independent brokers and security dealers?

Mr. Busby. I refer to the securities companies affiliated with their banks.

Mr. Lord. I think, generally speaking, that securities companies affiliated with banks or trust companies are very conscientious about what they are recommending for investment by the public.

Mr. Busby. Do they not employ agents to go out and solicit individuals?

Mr. Lord. Yes.

Mr. Busby. How do you expect these solicitors to carry all of this expert information to the individual?

Mr. Lord. Before the securities company connected with the bank buys securities for sale, the salesmen do not examine the securities and purchase them, but the heads of the organization pass on them as to their value and safety, and the salesman is the one who goes out to sell them.

Mr. Busby. And he is not very particular about giving the purchaser inside information, is he, or anything except a glowing account of the possibility of the stock?

Mr. Lord. I do not know that banks use the high-pressure method that you are speaking about, or bank securities companies. We do not.

Mr. Busby. But you employ agents to go out among the people, do you not?

Mr. Lord. Salesmen; yes.

Mr. Busby. I believe that is all.

The Chairman. Mr. Dunbar.

Mr. Dunbar. Mr. Lord, on page 3 of your statement you say that your stockholders of the Guardian Detroit Bank have the same number of shares of stock in that bank as in the Guardian Detroit Co., and that they have one-fifth of the number of shares in the Guardian Trust Co. Is the Guardian Trust Co. larger than the other two companies?

Mr. Lord. Mr. Dunbar, that was the original corporate set-up of the Guardian Detroit Co., Guardian Trust Co., and Guardian Detroit Bank. It does not apply to the present organization, or what we term the group company.

Mr. Dunbar. I know, but do you have a larger number of stockholders or a larger capital stock in the Guardian Trust Co. than you have in the other two?

Mr. Lord. No, sir. The Guardian Trust Co. had $1,000,000 capital and $1,000,000 surplus. The Guardian Detroit Bank had $5,000,000 capital and $3,000,000 surplus; and the Guardian Detroit Co. had 50,000 shares originally of no par value stock, $35 per share, paid in.

Mr. Dunbar. But the shares of stock in all three of them so allocate themselves that a man can have an equal number of shares in the Guardian Detroit Bank, the Guardian Detroit Co., and one-fifth of the stock in the Guardian Trust Co.?

Mr. Lord. They could have before those three institutions became affiliated with the present group company. You could not separate one from the other.

Mr. Dunbar. Now, in answer to a question by Mr. Letts, you said that there was a keen competition between these companies. I do not see how you could have keen competition.

Mr. Lord. He asked about the other companies in Detroit, Mr. Dunbar, the other banks.

Mr. Dunbar. But there is no keen competition.

Mr. LORD. Between our own companies?

Mr. DUNBAR. Yes.

Mr. LORD. No, sir.

Mr. DUNBAR. That is what I thought. I did not see why there should be.

On page 6 of your statement I note that 75 per cent of the directors of one of your unit banks must come from the municipality in which that bank or trust company is located.

Mr. LORD. Yes, sir; or within 50 miles of it.

Mr. DUNBAR. They are all stockholders in the parent company, are they?

Mr. LORD. They are also stockholders in the old, original unit.

Mr. DUNBAR. In the selection of these people you dictate to them, do you not?

Mr. LORD. We never have changed the boards from the way they came to us.

Mr. DUNBAR. But you decide their reelection?

Mr. LORD. As a majority owner of the stock.

Mr. DUNBAR. To what extent do you dictate to them in managing the bank? I understood you to say you did not dictate to them.

Mr. LORD. We do not.

Mr. DUNBAR. Suppose that you got hold of a wild set of directors?

Mr. LORD. We would get a new set.

Mr. DUNBAR. How would you get them? They are elected for a year, are they not?

Mr. LORD. At a special stockholders' meeting.

Mr. DUNBAR. You could depose them, could you?

Mr. LORD. Yes, sir.

Mr. DUNBAR. This is not in the nature of a criticism, but, with the consent of your directors, are you not really the czar of the whole system?

Mr. LORD. I do not think so.

Mr. DUNBAR. Do you think that any of these directors in any of these other banks would dare to disobey your wish?

Mr. LORD. They have, in some instances.

Mr. DUNBAR. Did it turn out that they were right?

Mr. LORD. Sometimes.

Mr. DUNBAR. Then you are a wise person, one who, when anyone disagrees with you and they turn out to be right, does not "hop" them for it; do you?

Mr. LORD. Sometimes.

Mr. DUNBAR. Now, suppose that you got all wrong; then the whole system is going to be all wrong; is it not?

Mr. LORD. If I go all wrong, the board of directors of the group company would have me out before I could go very far wrong.

Mr. DUNBAR. But suppose that you are elected for a year; they could not put you out before a year?

Mr. LORD. Yes; they could. We have a directors' meeting every three months, and a special meeting could be called and I could be thrown out in two days.

Mr. DUNBAR. Well, the point I was trying to bring out is this, that it is a bad thing for this country when you find its people being driven for a living, when they have to bow and to get upon their knees. I do not know what is going to become of us; individuality is going away. That is my principal objection to your system, that individuality and personality are being developed less and less, and after awhile people will not have minds of their own because they will be depending on the dictators above them.

Mr. LORD. I do not think so, in this country.

Mr. DUNBAR. All right. I hope you are right.

Now, suppose that you owned a bank in Wyandotte that went broke; all of the depositors would be secured under your system, would they not?

Mr. LORD. To the extent of the resources of the group company, and, in turn, the assessment that might be levied upon the stockholders of the company.

Mr. DUNBAR. Not any more?

Mr. LORD. Unless they kept on levying 100 per cent assessments.

Mr. DUNBAR. You would not, as a group head, assist them in any way?

Mr. LORD. We certainly would.

Mr. DUNBAR. In what way would you assess them?

Mr. LORD. Putting up the money.

Mr. DUNBAR. Then, getting back to my question, would the depositors in that bank be secure?

Mr. LORD. Mr. Dunbar, it would depend upon the size of the bank, but a bank in Wyandotte would be so small that it would be very easy to take care of the depositors.

Mr. DUNBAR. But your depositors in a group bank would not have very much more assurance of receiving their money than if they were in a unit bank?

Mr. LORD. They would have $81,000,000 back of it as against the $500,000 or whatever the capital might be of the Wyandotte bank.

Mr. DUNBAR. You say that the capital of the Wyandotte bank is $85,000,000?

Mr. LORD. Wait a minute. I do not know what the capital is.

Mr. DUNBAR. Let us suppose that you have a bank in Chicago that has a capital of $85,000,000, and it fails. To what extent would you in Detroit help them?

Mr. LORD. To the extent of our ability.

Mr. DUNBAR. What is the size of your largest bank?

Mr. LORD. The largest bank we have has a capital of $5,000,000, a surplus of $6,000,000, and undivided profits of about $1,500,000.

Mr. DUNBAR. What bank is that?

Mr. LORD. The National Bank of Commerce.

Mr. DUNBAR. You mentioned $85,000,000. Suppose that you had a branch bank at Lansing, with $500,000 capital?

Mr. LORD. Yes, sir.

Mr. DUNBAR. And that it had $2,000,000 on deposit, and it failed. Your double liability would not amount to nearly $2,000,000. After selling your assets, there might be a deficiency of $1,000,000. Would there be any hope of those people getting money from your system?

Mr. LORD. We could not afford, from the standpoint of the standing of the group, to allow any bank to fail.

Mr. DUNBAR. You would pay the $1,000,000, would you?

Mr. LORD. Probably would.

Mr. DUNBAR. Then you practically, although you do not specifically say so, guarantee the deposits of any bank that might fail?

Mr. LORD. To the extent of our financial ability to do so.

Mr. DUNBAR. But suppose that you did not have that financial ability?

Mr. LORD. We would still have the 100 per cent assessment available.

Mr. DUNBAR. Which is the same as all other banks of the country?

Mr. LORD. Yes.

Mr. DUNBAR. You do not go into cities of less than 10,000 population, do you?

Mr. LORD. Approximately that.

Mr. DUNBAR. Now, then, if all of our failures, or at least 95 per cent of them, occur in banks having less than $25,000 capital and in towns of 1,000 population and less, you do not run any risk by not going into that kind of a community, do you?

Mr. LORD. Not without being allowed to do branch banking.

Mr. DUNBAR. But you do do branch banking?

Mr. LORD. In the big communities.

Mr. DUNBAR. You are growing into a branch banking system, are you?

Mr. LORD. Modestly.

Mr. DUNBAR. The impression you gave us is that branch banking must take care of the business in these small towns, and you want to take the cream, as it were?

Mr. LORD. It is the best way to take care of it, in my opinion.

Mr. DUNBAR. I am asking for information more than anything else. Now, in these smaller towns you believe that we should have branch banking?

Mr. LORD. Yes, sir.

Mr. DUNBAR. Do you think you will engage in it?

Mr. LORD. To a reasonable extent; yes, sir.

Mr. DUNBAR. Then, the branch banks in those cases would be subsidiaries of the holding company?

Mr. LORD. No, sir. If branch banking were permitted, and we went into branch banking, there would be no holding company; there would merely be a single bank with branches constituting our present group.

Mr. DUNBAR. I notice that some of your banks are not members of the Federal reserve system.

Mr. LORD. Yes, sir.

Mr. DUNBAR. What do you think about the Federal reserve system?

Mr. LORD. I am for it.

Mr. DUNBAR. Why do you not make these other banks members, then?

Mr. LORD. They are so small that they could get no advantage from being members. They were not members before they came into our group.

Mr. DUNBAR. We have a bank in our town that has a capital of $100,000 and a surplus of $125,000 and undivided profits of $50,000, which is not a member of the Federal reserve system because they say that they can have dealings with some bank that is a member and get all the benefits which might accrue to them. That is not right, is it?

Mr. LORD. That is true that they can.

Mr. DUNBAR. But that is not right, is it?

Mr. LORD. For a small bank, they can.

Mr. DUNBAR. Do you think that that bank is justified in not being a member of the Federal reserve system?

Mr. LORD. It make so much difference in their earnings, Mr. Dunbar, that they can not afford to join the Federal reserve system. The reserves that they would be required to carry in the Federal rserve system against their deposits, and upon which they would receive no interest, would be a great handicap to them.

Mr. DUNBAR. How much is that reserve?

Mr. LORD. It depends——

Mr. DUNBAR. There are other advantages that they get that enable the country bank to carry on its banking business, so that I think they ought to be members of the Federal reserve system and I think you ought to require your banks to be members, and the question is how many banks are going to permit members of their system not to be members of the Federal reserve system.

Mr. LORD. That question has not come up.

Mr. DUNBAR. These questions I have asked are largely for information.

Mr. LORD. We have no thought of the present members of the Federal reserve system resigning.

Mr. FORT. I hope I will not cover other matters that have been covered. I had another committee meeting this morning. If I do cover matters that have already been covered, will you please advise me, Mr. Chairman?

Mr. Lord, in looking over your statement I notice that you have a by-law that directors—75 per cent of the directors of every bank—must be residents of the community or within 50 miles of the bank.

Mr. LORD. Yes, sir.

Mr. FORT. Of course, that 50-mile limit, on the bulk, if not all of the banks of the group, permits the directors to come from Detroit?

Mr. LORD. No, sir.

Mr. FORT. Not the major part?

Mr. LORD. It would eliminate Jackson, Kalamazoo, Battle Creek, Niles, Saginaw, Flint, and Grand Rapids. It would eliminate most of them because they are more than 50 miles from Detroit.

Mr. FORT. You feel, from your own information, that, in the proper management of a group system, the directorate should be local?

Mr. LORD. Mr. Fort, I feel it so strongly that in case we were doing a branch-banking business in Michigan we would retain the board as an advisory committee for that district.

Mr. FORT. If we, here, considering this thing as a national problem, should be inclined directly or indirectly to authorize branch banking, we would be wise to insist upon the maintenance of the local directors?

Mr. LORD. I think so.

Mr. FORT. Have you ever considered the propriety, in group banking, of permitting minority stockholding interests to be represented on the directorate?

Mr. LORD. Mr. Fort, in effect, the minority has a directorate in our group.

Mr. FORT. Except, I take it, all the directors are stockholders in the Guardian Stockholding Corporation?

Mr. LORD. Yes, sir.

Mr. FORT. What I am getting at is there are some States that, in corporations, call for cumulative voting, in order to insure minority representation on the board of directors.

Mr. LORD. Yes, sir.

Mr. FORT. Can you see any objection to a thing of that sort, if we are going to authorize group banking?

Mr. LORD. Not the slightest.

Mr. FORT. Now, as a part of your organization, do your group banks loan on the stock of the holding company as collateral?

Mr. LORD. Yes, sir.

Mr. FORT. Do you approve of that?

Mr. LORD. In reasonable amounts; yes, sir.

Mr. FORT. What is a reasonable amount?

Mr. LORD. We would not allow any bank—that is, the Guardian Detroit Bank, of which I am president, would not lend an unreasonable amount on General Motors stock, Packard Car stock, or United States Steel stock. In theory, I think they should not loan on that stock.

Practically, I think it is quite safe. In a period of two years, we will have every such loan out of the group banks, as a matter of policy.

Mr. FORT. But those things which seem to you, perhaps, as good policy, had we not better regard as a matter of law for protection against unscrupulous banks?

Mr. LORD. I think you should.

Mr. FORT. Do you see any reason why trust companies and others exercising fiduciary powers should have any different rules applied to their fiduciary relations than those which apply to individual trustees under like instruments?

Mr. LORD. Mr. Fort, what——

Mr. FORT. For example, an individual trustee may make directly or indirectly no profit whatever out of his handling of the trust, other than the legal commissions.

Mr. LORD. Yes, sir.

Mr. FORT. Should the bank, acting as a fiduciary, have any greater power?

Mr. LORD. Our company makes no profit except the fee.

Mr. FORT. Does it bank funds?

Mr. LORD. It banks them separately and the trust receives the interest.

Mr. FORT. You think that is sound?

Mr. LORD. Yes, sir.

Mr. FORT. However, in that group organization, Mr. Lord, it might, of course, accomplish the same purpose by banking with other members of the group.

Mr. LORD. I think it is perfectly proper they should bank with other members of the group, providing the interest received is in keeping with interest they would receive from other outside banks.

Mr. FORT. You think there is no psychological danger in withholding the investment of funds in time of high interest rates on money?

Mr. LORD. No, sir.

Mr. FORT. You think such an organization, doing a trust business, should be allowed to buy securities from itself or affiliated organizations?

Mr. LORD. Without profit; yes, sir.

Mr. FORT. Would you include a securities organization owned by the group holding company?

Mr. LORD. Yes, sir.

Mr. FORT. Have you been asked any questions about the segregation of savings deposits?

Mr. LORD. No, sir.

Mr. FORT. Have you any views on the propriety or impropriety of requiring savings deposits in ordinary commercial banks to be segregated as to investments and preferred as creditors?

Mr. LORD. The laws of Michigan require that we segregate our bank deposits and segregate certain assets against them.

Mr. FORT. And you approve of that?

Mr. LORD. I do not think it is necessary, provided the bank has proper supervision—I mean Government or State.

Mr. FORT. However, you have had remarkably few failures in Michigan.

Mr. LORD. Yes, sir.

Mr. FORT. Do you object to the law?

Mr. LORD. I do not object to it; no.

Mr. FORT. One of our committee members one day made reference in a very fine way, I thought, to Gresham's law, relating to the driving out by the baser metals of the better.

Mr. LORD. Yes, sir.

Mr. FORT. His reference was in reference to the tendency of banks to shift from the more rigorous code of law to the lesser.

Mr. LORD. Referring to the national system as against the State system?

Mr. FORT. Yes.

Mr. LORD. Yes, sir.

Mr. FORT. Do you feel that it is desirable, from a national viewpoint, that where possible we should bring the national code to the highest possible point of wise banking legislation, and then use our best efforts to make the States measure up to it?

Mr. LORD. I do. If we, to-day, could operate as a branch-banking system under the national system, we would prefer it to the State system. We welcome any supervision that makes banking better.

Mr. FORT. Do you approve of banking regulations that permit of the investment by banks in stocks?

Mr. LORD. We do not invest in any stocks, and therefore I do not approve of it, except stocks of building companies, or something that goes with it.

Mr. FORT. Necessary affiliations?

Mr. LORD. Yes, sir.

Mr. FORT. In regard to branch banking, I take it from your statement and from the few questions I have had the privilege of hearing you answer, you believe that branch banking is a necessity for the small communities?

Mr. LORD. Yes, sir; I do.

Mr. FORT. If we are going to authorize branch banking, do you feel we should authorize the establishment of branches in communities where they would come in competition with local unit banks?

Mr. LORD. Mr. Fort, I think that the establishment of new banks, whether they be unit banks or branch banks, should, in some way, be controlled so there does not exist or come to pass a situation where neither of several banks are able to make any money in a community. Whether that control comes from the Federal reserve bank or system or through the comptroller's department makes no difference, but I think it should be accomplished, because three banks in a community that might be making no money, certainly can not be as good for a community as one bank that is prosperous or two banks that might be prosperous.

Mr. FORT. But, of course, if branch banking were permitted concurently with unit banking, assuming, as would normally be the case in all but the larger cities, the branch was a branch of a far stronger bank than the local bank, would not the tendency be for the larger bank, with the branch, provided it maintained its contracts, to drive the unit bank out?

Mr. LORD. I do not think so. Banking is largely a question of acquaintance and contracts, so far as securing business is concerned.

Mr. FORT. And credit facilities.

Mr. LORD. And if the unit bank has the proper capital and surplus or proper loaning capacity, it should certainly retain a proper share of the business of the community.

Mr. FORT. Some of us who have been thinking on this branch banking question, are wondering whether, if we should decide to permit it at all, we should not handle the matter in some way so as to prevent the larger metropolitan city banks from going out into the branch banking business into the country, and hold that down so that the branches would be those of nonmetropolitan cities. Have you any views on that?

Mr. LORD. In other words, do you mean you would not want a bank in New York City to be able to acquire banks or groups in other centers?

Mr. FORT. Yes—branches I am speaking of and not groups.

Mr. LORD. Through separate institutions?

Mr. FORT. Through branches—not groups.

Mr. LORD. I think the extension of branches should be limited to trade areas as Mr. Pole suggests.

Mr. FORT. For example, he used an illustration here of St. Louis—and Detroit as well, perhaps. Some of us have had the thought that the St. Louis trade area, being quite extensive, it might be preferable to say that St. Louis might not go out through its entire trade area, which would spread to Little Rock on one side and Des Moines on the other, but that Des Moines should be permitted to have branches out through its area in order to prevent the aggregation of banking control and resources in the major cities.

Mr. LORD. I should think that the better way would be for St. Louis to be allowed to be the center of a trade area and Little Rock the center of a trade area and Des Moines also. There might be an overlapping of the trade areas with centers at Des Moines, St. Louis, and Little Rock, but there certainly would be competition, and certainly St. Louis would not gobble up all the business if that were allowed.

Mr. FORT. You at least agree with those of us who are not necessarily committeed to it but think along that line, that in any way we do it we should be sure to preserve competition?

Mr. LORD. Competition will be there whether we try to preserve it or not, in my opinion.

Mr. FORT. Not if adequate facilities are there without competition.

Mr. LORD. In the small communities probably not, because one bank only could live; but in the sizable communities there will be competition whether there is unit or branch banking in that city.

Mr. FORT. You see no hazard in permitting an aggregation of financial resources under a single management as long as there is service?

Mr. LORD. I do not see any danger.

Mr. FORT. I think that is all, Mr. Chairman.

The CHAIRMAN. This morning, Mr. Lord, some one questioned you about the scope of your plan. I understood you to say that your scope was confined to your trade area?

Mr. LORD. Yes, sir.

The CHAIRMAN. You consider your trade area Detroit and the State of Michigan?

Mr. LORD. I should think, Mr. Chairman, that our trade area would also include Toledo, which does feed into Detroit. Toledo is 60 miles from Detroit. We have not gone into Ohio at any time, nor do we contemplate doing it.

The CHAIRMAN. When was your plan declared operative?

Mr. LORD. December, 1929.

The CHAIRMAN. What brought about that consolidation? Was it the fact that you had joint owners in the group?

Mr. LORD. No, sir.

The CHAIRMAN. There was no affiliation between you?

Mr. LORD. No, sir; it was brought about purely by negotiation.

The CHAIRMAN. Was it purely a banking negotiation, or did it arise from business conditions?

Mr. LORD. Banking conditions.

The CHAIRMAN. The whole development sprang from a banking situation?

Mr. LORD. Yes, sir.

The CHAIRMAN. There has been no demand for it from the public?

Mr. LORD. I would not think so. It is pretty hard to allocate the reasons, Mr. Chairman.

The CHAIRMAN. You felt it was the logical thing to do to serve your trade area and improve your banking institutions?

Mr. LORD. In Detroit, if you know the city, the industries are pretty well scattered around the city, and, in order for us to serve the industries that wanted to bank with the Guardian Detroit Bank, we had either to build our own branches and develop them or take in some institutions that had branches.

The CHAIRMAN. You have stated that you do not think under present conditions, unit banks in small towns can continue to make sufficient profits to exist?

Mr. LORD. I think the majority of the banks are unable to make a profit.

The CHAIRMAN. For a number of years, we have had a system of unit banks in the country and they have apparently succeeded up until the last few years.

Mr. LORD. Yes, sir.

The CHAIRMAN. Have we reached a condition in this country where unit banks can no longer exist?

Mr. LORD. In the small communities; yes, sir.

The CHAIRMAN. What is responsible for that change?

Mr. LORD. There are a great many factors, as I see it; in the first place, the banks used to make quite a profit through real estate or farm mortgages. They used to make a profit from the collection of checks. At the present time, Mr. Chairman, the expenses of operating a bank have increased, just as the expenses in your own household or living costs, and yet the rates of interest do not increase, and the margin between the gross income and expenses is getting narrower and narrower.

The CHAIRMAN. In other words, these unit banks have been deprived of previous sources of income and there has been an increase in expenses?

Mr. LORD. Yes, sir.

The CHAIRMAN. You would not attribute that to improper management?

Mr. LORD. I think many failures are traceable to that.

The CHAIRMAN. You are speaking of the country as a whole?

Mr. LORD. Yes, sir.

The CHAIRMAN. There are certain States where unit banks continued uninterrupted by failures, like Vermont and Connecticut. There was not a failure in Vermont.

Mr. LORD. You have a situation there that does not exist in other States. You have a diversity of risk which is unusual. I think that is one of the reasons, Mr. Chairman, Michigan has such a good record; but going back to the question of management, take, for instance, Florida, in Miami: The First National Bank there shrank in its resources from $72,000,000 to twenty million dollars and odd almost over night, yet it survived. I call that good management. Plenty of other banks went down.

The CHAIRMAN. I do not want to detain you too long, but in connection with your statement this morning showing a list of your stockholders and where the stock is held, is control of your holding companies lodged in the hands of any group?

Mr. LORD. It is lodged in the hands of residents of Detroit. The largest single holding, I think, is 3 per cent of the total stock.

The CHAIRMAN. Is there any pooling of the control of the stock?

Mr. LORD. No, sir; absolutely free.

The CHAIRMAN. No understanding about control?

Mr. LORD. No, sir.

The CHAIRMAN. The control is in the hands of the management only so far as successful management prevails?

Mr. LORD. Yes, sir.

The CHAIRMAN. Is there a large amount of stock of your holding company in the officers of the banks and directors?

Mr. LORD. Yes, sir.

The CHAIRMAN. What per cent of the holding company's stock would be in the control of officers and directors?

Mr. LORD. Mr. Chairman, I could not tell you. I can get you that information. I should say that all directors and presidents of unit banks are substantial stockholders.

The CHAIRMAN. Your stock of the holding companies is all one class of stock?

Mr. LORD. Yes, sir; $20 par.

The CHAIRMAN. Any inducement to management offered to any institution in the way of distribution of profit sharing, and so forth?

Mr. LORD. We are working on a profit-sharing plan which has not been put into effect, because it has not been completed. We do, in some communities, have group insurance, pensions, and so forth, which are inducements, but as far as regular profits are concerned there is no plan in force.

The CHAIRMAN. In Mr. Luce's questions this morning he was referring to interest charges paid by your bank. You stated, I believe, that was optional with the banks themselves.

Mr. LORD. Yes, sir.

The CHAIRMAN. Does the change in the Federal reserve rates or rates on commercial paper or bills change the rates of interest paid or charged by any of your banks?

Mr. LORD. It changes the rate of interest charged more than that paid.

The CHAIRMAN. You do vary that charge in accordance with the fixed money rates?

Mr. LORD. Yes, sir.

Mr. Chairman, we have in Detroit to meet to a great extent the New York and Chicago rates.

The CHAIRMAN. You spoke during the day here of closing many branches in Detroit. That was brought about through the consolidation of groups?

Mr. LORD. Of the other group, particularly. When the other group got together it had approximately 200 branches. I believe they expected to close quite a substantial number where they competed in adjacent locations.

The CHAIRMAN. You mean the commerce group that joined with you?

Mr. LORD. No, sir; the Detroit Bankers Co. The Peoples Wayne County Bank had about 100 branches.

The Peninsula State Bank had 30 or 40 branches.

The First National Bank had about the same number and the Bank of Michigan also. When they were all put into the Detroit Bankers Co. the combined picture showed about 200 branches, and in many locations there were two and three and four competing with each other within an area of two blocks.

The CHAIRMAN. The consolidation of these two groups in Detroit will result in closing a number of branches?

Mr. LORD. Over a period of two years, by the time it takes to adjust it, they would close, I would say, from 30 to 40 branches.

The CHAIRMAN. Does your holding company or your banks own as investments, stocks in other banks than those which form your group?

Mr. LORD. The Securities Co. may have some moderate holdings in other banks that do not amount to anything. They may be trading for customers.

The CHAIRMAN. They own no stock except of the group of banks and companies affiliated, of which you put a list in the hearing?

Mr. LORD. Yes, sir.

The CHAIRMAN. Some groups that have been developing have seen fit to take over banks in New York; for instance, the Marine Midland group who have taken over the Commercial Fidelity of New York. Have you an institution of that kind there?

Mr. LORD. No, sir; and I think we do business with almost every big bank in New York. We have no interest in banks in New York.

The CHAIRMAN. Your investment companies do maintain an office in New York?

Mr. LORD. Yes, sir; the Guardian Detroit Co.

The CHAIRMAN. Your group company owns no other stocks except the stock of institutions referred to by you as part of your group?

Mr. LORD. That is correct.

The CHAIRMAN. It is purely a stockholding company?

Mr. LORD. Some of the subsidiaries may own other stocks, but the group company does not. It owns only the banks and institutions mentioned.

The CHAIRMAN. You referred to the fact that you did not take over any banks that did not pay. Could you not take over many small banks that are now operated at a loss because of poor management and high operating costs that you could operate at a profit?

Mr. LORD. As units?

The CHAIRMAN. As units; yes. From your statement I presume you would say "yes" if you could operate them as branches.

Mr. LORD. If we could operate them as branches; there are many, but not as units.

The CHAIRMAN. Under your plan of operating units, you could not do that?

Mr. LORD. I would not want to do that as a business proposition. In the first place, we want to retain the local management and the same management as far as possible, so as not to disturb the local situation and, with that in mind, we have endeavored to select banks operating satisfactorily.

The CHAIRMAN. As I understood you to say, it would be very difficult for the small banks, in small communities, to exist in the future?

Mr. LORD. Yes, sir.

The CHAIRMAN. What would you recommend to this committee to furnish banking facilities to those communities? Would you recommend branch banking nation-wide, state-wide, or trade area?

Mr. LORD. Trade area.

The CHAIRMAN. You think the trade area would cover every community in the United States that is now being served?

Mr. LORD. Yes, sir.

The CHAIRMAN. In other words every part of the United States, you believe, would be included in some particular trade area?

Mr. LORD. Yes, sir.

The CHAIRMAN. Do any of your banks or your holding company buy and sell stocks in your banks or companies; in other words, do you maintain a market on any of your stock?

Mr. LORD. We maintain a market for the holding company stock only for the accommodation of our stockholders.

The CHAIRMAN. That is to say one of your companies buys and sells your holding company stock and maintains a market on it?

Mr. LORD. We do not support the market unduly. We maintain a market so that proper distribution will be given to the shares of that company; for instance, we would rather have a shareholder come to the Guardian Detroit Co. when he wants to buy or sell shares of the group company than go to some broker with the stock.

The CHAIRMAN. Your holding company maintains a market for individual people in the country who want to buy stocks?

Mr. LORD. No sir; we do not have enough to sell, often.

The CHAIRMAN. In the fiasco last fall, it was shown some affiliated companies were selling stocks of banks and recommending them to investors. You do not pursue that policy with your organization?

Mr. LORD. We want to create local interest in the group company and we try to select, in Kalamazoo or Jackson or Grand Rapids, or in communities where we have a unit, people that we think can do our institution good from the standpoint of business contact and we do try to place stock with such people, but the stock is quoted on the exchanges and sold at the current market price.

The CHAIRMAN. In reply to Mr. Fort's questions in regard to profits on trust business, you said they were never carried on at a profit. What would you consider a profit in a trust transaction?

Mr. LORD. We do not sell to our own trusts either mortgages or bonds except at our cost to the securities company and as I said to Mr. Fort, where there are funds in those trusts, they are deposited with other institutions and the trust receives exactly the same rate of interest we receive.

The CHAIRMAN. Where these various trusts have been invested in other stocks that are local and they have gone up in value and in the management of those securities you sell them, do you give the trust whatever profit may have accrued on those investments?

Mr. LORD. Yes, sir.

The CHAIRMAN. You were speaking a few moments ago in regard to the consolidation of one, two, three, or more banks in small communities, and I think you said it was better to have one well-managed and conservatively operated money-making bank in the community than to have three. Is it a voluntary proposition as to whether those banks get together?

Mr. LORD. Yes, sir.

The CHAIRMAN. Do you not think it advisable to authorize the Comptroller of the Currency, the Federal Reserve Board, or the supervisor of banks to determine whether there are too many banks in those towns and whether those banks should consolidate?

Mr. Lord. I do not believe it would be wise to force them to consolidate, but I believe that the comptroller or the State banking commissioner could advise with them with the result that there would be consolidations that would benefit the community. I do not see how you could force them to consolidate if they did not choose to.

The Chairman. Under the premise that the bank was not making money and that there were too many banks in that area, could not the supervising function of one of those officers be applied so that it would become apparent that it was necessary to consolidate in order to facilitate the banking business in that community?

Mr. Lord. I do not know how you could do it by law, but I know that the banks always listen with open ears to the comptroller or the State banking commissioner.

The Chairman. I am jumping from one thing to another here, Mr. Lord, but in the last few years we have had a change in the method of financing industries; in other words, many industries are now financing themselves through the sale of stock issues and building up their treasuries that way. How has that affected banking business generally?

Mr. Lord. Take our own situation, Mr. Chairman; it has necessitated our carrying in the Guardian Detroit Bank—and I am using that because I know that bank more intimately than any other—between 20 and 25 per cent of our deposits in Government bonds because we have insufficient eligible paper.

The Chairman. That plan of financing tends to decrease the amount of eligible paper in banks.

Mr. Lord. Yes.

The Chairman. And, because of that, you, just the same as many of the other large banks there, utilize Government securities as the most convenient means of going to the Federal reserve bank, if you have to?

Mr. Lord. As practically the only other way we can go to the Federal reserve bank.

The Chairman. Do you not think that that is a situation that requires very careful study in connection with any change in our banking system?

Mr. Lord. I do, sir.

The Chairman. Particularly when, in these days, we are hearing a lot of talk about the amount of brokers' loans and all that, do you not think that the changed conditions are a factor to be considered?

Mr. Lord. I think that should be recognized.

The Chairman. And before we deal with it we should know to what use that money is put before we attempt to regulate it?

Mr. Lord. Yes.

The Chairman. I am not going to keep you any longer.

Mr. Lord. Go right on.

Mr. Fort. May I ask one question I omitted, or, rather, two small ones?

Mr. Lord, we have a 10 per cent limit on individual borrower's loans under the law. Do you think we should have any limit on the amount that might be loaned on the identical collateral by a bank, now that loans are made on collateral rather than on name in so many cases?

Mr. LORD. No; I do not think so. I do not think it is necessary.

Mr. FORT. In many towns, is not the major type of frozen loans that the banks get on local securities?

Mr. LORD. Yes; but I think that situation is always called to the attention of the bank of the examiner.

Mr. FORT. But he has no power to force them to do anything.

Mr. LORD. He has no power, except that his comments on the condition of the bank, in my experience, are always recognized by the board and by the officers. So far as our bank is concerned, we keep a running record of how much is in General Motors stock and how much in Packard stock, and so forth, in connection with all our loans.

Mr. FORT. Last week Mr. Wakefield, of the First Bank Stock Corporation, offered to furnish the committee his views as to the type of regulatory legislation which might be proper for the committee to recommend in regard to group and branch banking. Would you be willing to do the same thing?

Mr. LORD. I would be willing to do anything you want me to that might be helpful.

Mr. FORT. I think we would be very glad to have them. We would get more help from you gentlemen who have had this experience in running these institutions as to the hazards we ought to guard against in connection with inefficient and incompetent management than we can devise out of our own heads, and perhaps we would annoy you less if we got intelligent aid first.

Mr. LORD. I do not know that I can add anything to it, but I would be glad to do anything I can.

Mr. FORT. I think the committee would be very glad to get a statement from all of you gentlemen as to what regulations you may regard as wise or necessary if the expansion of group banking is to be permitted.

Mr. LORD. Have you in mind merely group banking, or the whole subject of group, branch, and chain banking?

Mr. FORT. Anyone of them. I think we would be glad to have the views of any of these witnesses—don't you, Mr. Chairman?

The CHAIRMAN. I certainly do.

Mr. FORT. On essential regulation.

The CHAIRMAN. After all, Mr. Lord, this committee is trying to deal constructively with this situation. Some of us are more or less familiar with banking conditions throughout the country, but there are men like you and the others who are in the midst of these undertakings who can give us very good information, and we would appreciate it as a committee if you men who are appearing before this committee would take it upon yourselves to make any suggestion to us which might be helpful to us in solving this whole problem.

After all, this is a study of the whole situation; we are looking for light.

I want, on behalf of the committee, to express to you our sincere appreciation of the statement which you have given us. I am sure it has been very helpful, but I am also of the opinion that, upon your return to Detroit, other things may occur to you that will be helpful to us, and we would like to hear further from you and receive any suggestions which you may care to make.

Mr. WINGO. I think, in making suggestions in response to the request of Mr. Fort, he should not confine himself alone to suggestions with respect to restrictive legislation, but if he thinks that there is any restriction that now exists that could be liberalized or removed, we would like to have that also. In other words, feel free to offer such suggestions as to legislation which, if you were sitting in our place on the committee, would occur to you as being wise and important.

Mr. LORD. I will be very glad to give you whatever may occur to me in that connection.

(Thereupon, at 4.50 o'clock p. m., the committee went into executive session, following which it adjourned until Thursday morning, April 24, 1930, at 10.30 o'clock.)

BRANCH, CHAIN, AND GROUP BANKING

THURSDAY, APRIL 24, 1930

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met in the committee room, Capitol, at 10.30 o'clock a. m., Hon. Louis T. McFadden (chairman) presiding.

The CHAIRMAN. The committee will come to order.

Before we hear from Mr. Rand, I would like to insert in the record here a communication which has come to the committee from the Minneapolis Council of Agriculture, under date of April 18, 1930, and another letter from Stanchfield & Co., St. Paul, Minn., under date of April 22, 1930.

Unless there is objection, these letters will be placed in the record at this point.

(There was no objection, and the letters are reproduced below.)

MINNEAPOLIS COUNCIL OF AGRICULTURE,
Minneapolis, Minn., April 18, 1930.

COMMITTEE ON BANKING AND CURRENCY,
House of Representatives, Washington, D. C.

GENTLEMEN: C. T. Jaffray, president Soo Line, former president and now director First National Bank, Minneapolis; Joseph Chapman, affiliated with Northwestern National Bank, and manager L. S. Donaldson Co.; F. M. Prince, First National Bank; W. H. Brammer, receiver Minneapolis & St. Louis Railroad; C. D. Mills, Midland National Bank & Trust Co.; L. E. Wakefield, First National Bank; F. B. Wells, Peavy Grain Co.; E. W. Decker, Northwestern National Bank, joined in a telegram sent to the then President Coolidge, signed by 20 in opposition to bill for the relief of agriculture, from which the following is quoted:

"FEBRUARY 15, 1927.

"As a result of our five years' diversified-farming program, the indebtedness of member banks to the Ninth Federal Reserve Bank has been reduced from $115,000,000 to $3,500,000. Paper from closed banks acquired by the Ninth Federal Reserve Bank have been reduced from $14,000,000 to $1,800,000. Loans borrowed by banks from the War Finance Corporation have been reduced from $60,000,000 to $2,000,000. Total bank deposits in the Northwest now are the same as in 1920.

"We believe, with the proper methods of farming and application of sound business principles to our agriculture, almost every northwest acre can produce a gross profit of more than $25 annually.

"During the past five years hundreds of thousands of dollars have been spent annually by northwest business leaders, representing railroads, banks, manufacturers, newspapers, and many others, on educational work with the northwest farmers for the promotion of diversified farming."

Again, in Minneapolis Tribune, January 26, 1927, Roy A. Young reports deposits of district reached total held in 1920.

"The sound financial position of the inland Northwest and its banking institutions is indicated by the fact that the loans of the Federal Reserve Bank of

Minneapolis to its members now are around $3,500,000, as compared with $115,000,000 seven years ago," Roy A. Young, governor of the bank, told members of the Northwest Shippers Advisory Board, and so forth, in his report as chairman of the board's committee on finance and credit.

"That the operating member banks in Montana on December 22, 1926, owed the Helena branch of the Federal reserve bank but $23,033; on August 31, 1921, the banks' advances in Montana totaled $13,601,000.

"As further indication of the Northwest's improved financial situation, the banks of the ninth district to-day hold about the same total of deposits as in 1920, when inflation was at its peak, although the number of banks has been reduced considerably.

"Borrowing on a sound basis is legitimate and benefits the community of the bank which does it."

According to press dispatches under date of April 6, 1930, L. E. Wakefield, president First National Bank, Minneapolis, is quoted as having told the House Banking and Currency Committee: "Since 1920, the Northwest has been the scene of a constant struggle, political and economic, to reestablish the foundation of its basic financial structures which were rudely jarred by the consequences of the war."

Developments which resulted in a group banking movement, he said, included: "The increase in production costs, due to sharp uptrend in output during the war years and the general price level decline in 1920.

"PRIOR TO 1920

"The banks cooperated fully with the agricultural population by the extension of new credits which were reflected in tremendously increased deposits. A large equity in these newly developed farms was represented in second mortgages held by banks as collateral for note loans.

"With the advent of 1920, the general price level took a sharp decline and the reaction followed throughout the entire credit structure.

"Much money from outside territory which was on deposit, attracted by the high rate of interest, was withdrawn.

"The pressure of the Federal reserve and trade associations against the charging of exchange, deprived rural banks of another of their sources of income.

"In reaching our decision to embark upon the group-banking program we were prompted solely by the necessity of some form of practical reorganization of the rural banking structure if the territory as a whole was to recover from the effects of the deflation.

"To correct the situation we felt that we would create an advisory organization, properly manned, and with sufficient banking experience to offer to individual units making up the chain, expert advice and assistance in the management of their local banks, that there would be no question as to the benefits which would accrue.

"We can expect that within a few years the farm mortgage will be restored as a liquid instrument."

Mr. E. W. Decker, of the Northwest Bancorporation, Northwestern National Bank, Minnesota Loan & Trust Co., on the same date is quoted: "The average small bank has been unable to earn a profit or even to pay the overhead in some cases. It can readily be seen that a bank operating on such a small margin would not be in a position to take care of such losses when they came, necessitating the closing of its doors.

"They retain local officers and directors consisting of men intimately identified with local systems under the systems of group banking. Each State has the advantage of personal property taxes. In 1927 such taxes for Minnesota, the Dakotas, and Montana amounted to over $3,000,000.

"The bank that can not make money should not be in business."

The attitude of Mr. Decker and Mr. Wakefield in 1927 seems to have been that there was nothing wrong with the Northwest—that there was no economic problem, and it would seem to be substantiated by their message to President Coolidge.

From the statement of Mr. Young, it is found that during the 5-year period prior to 1927, the indebtedness of member banks in the ninth Federal reserve district has been reduced by a total of $111,500,000, and paper from closed banks acquired by the Federal reserve bank had been reduced $12,200,000. Add to this, loans borrowed by banks from War Finance Corporation, which were reduced $58,000,000, thus, according to Mr. Young's statement, during this period of deflation, the residents of the ninth Federal reserve district had paid a total of $181,700,000 of obligations.

Bear in mind that this payment was forced—that is, the Federal reserve bank refused agricultural paper for rediscount—and during this period, agriculture had no credit in the ninth Federal reserve district, this amount had to be paid out of its savings and current earnings, and during all of this period they had to pay the ever increasing tax burden, and all other obligations, other than strictly Federal reserve and War Finance Corporation indebtedness.

Then again, Mr. Wakefield and Mr. Decker in that telegram state in effect that with proper methods of farming and application of sound business principles to our agriculture almost every Northwest acre can produce a gross profit of more than $25 annually. It would seem from this that the method of farming and the unsound business principles used in the operation of the farming industry in the ninth Federal reserve district for the 5-year period prior to 1927 resulting as it did in the payment of $181,700,000 indebtedness to these two creditors, was brought about by improper methods of farming and the application of unsound principles in the business of our agriculture.

These gentlemen now tell the committee that owing to the political and economic struggle to reestablish the foundation of its (Northwest) basic financial structures a movement developed which resulted in group banking, and yet the facts are, according to the statement of these gentlemen, that the group banking movement is about a year old, so all of this has developed, if you believe their statements in the telegram to Mr. Coolidge, since 1927.

In view of the now admitted unsound financial structure according to their statements, what is the meaning of Governor Young's statement as of January 26, 1927, that the sound financial position of the inland Northwest and its banking institutions is indicated by the fact that the loans of the Federal Reserve Board to its members have been reduced, and so forth? It does appear to the writer that these gentlemen in 1927 were in accord with Mr. Young, and at that time agreed that the financial position of the Northwest and its banking institutions was sound. Their statement to Mr. Coolidge in the telegram that during the past five years hundreds of thousands of dollars have been spent annually by Northwest business leaders representing railroads, banks, manufacturers, newspapers, and many others, on educational work with the Northwest farmers for the promotion of diversified farming is another indication that these gentlemen believed in the soundness of the financial structures up to 1927, and the only flaw they found in the agricultural situation in the Northwest was improper farming methods and lack of diversification. Bear in mind that at this time in 1927, according to the statement of Governor Young, "total bank deposits in the Northwest now are the same as in 1920," and the peak of deposits for that inflated war period was in 1920.

Now, in view of the contradictory statements given to the President in 1927, with those statements given to the Committee on Banking and Currency in 1930, have these gentlemen qualified as being competent to advise the agricultural Northwest as to sound agricultural business and methods. In all history I do not recall as ever having heard such an ill-advised and impossible statement as that they make when they say that every Northwest acre can produce a gross profit of more than $25 annually.

Mr. Wakefield says in a statement to your committee, "With the advent of 1920 the general price level took a sharp decline." Again he says, "The pressure of the Federal reserve and trade associations against the charging of exchange deprived rural banks and others of another source of income."

It is true that there was pressure from the Federal reserve. In May, 1920, the Federal Reserve Board, in session at Washington, singled out the agricultural industry for deflation, and the instructions went to the various Federal reserve district banks to refuse agricultural paper for rediscount purposes, so that as far as the agricultural section is concerned in the district of which Mr. Wakefield and Mr. Decker speak, the Federal reserve bank failed to function for the purposes for which it was created, and when you bear in mind that in addition to this $181,700,000 of obligations paid through the Federal reserve bank and the War Finance Corporation, and vastly larger sums of obligations that must of necessity have been discharged in the other avenue of finance, it is a wonder that the condition in the Northwest is as favorable as it is. None but a people of the hardy pioneer type, with a territory rich in natural resources, as this territory is, could have survived.

You will bear in mind in this connection that Mr. Wakefield and Mr. Decker probably seconded and helped shape the policy of the Federal reserve bank with reference to agricultural paper at this time. Mr. Young came to the Ninth District Federal Reserve Bank as assistant to the then Governor Wold and upon Mr. Young's selection as governor of the Ninth Federal Reserve District Bank, Mr. Wold became affiliated with the Northwestern National Bank, of which Mr. Decker is the controlling factor.

Mr. Wakefield further states to your committee, "In reaching our decision to embark upon the group-banking program we were prompted solely by the necessity of some form of practical reorganization of the rural banking structure if the territory as a whole was to recover from the effects of farm deflation." Is this an admission on the part of Mr. Wakefield that the Federal reserve bank, as it functions, is a failure, and can not aid a territory in recovering from the effects of deflation brought about by causes beyond their control, and the responsibility for this deflation rests, as Mr. Wakefield places it—upon the consequences of the war, he might well add that the evil consequences following this were augmented and enlarged by the action of the Federal reserve system in denying this depressed territory the aid of credit through the Federal reserve system. Not only denial of aid and credit but the ruthless demand for the immediate payment of all agricultural paper.

"Prompted solely by the necessity of some form of practical reorganization of rural banking structure"—the first evidences of spreading out, or a group control, was when the First National Bank and the Northwestern National Bank of Minneapolis acquired control of various other banks in the city of Minneapolis and in direct violation of what I believe was the law attempted to operate them as branches, and this was long before they felt the prompting of the reorganization of the rural banking structure. They state that they felt they "could create an advisory organization properly manned and with sufficient banking experience to offer to individual units making up the chain expert advice and assistance in the management of their local banks."

Who are these supermen who have advised agriculture through these periods of depression and who have now, that they are displacing the community banker, the community center, and forming a channel through which they can control the entire flow and line of credit and money to every community in the Northwest—is there anything in history of either of these men or the institutions that they are connected with which, if carefully examined, would justify the least efficient farmer or business man in placing his future and his prosperity in their hands? It is the opinion of the writer that if an examination was made and an investigation held upon the methods used in the distribution of funds through the Northwest Agricultural Credit Corporation and, if you please, in the methods used by the First National Bank and the Northwestern National Bank in acquiring control of various banks now constituting their group, that red-blooded Americans, proud of the liberties and honesty of its countrymen, would bow their heads in shame.

Your committee can not expect to secure from these gentlemen any admission that they used anything but the very kindliest persuasion to get banks into their group, neither can you expect a small community banker, with his very healthy bank, who is still independent, to come before your committee and tell you of the means and methods employed to indicate to him the necessity of his joining one group or other or finding himself possibly without means of establishing a clearing, or a correspondent in either Minneapolis or St. Paul. It is likely that a few independent bankers will appear before your committee and give testimony along this line but for the most part they will not care to incur the displeasure of a clearing house in Minneapolis and St. Paul, which is necessary for them in order to serve their customers. Minneapolis banks no longer are in competition to secure correspondent accounts from the country banker and the independent banker is finding it harder and harder to comply with the regulations required for carrying an account in these banks through which to clear. In fact, it will be found to be true, I believe, that the group banker is now analyzing personal accounts and a small account that is active is being analyzed to determine whether there is a profit sufficient in the handling of the account to warrant their extending that convenience to some of their customers and perhaps shortly the edict will go out that accounts that do not carry a daily balance of $500 or perhaps $1,000 are not desired.

Your committee is undoubtedly familiar with the earnings of the Federal reserve bank in the ninth Federal reserve district covering the territory discussed by Mr. Decker and Mr. Wakefield. I merely want to call your attention to the earnings for the year 1921, in which occurred this sudden and drastic deflation, and I believe it will be found that the Federal Reserve Bank of Minneapolis earned 126 per cent on its capital. There is something wrong when a banking institution, at a time of distress felt in every home throughout the district, can earn such an exorbitant income upon its capital invested and a continuation of such a process is sure to absorb the entire production of wealth and savings of any community wherein an institution of this character is permitted to exist.

The inadvertent use of the word "chain" by Mr. Wakefield must not go unnoticed. Evidently he is having the same difficulty in differentiating between group bank, branch bank, and chain bank that Mr. Pole, Comptroller of the Currency, experienced in his efforts and explanation to your committee.

In Mr. Pole's examination by your committee, the statement was made that Canadian failures were rare, yet those failures are more far-reaching and but for the Dominion Government coming to the rescue of the Canadian Bank of Commerce, one more failure might have been added, and we all know of the collapse of the Home Bank, and I venture to make the statement that if there were no bank examinations and regulations in the State of Minnesota, 90 per cent of the State banks closed would be still operating.

When Mr. Decker states "The bank that can not make money should not be in business," he gives you an insight into the workings of his mind, mayhap, indicating that the controlling factor with him is—will I make money. It may be that the Northwestern National Bank's business has been very profitable during this time when desolation, abandonment of homes, misery, and want stalked throughout the district, that his institution should serve. Speaking of taxes, it may be that the statement, the States of Minnesota, the Dakotas, and Montana taxes amounting to over $3,000,000 is true, but he does not say that this amount was paid, nor does he say that the national banks went into the courts in Minnesota in an endeavor to pay a lesser amount, and they are now paying taxes in Minnesota under a "Gentlemen's agreement."

The unit bank and the banking system in operation for so long in the United States, has adjusted itself to the rapid growth and development of the greatest nation on earth, and until the Federal reserve system was adopted, no valid indictment of our banking system would stand, so that it would appear that the functioning of the Federal reserve bank, or its failure to function, as anticipated, has hindered, or obstructed America's banking system from adjusting itself to meet the conditions that have arisen since the adoption of the Federal reserve system, or perhaps more rightly, since it began to force deflation beginning in 1920.

And it seems to the writer that the outstanding conclusion that can be drawn from our banking experience is that to no small group of men, however patriotic they may be, can be given the control of money and credits when such control, exercised for other than the common good of the whole people, might result in profit or advantage to some group or section and to the disadvantage, necessarily, of some other group industry, or section, and perhaps to the personal gain of the group controlling the flow of moneys and credits.

Respectfully submitted.

JOHN MEYER, *Secretary.*

STANCHFIELD & Co.,
St. Paul, Minn., April 22, 1930.

COMMITTEE ON BANKING.

GENTLEMEN: I wish to protest against any legislation in favor of group or branch banking. Rather, I urge action which will absolutely prevent action, as I firmly believe it will nullify all good features of the reserve system.

Mr. Wakefield's testimony on April 16 was remarkable for what he did not tell you.

He did not tell you that his 150 banks are controlled absolutely by the credit department of the parent institution and the old officers are merely puppets. The local paper is examined by and absolutely controlled by a traveling credit man, who can have and has no interest in local affairs.

He did not tell you that through his trust companies and subsidiaries he probably holds an amount of bad farm paper proportionate to any rural bank.

He did not tell you that increased money power will enable him to make large speculative loans in which his sole interest is large underwriting profits.

The greatest hindrance to the development of Canada has been its banking system. In a rural town the only logical man to increase its prosperity is the banker, for he is in a sense the partner of every borrower and mutual success is vital.

The group bank is merely a safe-deposit vault, and it is the consensus of opinion of business men of this territory that group banking spells the ultimate ruin of the rural town. Too much centralization of money power is probably the cause of our nation-wide depression; in part, at least.

Any favorable legislation toward group or branch methods will simply be another nail in the coffin of the Grand Old Party, a coffin which, since the war, has been almost totally completed.

The opinion of an individual citizen will probably reach only the waste-basket, but all the people can not be fooled all the time, as the Whig Party discovered.

Respectfully,

GEO. F. STANCHFIELD.

The CHAIRMAN. We have before the committee this morning Mr. George F. Rand, president of the Marine Midland Corporation of Buffalo, N. Y.

Mr. Rand asks that he be permitted to make his statement without interruption until he has completed it. So, if you will, Mr. Rand, proceed in your own way.

STATEMENT OF GEORGE F. RAND, PRESIDENT MARINE MIDLAND CORPORATION, BUFFALO, N. Y.

Mr. RAND. Mr. McFadden and gentlemen of the committee, I think that my statement will cover our corporation pretty well, and after I have completed it I will be glad to answer any questions you ask if I am able to.

INTRODUCTION

While the term "group banking" is of comparatively recent origin, the need for such a relationship between the larger city banks and the smaller town banks has become increasing evident to us for years past.

The traditional American banking system functioned for many years, before the era of the automobile, good roads, radio, consolidations in industry, etc., quite successfully. Changing business methods have, however, made it increasingly difficult to transact business in the smaller towns profitably as heretofore. Where formerly there were possibly 15 or 20 small or moderate-sized manufacturing concerns or jobbers in a city of 25,000, there are now perhaps 4 or 5 big companies. If these operate as branches of a parent corporation, the bank balance which they carry in that community is probably reduced to petty cash or pay-roll accounts. If, on the other hand, they are the head offices of large corporations, their credit requirements are probably in excess of the available bank credit in that community, and if they have large bank balances, these are probably carried in the larger metropolitan banks either for the purpose of assuring adequate lines of credit or possibly as a matter of safety. These conditions apply even in cities the size of Niagara Falls, Troy, and Rochester, the population of which ranges from 80,000 to 250,000.

We have had small banks come to us to sell or rediscount either secured or unsecured paper which they are unable to handle on account of certain definite limitations, perhaps because of insufficient resources. They have come to us pledging bonds other than Government securities, usually when bond prices are low and money is in demand in their local communities. They have even been forced to sell securities at times when they have had to take losses of a substantial character.

On the other hand, occasionally, lacking a sound local market for their funds, in order to keep their money in use, we have seen such banks take unsound credit risks locally or purchase investments in an inexperienced way, being unduly influenced by the prospective yield. From our experience we might cite instances where credit has not been granted to local enterpises because the amounts involved were not within the ability of the local bank to loan. The same local enterprises have found it difficult to obtain credit under the correspondent banking system because the granting of such credit involved an intimate knowledge of the company's management. Under the system of group banking such credit is extended, because through the local unit in the group there exists the necessary intimate knowledge of the company's affairs and the resources of the entire group are thereby made available to it.

The management of the Marine Trust Co. of Buffalo has for years had an interest in a small city bank (the First Trust Co., of Tonawanda). Through its affiliation this local bank has been able to keep its funds safely and profitably invested and to supply the credit requirements of its community so adequately that although it is in a city of 15,000 population, no other bank has been started there, every other bank having failed years ago. Because of its relationship with the Marine Trust Co., this bank has experienced few of the difficulties which beset the management of the average small bank operating alone.

Our experience with these conditions and knowledge of these facts prompted us to form the Marine Midland group.

BACKGROUND

The Marine Trust Co. of Buffalo is the direct successor of the Marine Bank, a New York State corporation, organized in 1850. In 1902 it became the Marine National Bank of Buffalo and absorbed the Buffalo Commercial Bank, which had been organized in 1836, so that it can now trace its corporate existence over a period of 94 years.

Branch banking in Buffalo started in 1916 when Bankers Trust Co. of Buffalo (merged into the Marine Trust Co. in 1919) organized by George F. Rand, sr., opened its Cold Spring branch. After it had absorbed the Central National Bank, it continued to operate the office of that institution as a branch, thus opening the first two branch banks established in the city of Buffalo.

George F. Rand, sr., who was at that time president of the Marine Trust Co. of Buffalo, was the first advocate in that city of branch banking. He inaugurated the definite policy of developing branch banks in all of the more important community centers within the city for the purpose of bringing banking facilities within easy reach of all the retail business and residential centers, thereby encouraging greater use of such facilities, educating the public in the various branches of banking service which were available for their use, and inducing the removal of hoarded savings from chimneys, socks, and mattresses to the vaults of a financially responsible bank.

In carrying out this policy the Marine Trust Co. of Buffalo has continued to open branches, with the approval of the State superintendent of banks, at various central locations, until it now has some 34 of such branches within the city of Buffalo, operating to the mutual advantage of the public and the trust company.

Concurrently with the development of branch banking within the limits of the city of Buffalo, Mr. Rand, sr., began laying the foundation of the present Marine Midland group of banks, through extending the influence of the Marine Trust Co. outside the city of Buffalo. He had started his banking career in Tonawanda and was a substantial stockholder in the First Trust Co. of Tonawanda at the time he became president of the Marine Trust Co. This Tonawanda bank, therefore, as stated above, was closely affiliated with the Marine Trust Co., and the officers of the latter institution, as directors or advisers, played a very important role in guiding the policies and extending the development of the smaller bank.

It was largely as a result of this experience, referred to above, and of the realization of the mutual advantages to be derived from such relationships that the officers of the Marine Trust Co. began systematically to build up a group of banks affiliated with their larger institution through closer cooperation, some common stockholders, and a growing acquaintance and friendship among the officers and directors.

The group so built up comprised, prior to the organization of Marine Midland Corporation in September, 1929, the following banks:

The Marine Trust Co. of Buffalo.
Union Trust Co. of Rochester.
Niagara Falls Trust Co.
First Trust Co. of Tonawanda.

State Trust Co. of North Tonawanda.
Lackawanna National Bank.
Niagara County National Bank & Trust Co. (Lockport).
Peoples Trust Co., Binghamton.
Workers Trust Co. of Johnson City.
Union Trust Co. of Jamestown.
Bank of East Aurora.
Bank of Snyder.

MARINE MIDLAND CORPORATION

On September 23, 1929, Marine Midland Corporation was incorporated under the laws of the State of Delaware, with an authorized capital consisting of 10,000,000 shares of the par value of $10 a share, for the express purpose, among other things, of acquiring a controlling interest in the stock of various banks and trust companies in the State of New York. Certified copies of its certificate of incorporation and by-laws are attached hereto, marked "Schedule 1 and 2," respectively.

Offers were made to the stockholders of all of the banks listed above, and also to the stockholders of the manufacturers National Bank of Troy, Cortland Trust Co., Orleans County National Bank and Bank of LaSalle (Niagara Falls) to exchange their stock for stock of the new corporation. The ratio of exchange was in each instance worked out between officers of the new corporation and officers and stockholders of the respective banks, giving due consideration to the earning power, liquidating value and market value of these bank stocks, and taking the stock of Marine Midland Corporation at $60 a share. Concurrently with this offer, underwriting agreements were entered into for the sale for cash of 1,000,000 shares at $60 a share, less commissions to the underwriters.

The formal offer of exchange was made to the stockholders of all these banks on September 24, 1929. They were given until October 7, 1929, to deposit their stock. On October 17, 1929, the necessary number of shares having been deposited, the underwritten stock was taken up by the bankers for cash, and 1,025,055 shares of stock were issued in exchange for stock of all of the banks other than the Marine Trust Co. of Buffalo. On October 21, 1929, 2,816,430 shares were issued in exchange for stock of the Marine Trust Co. of Buffalo.

On October 25, 1929, an agreement similar to those made with the first 16 banks and trust companies was made with the stockholders of the Power City Bank of Niagara Falls, and on November 30, 1929, 140,328 shares were issued in exchange for stock of that bank.

On February 28, 1930, an agreement was entered into with the stockholders of Fidelity Trust Co., of New York, similar to the agreement previously entered into with the stockholders of the other banks and trust companies for the acquisition of stock of that bank. In this case, however, stockholders of Fidelity Trust Co. were offered the option of exchanging their stock either for 1¾ shares of Marine Midland stock, or for 1 share of Marine Midland stock and $40 in cash in exchange for each share of their stock carrying one share of stock of Fitrust Corporation, an affiliated securities company.

This was the only instance in which cash was paid by Marine Midland for stock of its affiliated banks, except a small amount paid for adjustment of fractional shares.

Under this agreement, on March 29, 1930, 274,893 shares of Marine Midland stock and $8,498,360 in cash were delivered in exchange for 248,169 shares of the capital stock of the Fidelity Trust Co. of New York, and the same number of shares of stock of Fitrust Corporation.

PRESENT BANK HOLDINGS OF MARINE MIDLAND CORPORATION

Additional stock of all the banks was deposited and accepted for exchange after the deposit date until as of April 9, 1930, Marine Midland Corporation held stock of the various banks which, with directors' qualifying shares retained by the directors, constituted over 97 per cent of the aggregate number of shares of the 18 banks and trust companies.

Attached hereto, marked "Schedule 5," is a statement showing in detail the number of shares of stock of each bank and trust company authorized and outstanding, the number held by the directors as qualifying shares, the number of shares exchanged and held by Marine Midland Corporation, the combined percentage, and the number of shares remaining available for exchange held by nondepositing stockholders.

DIRECTORS OF MARINE MIDLAND CORPORATION

Attached hereto, marked "Schedule 3," is a list of the directors of Marine Midland Corporation as of this date, showing the principal business occupation of each.

DESCRIPTION OF BANKING INSTITUTIONS CONTROLLED

Attached hereto, marked "Schedule 4," is a statement as of March 31, 1930, of each of the banking institutions controlled by Marine Midland Corporation, showing its name, location, capital, surplus, deposits, and total resources; whether it is national or State; and which of the State institutions are not members of the Federal reserve system.

CORPORATIONS OTHER THAN BANKS CONTROLLED BY MARINE MIDLAND CORPORATION

It is the policy of Marine Midland Corporation to own the stock of banking corporations only. However, in the case of two of the banks acquired there were affiliated securities corporations controlled by the stockholders, the stock of the securities corporation being transferred with the stock of the bank. Therefore in acquiring majority interests in the stock of these banks Marine Midland also acquired a controlling stock interest in these two securities corporations, viz, Security Properties Co. (Inc.), affiliated with Manufacturers National Bank, of Troy, and Fitrust Corporation, affiliated with Fidelity Trust Co., of New York.

METHOD OF ACQUIRING BANKS

Generally speaking, the policy of Marine Midland Corporation is to acquire its holdings of bank stocks through the issuance of its own stock in exchange therefor, but this policy will not prevent it from using cash for part or all of the purchase price if that means will be helpful in any given case.

CAPITAL STRUCTURE AND STOCK DISTRIBUTION

As already stated, the capital structure of Marine Midland Corporation is extremely simple, there being only one class of stock authorized, consisting of 10,000,000 shares of the par value of $10 each.

The extent and method of stock distribution may be considered under two heads. The stock issued in exchange for bank stocks was, of course, distributed among the stockholders of the various banks who deposited their stock under the several plans and agreements and received Marine Midland stock in exchange therefor when the requisite amount of stock had been so deposited, and the transactions were closed. In addition to this stock, 1,000,000 shares were underwritten and offered to the public at $60 a share. This public offering was made by Stone & Webster and Blodget (Inc.), White, Weld & Co., Chas. D. Barney & Co., Schoellkopf, Hutton & Pomeroy (Inc.), and Marine Union Investors (Inc.), and 75,000 shares underwritten without commission by certain individuals were sold to the management at the same price paid by the public. The total number of stockholders of the corporation is now somewhat over 20,000. The complete statement as to the distribution of stock in all Marine Midland cities is as follows:

Place	Number of stockholders	Total shares
New York:		
Buffalo	6,505	2,891,844
New York City	2,667	877,911
Rochester	1,555	249,067
Troy	534	102,650
Niagara Falls	967	231,297
Binghamton	184	31,788
Tonawanda	194	115,455
North Tonawanda	169	84,210
Lockport	372	62,315
Johnson City	80	11,457
Lackawanna	57	1,535
Jamestown	120	16,653
East Aurora	83	8,664
Cortland	126	8,296
Albion	47	1,864
Snyder	116	3,458
Total Marine Midland cities	13,776	4,698,464
411 other communities in New York State	2,191	287,778
Total, New York State, 427	15,967	4,986,242

NOTE.—There are many communities tributary to Marine Midland cities whose figures are not included in Marine Midland cities totals.

Marine Midland stockholders are distributed through 45 States, Canada, England, Hawaii, and the West Indies.

In many cases where, under the unit system, one individual or a group of two or three controlled the bank and the number of stockholders in the community was comparatively small, now there is a much wider distribution of Marine Midland stock throughout the same community and the percentage of customers who are stockholders has been and is being substantially increased.

MARINE MIDLAND GROUP (INC.)

Marine Midland Corporation is purely a holding corporation, organized under the laws of Delaware and transacting no business in the State of New York. For the purpose of affording the various banks in the group the benefits of centralized supervision, cooperative buying and selling of securities, stabilization of methods of operation, cooperative purchasing and advertising and the other advantages which naturally accrue from group organization, the above corporation was organized under the laws of New York as a management company.

This company has only a nominal capitalization and all of its stock is owned by the trust companies or officials of the banks comprising the group. It has its head office in Buffalo and a board of directors comprising representatives from all of the banks in the group. Under management contracts with each bank, its expenses are prorated quarterly among the various banks in proportion to their deposits at the beginning of the quarter. This company has adopted a very carefully worked out program covering the service which it renders and will render to the members of the group, which may be analyzed as follows:

1. *Supervision and examinations.*—An expert examiner, who was formerly a chief bank examiner of the New York State banking department, has been secured to head this department. He, with his associates, and with the assistance of auditors drawn from other banks than the one being examined, will conduct frequent examinations of the various member banks, thus insuring that they will be maintained in excellent condition, that their methods will be up to date and standardized according to the best accounting practice, and that any weaknesses will be promptly discovered. The best methods developed in any one bank will be made available for all in the group. This we conceive to be the most important service rendered available by the group system, and one which will inevitably tend to weed out incompetent officials and doubtful loans, build up the standards of each separate bank, and give to the smallest institution the same high character of supervision otherwise available only to the larger institutions.

2 *Advertising and new business.*—Through the management company a national publicity campaign is being carried on which has certain unique features. Each advertisement has reference specifically to one of the communities in which the Marine Midland Group operates and features that city and the particular bank located there, Batten, Barton, Durstine & Osborn have been retained as publicity counsel. and a comprehensive program is being worked out by which all the banks will benefit from the publicity of each and the development of the local community in which each is operating will be consistently advocated.

Representatives of this department will also be constantly on the alert to obtain new business for the various member banks. This department will furnish a clearing house where all information regarding business developments which offer opportunity for banking service will be noted and followed up. Through having the combined resources of all the member banks at their disposal, representatives of this department will be able to offer lines of credit and other banking service commensurate with the needs of the largest corporate enterprises in the country.

3. *Bonds and Investments.*—One of the important divisions of this management corporation is that which will analyze the investments of the various banks and assist them in making changes in their portfolios. The highest class of investment service will thus be available for each bank and information possessed by any one will be open to all. Experts have been at work for months analyzing the portfolios of the various banks and recommending changes in the investments tending to strengthen the list and increase the rate of return. Their advice will always be obtained before any changes are made, and they will likewise call the attention of the several banks to opportunities for profitable and safe investments as they arise.

4. *Central credit file.*—A central credit file is being inaugurated which will contain credit information regarding customers or prospects whose principal offices are located outside the immediate territory served by the group. This will be of great value to any member considering increasing lines to such customers or extending lines to new prospects. In addition, the credit files of each bank will, of course, be at the disposal of all the members.

5. *Central purchasing bureau.*—As standardized forms and equipment are introduced throughout the group, economies will be effected through the employment of the services of this department in making purchases in larger quantities and on better terms than otherwise possible.

6. *Trust departments.*—One of the most important services will be that pertaining to the trust departments of the various institutions. Here, especially, the smaller banks are lacking in the experience and facilities which would enable them to develop trust business in their communities. Efficient trust officers will be at the disposal of all the members of the group, so that the internal organizations of their trust departments will be standardized, enlarged, and improved, and their external relations with the community correspondingly developed.

7. *Miscel aneous.*—In addition to the services outlined above, this company will be in position to help the member banks in many other ways, as for instance in developing their travel departments, their foreign departments, their real-estate and mortgage departments, and in all the other branches of banking.

One which should perhaps receive special mention is that of industrial survey and financial advice. The company will supply experts to study the business methods and conditions of customers who are not making good, and to give advice regarding changes in business methods or capital structure, by means of which results advantageous to the banks and customers alike may be obtained.

GEOGRAPHICAL AREA

The Marine Midland Group is the normal development of affiliated banks throughout a territory closely bound together by common ties of industry, commerce, and finance. This development started in the so-called Niagara frontier, including the cities of Buffalo, Niagara Falls, the Tonawandas, Lockport, and Lackawanna, as well as the smaller communities of East Aurora, Albion, and Snyder, and the territory immediately adjacent to the Niagara frontier extending as far south as Jamestown and as far east as Rochester. All of these communities are united by close trade relations, and the territory which they cover may properly be described as a "trade area" in the restricted use of that term. By a normal extension three banks in the adjacent territory, known as the southern teir, were added to the group in Binghamton, Johnson City, and Cortland. Also in recognition of the fact that the commerce of western and central New York normally flows largely along the route of the Erie Canal and the New York Central Railroad a representative bank in the manufacturing city of Troy was added to the group. Finally, to round out the territory served and pursuant to the plan originally adopted, which recognized the necessity of a New York City connection because of the very large volume of trade, commerce, and finance between all of these communities and that city, the Fidelity Trust Co. of New York was acquired by the group. For generattions all the so-called "up-State" banks and industries in New York have had close business and financial relations with New York City.

The entire territory served by the Marine Midland Group may, therefore, properly be regarded as a "trade area." The rural communities in the southern tier send their dairy and farm products to New York City. Grain, pig iron, flour, and many other commodities originating in western New York are shipped to New York City by rail or water transportation.

The State of New York is an economic unit bound together by a community of trade, transportation systems, uniform business customs, and the same laws. It is also a financial unit comprising substantially the entire New York Federal reserve district.

At the present time we do not contemplate the acquisition of any additional banks outside this territory, as we feel that we should first coordinate the banks which we have acquired and such additional ones within these limits as we may acquire in the near future before considering the possibility of extending our investment beyond these lines. As a matter of principle, however, it would appear reasonable that a group of banks controlled by one corporation need not of necessity be confined to the limits of any one State or Federal reserve district. Certainly, where a recognized trade area overlaps such lines the group of banks might well be likewise extended.

If the group is to be confined to one trade area, the definition of trade area should not be too limited or narrow, but should be broad enough to include sufficient diversification so that if one locality is going through a business depression the others will be far enough removed not to be affected by such a purely local condition.

Such a condition of trade area has been repeatedly recognized as applicable to New York State and contiguous territory. The United States Government census figures and all official reports divide the country into standard sections, one of which is the Middle Atlantic division, comprising the States of New York, Pennsylvania, and New Jersey.

The Federal reserve district No. 2 comprises all of New York State, Fairfield County in Connecticut, and the northern section of New Jersey as far as Mercer and Ocean Counties.

In the Market Data Handbook of the United States, published by Batten, Barton, Durstine & Osborn in 1929 as the result of an exhaustive field study and statistical analysis covering several years of work, a trading-area map of the United States is presented which includes as a "major area" New York State, 5 counties in Connecticut, 14 counties in northern New Jersey, and a portion or all of 9 northern counties of Pennsylvania. This so-called "major trade area" has been adopted as the basis for sales promotion programs by a number of large corporations, including, among others, Armstrong Cork Co., Atwater Kent, Johnson & Johnson, Zellerbach, Clicquot, and General Electric Co. This last-named company in its bulletin, Sales Office Territories, published January 1, 1930, prints a map showing its New York sales territory to be exactly that of the "major New York area" described above. International Magazine Co. has issued a study of trading areas called Trading Area System of Sales Control, copyrighted 1929. In this a marketing map of New York State is published including, in addition to New York State, a portion of Connecticut, northern New Jersey, and five counties in northern Pennsylvania. The same territory is shown on a map published by the Chicago Tribune Book of Facts issued in 1927, except that the last named includes all of the State of New Jersey instead of only the northern part.

From all these references it is clear that both logically and by recognized governmental and business authorities the territory served by the Marine Midland Banks is well within a recognized major trade area.

Whether or not any geographical limitation upon the group is wise depends largely upon each particular case, and until experience has given us more information upon which to base a judgment in this regard we prefer to remain open minded.

GENERAL COMMENTS—RELATION TO GOVERNMENTAL OFFICIALS

Marine Midland voluntarily offered to permit the New York State superintendent of banks to examine its business, affairs, and records at any time as fully as though it were subject by law to such an examination. Later, the New York Legislature amended the banking law so as to extend the jurisdiction of the banking department to corporations affiliated with State banks or trust companies, and the governor has approved this bill. In my opinion this is a proper arrangement. We are equally willing to submit to examination by the Comptroller of the Currency, since some of our banks are national banks and others are members of the Federal reserve system.

STOCKHOLDERS' LIABILITY FOR ASSESSMENTS

Under both Federal and State laws, the stockholders of banks and trust companies are liable to an assessment for the benefit of creditors in an amount equal to the par value of the stock owned by them. Bank holding corporations have sometimes been criticized on the ground that they constitute an evasion of this liability. I feel that the contrary is the case, and that such a corporation, properly organized and conducted, makes the stockholders' liability much more readily enforceable.

Experience has demonstrated that under the ordinary unit banking conditions less than 50 per cent of such liability is in practice actually collected. Contrast this with our own situation. It is almost inconceivable that a condition could arise among our banks where the stockholders' liability could not be enforced 100 per cent. The total authorized capital stock of all our banks is $28,025,000, which is, therefore, the extent of stockholders' liability, if all the banks should fail so badly as to make the maximum assessments necessary. Against this, Marine Midland Corporation has over $45,000,000 in cash, outside its investment in bank stocks, and it is our policy to keep at all times an amount in cash or its equivalent equal to our aggregate stockholders' liability on the bank stocks owned by us. It is, however, beyond the bounds of probability that any such situation as the failure of all the banks should arise. If it did, it could only be as the result of such a cataclysmic financial debacle as would render the ordinary individual stockholders' liability actually unenforceable to any extent.

Experience has demonstrated that in nearly all cases it is the smaller banks which get into difficulties requiring resort to assessments against the stockholders. When we remember that the total surplus and undivided profits of our banks combined is $42,134,389.72, as of March 31, 1930, or half again as much as their total authorized capital, and that the Marine Midland Corporation owns substantially all of this surplus and undivided profits in other banks (in addition to its other resources) it is readily seen that payment of an assessment by any one bank in full is assured. Certainly, therefore, the depositors have vastly stronger protection than in cases where the stock of a bank is widely scattered among individual holders of every variety of type, business, and financial responsibility.

If a holding company were organized to own only the stock of a single bank, and no other assets, then it might properly be said to constitute an evasion of the stockholders' liability. But where, as in our case, the holding company owns the stock of a large group of banks, located in many different communities, and serving widely varying industries, and has also a substantial worth outside of such bank stocks, there can be no possible conclusion but that the stockholders liability becomes a much more readily enforceable and valuable asset of each separate bank. Moreover, the actual obligation of the holding company to protect every bank in its group is far greater than the legal requirements represented by its stockholders' liability. It would be fatal for it to permit any single bank controlled by it to fail for any cause whatever. Its moral responsibility goes far beyond its legal obligations as a stockholder.

GROUP BANKING THE NATURAL RESULT OF MODERN ECONOMIC TENDENCIES

During the past 10 years the methods of conducting business in this country have been revolutionized. As stated by Comptroller Pole in his testimony before this committee: "The economic movement away from a large number of independent local utility and industrial operating units towards a stronger and more centralized form of operation in the large cities has curtailed the opportunities of the country bank for diversity and extension of business while broadening those opportunities for the large city bank. * * * The expenses of operating banks have been materially—very materially—increased. The opportunities of the country banks have diminished in that the small town has become less of a factor by reason of the improvement in roads and the quick transportation which takes people to the cities to do their business and their banking frequently instead of doing it in the small town. Heretofore in years gone by a community has been more or less independent, with its locally operated utilities, its light plants, ice plants, and wagon factories, etc., all of which have been removed and those things have gone to the cities and now are controlled by large corporations and those opportunities have been removed.

"There has been a change in corporate financing within the last 10 years. Heretofore large corporations, and small corporations similarly, would borrow seasonably, whereas now they have financed themselves through reorganization of their capital structures. That has removed the opportunities from the banks and such things as that have made it very difficult for a bank to stay on an even keel. * * * Banks in small communities have to be satisfied with small local loans and real-estate loans, which, frequently, are slow and unsatisfactory, resulting in a greater percentage of loss than in years gone by."

The banking system has not kept pace with all these changes. On the contrary, it tried to continue unchanged the traditional American ideal of the small, independent banker operating in thousands of small communities. The changed business conditions, as well as the agricultural depression, cut off the former sources of profit for such bankers, so that thousands failed, and other thousands have been on the verge of failure.

In the 10 years from 1920 to 1929, inclusive, about 750 national banks and 4,900 State banks, mostly small in size, failed. It is a ghastly record. About 10 per cent of the national banks and 20 per cent of State banks closed their doors. In the current year 1930, the Comptroller of the Currency has testified before this committee that from January 1 to February 21, 1930, 155 more banks failed, or at the rate of 1,140 a year. These failures have not only caused tremendous losses to the depositors and the stockholders, but they have virtually paralyzed business in whole sections of the country. The remaining banks have been afraid to make loans even well within their capacity, feeling that they must retain sufficient liquid assets to meet a run which might be caused at any time by the suspension of a neighboring institution.

Moreover, the vastly increased banking and financial needs resulting from so many consolidations and mergers rendered the resources of banks which had been large enough 10 years ago inadequate to meet these new demands.

As a result of these two tendencies in industrial development, two distinct movements have become manifest in our banking structure, first the stupendous increase in the size and decrease in the number of the metropolitan banks through huge mergers and consolidations, and, second, the rapid development of group banking throughout the country.

Unlike manufacturers or retailers, bankers could not establish branches except to a very limited extent. Branch banking, except within city limits, is, generally speaking, prohibited by the national bank act and by the laws of most States. The ownership of stock control of one bank by another is likewise forbidden. Therefore, to accomplish the same results that industry had reached by means of consolidations and branches, group banking developed almost overnight, as an entirely new form of banking development.

GROUP BANKING *v.* CHAIN BANKING

As generally understood, "group banking" implies the ownership by a holding company managed by bankers of a controlling stock interest in a group of banks or trust companies. It is a banking system whereby a number of corporately independent financial institutions, retaining their own identity, capital, personnel, and management, are coordinated through majority stock control, by a supervising holding company, operated by the banking interests of the territory which it serves. The stock of this holding company is widely distributed among a large number of stockholders.

"Chain banking" as the expression is commonly used, refers to the ownership of stock control of a number of banks, directly or indirectly, by one or more individuals who may be bankers, but are more often business men who have acquired or operate the banks as adjuncts of their business interests. Ultimate stock control is usually lodged in one, or at most, in a very few individuals.

GROUP BANKING *v.* BRANCH BANKING

We were compelled to carry out our plans by the method of "group banking" because as already intimated, the laws of New York State and the national bank act both prohibit branch banking beyond city limits. It is, therefore, somewhat academic for me to try to compare one system with the other, when only one was open to us. However, in view of the suggestion that the national bank act may be amended in such a way as to permit at least state-wide branch banking, I have given considerable thought to the question as to which form of operation would be preferable in our case.

Obviously certain advantages of branch banking can not be realized fully by group banking. For instance, more economies may be effected, both in operating costs and in overhead. Administration, also, would be more direct and simple. The corporate set-up is less complicated, the resources of the system more closely integrated, and authority more concentrated.

On the other hand, there appear to be certain advantages which group banking possesses over the branch system.

Ernest T. Clough in Barrons for April 14, 1930, in an article on "Group Banking Sweeps the Country," summarizes these advantages as follows:

"Banking facilities broadened: In many ways, the group-banking movement offers advantages to American business, to individuals in the community, and to the depositors and stockholders of the numerous unit banks. Banking operations are thereby broadened, the ability to handle the credit requirements of large corporate enterprises in the various territories is improved, sounder investment advice is being given, individuals are offered opportunities of trust department and safekeeping facilities never before available, and advantages in the financing of foreign trade and in the obtaining of letters of credit for travel abroad are given the community served such as they are not able to secure in any other way under the present system of banking. At the same time, the local banking personnel is handling the problems of each community, which means that local requirements are fully understood and given sympathetic consideration. Depositors continue to have a feeling of pride in the institution as one which reflects the financial strength of the community, and the ability to maintain this close kinship between the depositor and his bank is unquestionably one of the strongest factors of strength in group banking."

Group banking is a compromise between the British, continental, and Canadian systems of branch banking, and the traditional unit-bank system of the United States. Possibly it is only a transitional stage. But for the present, at least, the retention of local interest and contacts, through independent boards of directors and real local autonomy, seem very real advantages. Local pride and rivalry are stimulated. Cooperation rather than centralization is stressed. In the numerous meetings we have had of the officers and directors of the different banks, a splendid esprit de corps was developed, with much friendly emulation as to the relative merits, efficiency, and progress of their respective institutions. It is hard to conceive of such a spirit—at least under present conditions—in a convention of branch managers. However, we are open-minded on the subject, and I am frank to confess that our experience has been too short to justify forming any final judgment as to the respective ultimate advantages of group versus branch banking. Nevertheless, I can and do heartily indorse the statement made by Mr. Wakefield of the First Bank Stock Corporation in his testimony before this committee, in which he said:

"The group system of banking is sound because it rests on these foundations: First, cooperation of resources; second, diversification of resources; third, ownership spread throughout the territory; fourth, creation and management by bankers."

ADVANTAGES COMMON TO GROUP AND BRANCH BANKING

Through its affiliations with the other Marine Midland banks, The Marine Trust Co. in February was able to become the successful bidder for an entire issue of $50,000,000 of the United States Government certificates. This fact attracted widespread notice and much favorable newspaper comment. It was stated to be the first time that such a large Government issue had been taken up by a bank outside of New York City. This is one illustration of the many ways in which bigger things can be done under the group or branch system.

The Orleans County Trust Co. is one of our smallest banks, being located at Albion, N. Y., in the midst of a farming community. Most of the farms are already mortgaged, and the farmers are having a hard time to make them pay. Through its affiliation with the Marine Midland group, this little trust company has been able to secure the services of an expert on farm loans, who is now studying the situation there and advising the farmers how they may so improve their methods or refinance their operations as to turn failure into prosperity and gradually liquidate their loans. This is an illustration of a very different way in which advantages may result from a coordinated banking system.

Another real gain from an organization viewpoint is the greatly enlarged opportunity afforded to every officer and employee in the whole group. Here we can learn much from the experience of Canadian bankers, where they are able to try a man out in a small branch and promote him or shift him around until he has broadened his experience and developed his abilities and become a seasoned, well-trained banker. The chance for advancement is multiplied many times. Good men are bound to be discovered and given promotion in their own or some other bank. A messenger in one of the country banks may some day become president of The Marine Trust Co. or of the Marine Midland Corporation.

RELATION TO OTHER INDEPENDENT BANKS

The Marine Midland banks number among their correspondents hundreds of independent unit banks. It is the policy of Marine Midland to work with these banks and serve their requirements as conscientiously and ably as it does its own member banks as far as it lies within its power so to do.

Whatever power and influence the joining of this group of banks into the Marine Midland group has given will never be used to force or coerce a smaller independent bank either into joining the Marine Midland group or into taking action detrimental to its own best interests.

Rather Marine Midland will use its power and influence to first protect its depositors' moneys, build up and assist local enterprise, better in so far as it can local banking conditions, develop the communities which it serves to the end that by serving others efficiently and well it also best serves itself. Local independent banks will find Marine Midland helpful, aggressive for business but only on a fair and profitable basis. Several times at the request of the New York State banking department the Marine Trust Co. has aided in saving smaller banks from failure each time at no gain to itself. A bank that is not a profitable bank is a poor bank. The Marine Midland Corporation desires its member banks to be profitable ones. We desire our employees and officers to receive a living wage. Too often the wages and salaries paid bank employees are a temptation to dishonesty.

CONCLUSION

Industrial and economic progress in the past 20 years has improved the standards of living and contributed to the happiness and welfare of the greater bulk of the people. Most of this progress has resulted from developments in transportation and communication which have broken down barriers and prejudices and changed methods of transacting business both in manufuacturing and distribution.

In this progress, up to the present time, banking organization has lagged behind. To-day, however, group banking is the logical means by which the two basic functions of a bank, the protection of its depositors' money, and the sound constructive extension of credit can be most effectively exercised.

Marine Midland Corporation, as an exponent of modern banking structure, definitely benefits the public, 350,000 depositors, and over 20,000 stockholders. These advantages may be summarized as follows:

ADVANTAGES TO THE DEPOSITORS

1. Greater protection for their deposits in a member bank through the availability of greater resources in money and experienced management as applied both to operations and the handling of the bank's investments.

2. Greater mobility of credit. (Example: The manufacturer in a small community who needs more credit than has been available to him through an isolated unit bank may now, through a group bank in his own home town, make arrangements for his requirements with greater facility.)

Group banking will benefit many communities by furnishing the assurance that credit is extended on the basis of sound business judgment rather than prejudice. (Example: Many times the president of a small bank, because of prejudice, will refuse to meet the legitimate needs of his customers or will often use the bank for his own personal ends.)

Certain small town banks with little paper to rediscount have been unable to take care of the legitimate matters of their individual borrowers. To such banks, members of Marine Midland, we are sending funds.

3. More complete financial service: The isolated country bank, while professing to have trust and investment departments, has been unable to afford competent officers along such lines. Now through any Marine Midland member bank there is available to the public such service through the part time of men who are experienced in their respective fields.

4. More efficient service. (Example: Through the extensive contacts of the Marine Midland group member banks are able to secure better and quicker credit information for their customers.)

In some instances readjustment of operating practice will improve the service at tellers windows and necessitate less waiting in line on the part of the public.

5. Financial advice: Manufacturers, jobbers, and merchants have a right to expect advice from their bank on many problems of a semibanking or business nature. If the officers in any particular Marine Midland bank can not from their own experience contribute constructive advice, such counsel is more directly available to the inquiring business man by virtue of the fact that the bank is a member of the group.

6. Development of communities and areas served by the group: The Marine Midland Corporation is not a bank and can profit only as the communities in the area which it serves themselves grow and prosper. With this in mind a national advertising campaign pointing out the advantages of Marine Midland cities and New York State from a manufacturing and sales distribution standpoint is being run in national publications.

We are also preparing a marketing survey of New York State designed to point out the opportunities in New York State.

None of these things which in the last analysis should tend to build up these communities could be attempted or carried out by the average small or moderate size unit bank.

ADVANTAGES TO THE STOCKHOLDERS

1. Safety of investment: The value of stock in an isolated unit bank is subject to depreciation, which might come from a business depression affecting that particular community or even from a single credit loss. An investment in stock, such as that of Marine Midland Corporation, owning as it does 17 banks, has the advantage of safety through diversification of risk.

A change in management necessitated, perhaps, through the death of the chief executive of a small country bank might be detrimental to the value of stock in such a single institution. On the other hand, under group banking continuity of good management in any single bank is more readily assured.

2. Opportunity for normal increase in value: Economies in operation and greater efficiency in management go hand in hand with group banking. Furthermore group banking furnishes opportunities for increased earnings through the ability to extend trust and investment facilities to a greater number of people.

3. Greater marketability: Stock in the Marine Midland Corporation is listed and affords the investor an opportunity to liquidate at any time if he needs to do so. Oftentimes the holder of stock in a small bank finds it almost impossible to dispose of his holdings without sacrifice.

The sole basis of profit, so far as Marine Midland Corporation is concerned, is the growth and development of the banks in Marine Midland cities. In each of these there is aggressive normal competition. Our banks' opportunity therefore lies chiefly in better serving the public.

In advocating group banking I do not deprecate the accomplishments and ability of the banker in a small city or town. Changes in business methods, however, are making it more difficult for him to operate a safe and profitable bank playing a lone hand. As outlined above, group banking retains all that is good in the unit and contributes much in resources and management which is of benefit to the public and through them of benefit to the bank in the small town.

We look forward to the future with confidence. We welcome cooperation with both State and governmental authorities and will furnish them every opportunity to examine our affairs. Our directors and officers have the confidence of the communities in which we do business, and we are equally proud of the character of our customers. At the same time we are not unmindful of the great responsibility resting upon us, especially in being one of the pioneers in this new field of American banking, and we are determined to do our utmost to serve faithfully and efficiently our 20,000 stockholders, our 350,000 customers, and every community, both the smallest and the largest, in which a Marine Midland bank is operating.

CERTIFICATE OF INCORPORATION OF MARINE MIDLAND CORPORATION

First: The name of this corporation is Marine Midland Corporation.

Second. Its principal office in the State of Delaware is located at No. 7 West Tenth Street, in the city of Wilmington, county of New Castle. The name and address of its resident agent is the Corporation Trust Co. of America, No. 7 West Tenth Street, Wilmington, Del.

Third. The nature of the business and the objects and purposes proposed to be transacted, promoted, and carried on are to do any or all of the things herein mentioned as fully and to the same extent as natural persons might or could do in any part of the world, as set forth below. (Wherever used in this article 3, the expression "evidence of indebtedness" or "evidences of indebtedness" shall mean and include, without limiting its generality, any and all bonds, debentures, notes, coupons, mortgages, commercial paper, and/or any other instruments evidencing indebtedness, however created, issued, or granted, and whether fully paid or subject to further payments; and the expression "certificate of interest" or "certificates of interest" shall mean and include, without limiting its generality, any and all certificates or shares of stock, scrip, interim receipts, participation certificates, voting trust certificates, subscription warrants, option warrants, and/or any other instruments evidencing interest in share capital or other property, however created, issued, or granted, and whether fully paid or subject to further payments.)

(1) To acquire by purchase, subscription, contract, or otherwise, hold for investment or otherwise, own, sell, exchange, mortgage, pledge, or otherwise dispose of, and generally deal in and with evidences of indebtedness, and/or certificates of interest issued or created in any and all parts of the world by banks, trust companies, financial institutions of every kind and description, corporations, associations, partnerships, firms, trustees, syndicates, individuals, governments, States, municipalities, or other political governmental divisions or subdivisions, or by any combinations, organizations, or entities whatsoever, irrespective of their form or the name by which they may be described, and to issue in exchange therefor or in payment thereof, in any manner permitted by law, its own evidences of indebtedness, and/or certificates of interest, or to make payment therefor by any other lawful means of payment whatsoever; and to exercise any and all of said powers, either on its own account, or with or as agent for other persons, firms, corporations, or organizations.

(2) To receive, collect and dispose of interest, dividends, and income upon, of and from any evidence of indebtedness or certificate of interest and any other property held or owned by it, and to exercise any and all rights, powers and privileges of individual ownership or interest in respect of any and all such evidences of indebtedness or certificates of interest, including the right to vote thereon for any and all purposes.

(3) To indorse or guarantee the payment of principal and/or interest or dividends upon, and to guarantee the performance of sinking fund or other obligations of, any evidences of indebtedness or certificates of interest, and to guarantee the performance of any of the contracts or other undertakings in which the corporation may otherwis ebe or become interested, or any corporation, association, partnership, firm, trustee, syndicate, individual, Government, State, municipality, or other political or governmental division or subdivision, domestic or foreign, in so far as may be permitted by law to a corporation of this character.

(4) To enter into, make, perform, and carry out or cancel and rescind contracts relating to or underwritings of evidences of indebtedness or certificates of interest, of any corporation, association, partnership, firm, trustee, syndicate, individual, Government, State, municipality, or other political or governmental division or subdivision, domestic or foreign, or of any combination, organization, or entity, domestic or foreign, and to act as manager of any underwriting or purchasing or selling syndicate.

(5) To lend money, whether or not secured by mortgages or other liens on real estate or personal property, and to negotiate and make, either as principal or broker or agent, contracts or other agreements in connection therewith.

(6) To borrow money with or without security, to make, accept, indorse, guarantee, execute, and issue evidences of indebtedness and to secure the same by a mortgage, pledge, deed of trust, other lien, or otherwise, upon all or any part of the property of the corporation, wherever situated.

(7) To act as agent or representative of individuals, firms, and corporations, and as such to develop and extend the business interests of individuals, firms, and corporations.

(8) To purchase, hold, sell, and transfer the shares of its own capital stock, provided it shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of its capital, and provided that shares of its own capital stock belonging to it shall not be voted upon, directly or indirectly, but nothing in this subdivision shall be construed as limiting the exercise of the rights given by section 27 of the general corporation law of the State of Delaware.

(9) To take, lease, purchase, or otherwise acquire and to own, use, hold, sell, convey, lease, exchange, mortgage, improve, develop, cultivate, and otherwise handle, deal in, and dispose of real estate, real property, and, any interest or right therein.

(10) To purchase, manufacture, acquire, hold, own, mortgage, pledge, lease, sell, assign, and transfer, and to invest, trade, deal in and with goods, wares, merchandise, patents, trade-marks, rights, privileges, franchises, grants, and property of every kind and description; to carry on any of the above businesses or any other business connected therewith, wherever the same may be permitted by law, and to the same extent as the laws of this State will permit and as fully and with all the powers that the laws of this State confer upon corporations and organizations under the general corporation law of the State of Delaware.

(11) To acquire and take over as a going concern and/or carry on the business of any person, firm, association, or corporation engaged in any business which this corporation is authorized to carry on.

(12) To render service, assistance, counsel, and advice to any person, firm, association, or corporation in the conduct of his or its business.

(13) To do all and everything necessary, suitable, and proper for the accomplishment of any of the purposes or the attainment of any of the objects or the furtherance of any of the powers hereinbefore set forth, either as principal or agent, either alone or associated with other corporations or with firms or individuals, and either directly or indirectly through one or more subsidiary company or companies organized or utilized for the purpose, and to do any other act or acts, thing or things, incidental or pertaining to, or growing out of, or connected with the aforesaid business or powers, or any parts thereof, provided the same be not inconsistent with the law under which this corporation is organized.

(14) The business or purpose of the corporation is from time to time to do any one or more acts and things herein set forth; and it may conduct such business in all its branches or any part thereof either within or outside the State of Delaware, and in other States and Territories and dependencies of the United States and in foreign countries.

The foregoing enumeration of specific powers shall not be deemed to limit or restrict in any manner the general powers of the corporation and the enjoyment and exercise thereof as conferred by the laws of the State of Delaware upon corporations formed under the general corporation law of said State and the doing of any or all the things hereinbefore set forth to the same extent as natural persons might or could do; but this corporation shall not by any implication or construction be deemed to possess the power of issuing bills, notes, or other evidences of debt for circulation as money, or the power of carrying on the business of receiving deposits of money, or the business of buying gold and silver bullion or foreign coins.

Fourth. The total number of shares of stock which the corporation shall have authority to issue is 10,000,000, and the par value of each of such shares is amounting in the aggregate to $100,000,000.

Fifth. The minimum amount of capital with which the corporation will commence business is $1,000.

Sixth. The names and places of residence of each of the incorporators are as follows: C. S. Peabbles, Wilmington, Del.; L. E. Gray, Wilmington, Del.; H. E. Grantland, Wilmington, Del.

Seventh. This corporation is to have pepetual existence.

Eighth. The private property of the stockholders shall not be subject to payment of corporate debts to any extent whatsoever.

Ninth. The holders of the stock of this corporation shall have a preemptive or preferential right to be exercised upon such terms and conditions (including a determination of what disposition shall be made of fractional shares resulting from a pro rata offering to stockholders) as the board of directors in its discretion may from time to time fix and determine, to subscribe to any shares of stock or obligations convertible into stock of this corporation, issued for cash: *Provided*, That such right of subscription shall not apply to any shares of stock issued upon the organization of this corporation or within 90 days thereafter: *Provided also*, That such right of subscription shall not apply to any shares issued to any director, officer, or employee of the corporation, not exceeding 25,000 shares in the aggregate, at such price or prices, not less than $60 per share, as the board of directors may from time to time determine, but no shares issued upon the organization of this corporation or within 90 days thereafter shall be deemed to be issued out of said 25,000 shares; but no holder of stock of this corporation shall have any preemptive or preferential right of subscription to any shares of stock of this corporation or to any obligations convertible into stock of this corporation issued for any consideration other than cash. As used in this paragraph, the term "obligations convertible into stock" shall include any notes, bonds, or other evidences of indebtedness which by their terms are convertible into shares of stock of this corporation or with which are issued warrants (either in attached or detached form) or other rights to purchase for cash shares of stock of this corporation.

Tenth. Subject to the provisions of law and in furtherance and not in limitation of the powers conferred by law, the board of directors of the corporation is hereby empowered by resolution or resolutions:

1. Subject to the provisions of article 9 hereof, to provide for the issuance from time to time of its shares of stock of any class, whether now or hereafter authorized, and securities convertible into shares of its stock of any class, and/or securities whether now or hereafter authorized carrying a privilege to subscribe for or receive shares of its stock of any class, for such considerations and upon such terms and conditions as the board of directors may fix from time to time.

2. To determine that only a part of the consideration which shall be received by the corporation in excess of the par value of its shares of capital stock or any thereof, which it shall issue from time to time shall be capital.

3. Without the consent of the stockholders of any class, to authorize the issuance and sale from time to time of evidences of indebtedness (as defined in article 3 hereof) of the corporation for such consideration as it may deem advisable, to provide that such evidences of indebtedness be issued in such series, in such denomination or denominations, and with such interest rate or rates, redemption price or prices, and maturing at such time or times and otherwise varying as it may determine: and likewise without such consent to mortgage, pledge, and/or hypothecate all or any part of the corporation's property, real, personal, or mixed (except its corporate franchises), and its rents, revenues, and income, whether now owned or hereafter acquired, and to authorize the execution, delivery, filing, and recording of all mortgages, deeds of trust, or other indentures, in such form as shall be determined by it, to secure the payment of all or any of such evidences of indebtedness, the principal and interest thereof, the premium, if any, thereon, and any and all other amounts or sums payable in respect thereof or in connection therewith.

4. To make, alter, amend, change, add to, or repeal the by-laws of this corporation without any action on the part of the stockholders.

5. By resolution passed by a majority of the whole board, to designate two or more of its number to constitute an executive committee, which committee, so far as is provided in said resolution or in the by-laws of this corporation, shall have and may exercise the powers of the board of directors in the management of the business and affairs of this corporation and have power to authorize the seal of this corporation to be affixed to all papers which may require it.

6. When and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power given at a stockholders' meeting duly called for that purpose, or when authorized by the written consent of the holders of a majority of the voting stock issued and outstanding to sell, lease, or exchange all of the property and assets of the corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may be in whole or in part evidences of indebtedness and/or certificates of interest (as defined in article 3 hereof) as its board of directors shall deem expedient and for the best interests of the corporation.

7. From time to time, to determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of this corporation (other than the stock ledger) or any of them shall be open to the inspection of stockholders; and no stockholder shall have any right of inspecting any account, book, or document of this corporation, except as conferred by statute, unless authorized by resolution of stockholders or directors.

8. To set apart out of any of the funds or assets of this corporation, available for dividends, a reserve or reserves for any proper purpose, and to abolish any such reserve or reserves. Against any such reserve or reserves and/or surplus so established, there may be charged losses at any time incurred by this corporation, also dividends or other distribution upon stock. Such reserve or reserves and/or surplus may be reduced from time to time by the board of directors by transfer from such reserve or reserves and/or surplus to capital account.

9. Subject to the provisions of article ninth hereof, at any time or from time to time to create and issue (without any action by the stockholders of

the corporation), whether or not in connection with the issue and sale of any shares of stock or other securities of the corporation, rights or options entitling the holders thereof to purchase from the corporation shares of its capital stock, such rights or options to be evidenced by or in such instrument or instruments as shall be approved by the board of directors. The terms upon which, the time or times, which may be limited or unlimited in duration, at or within which, and the price or prices at which any such shares may be purchased from the corporation upon the exercise of any such right or option shall be such as shall be fixed and stated in a resolution or resolutions adopted by the board of directors providing for the creation and issue of such rights or options, and set forth or incorporated by reference in the instrument or instruments evidencing such rights or options.

Eleventh. The number of directors which shall constitute the whole board shall be such from time to time as shall be fixed by the by-laws, but in no case shall the board be less than three (3). In case of any increase in the number of directors, such additional directors shall be chosen by the directors or stockholders at the time entitled to vote, as may be prescribed in the by-laws of this corporation. Directors need not be stockholders. This corporation may in its by-laws confer powers upon its directors in addition to those conferred in this certificate of incorporation and in addition to the powers and authorities expressly conferred upon them by statute.

Twelfth. The corporation shall be entitled to treat the person in whose name any share is registered as the owner thereof for all purposes, and shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not the corporation shall have notice thereof, save as expressly provided by the laws of the State of Delaware.

Thirteenth. Both stockholders and directors shall have power, if the by-laws so provide, to hold their meetings and to have one or more offices within or without the State of Delaware and to keep the books of this corporation (subject to the provisions of the general corporation law of said State) outside the State of Delaware, at such places as may be from time to time designated by the board of directors.

Fourteenth. All the powers of this corporation in so far as the same may be lawfully vested by this certificate of incorporation in the board of directors, are hereby conferred upon the board of directors of this corporation, provided, however, that by resolution of the board of directors adopted either by a quorum disinterested in the subject matter of the resolution or interested therein, as the case may be, any matter concerning the management of the corporation or its affairs may be referred to the stockholders of the corporation for decision and in such cases such matters may be authorized by vote adopted by the majority of a quorum of the stockholders entitled to vote at a meeting thereof duly held.

Fifteenth. A director of the corporation shall not in the absence of fraud be disqualified by his office from dealing or contracting with the corporation either as a vendor, purchaser, or otherwise, nor in the absence of fraud shall any transaction or contract of the corporation be void or voidable or affected by reason of the fact that any director, or any firm of which any director is a member, or any corporation or association of which any director is an officer, director, or stockholder, is in any way interested in such transaction or contract: provided that at the meeting of the board of directors or of a committee thereof having authority in the premises, authorizing or confirming said contract or transaction, the existence of an interest of such director, firm, corporation, or association is disclosed or made known (or shall have been disclosed and spread upon the records at a previous meeting at which a quorum was present) and there shall be present a quorum of the board of directors or of the directors constituting such committee, and such contract or transaction shall be approved by a majority of such quorum, which majority shall consist of directors not so interested or connected. Nor shall any director be liable to account to the corporation for any profit realized by him from or through any such transaction or contract of the corporation ratified or approved as aforesaid, by reason of the fact that he or any firm of which he is a member, or any corporation or association of which he is an officer, director, or stockholder, was interested in such transaction or contract. Anything herein contained to the contrary notwithstanding, all or any of the directors of the corporation, in connection with the organization of this corporation and the issuance of its stock for cash and/or properties, may vote to approve and authorize plans and agreements for the acquisition by this corporation, through the issuance of its own stock in exchange therefor, of stock in banks and/or trust companies of which said directors, or any of them, may be stockholders, directors, or officers, and to approve and authorize an underwriting agreement or agreements for the sale of stock of this corporation, in which they or any of them may be interested, with the same force and effect as though not so interested. Directors so interested may be counted when present at meetings of the board of directors or of such committee for the purpose of determining the existence of a quorum. Any contract, transaction, or act of the corporation or of the board of directors or of any committee thereof (whether or not approved or ratified as hereinabove provided) which shall be ratified by a majority in interest of a quorum of the stockholders entitled to vote at any annual meeting or any special meeting called for such purpose or approved in writing by a majority in interest of the stockholders entitled to vote without a meeting, shall be as valid and as binding as though ratified by every stockholder of the corporation.

Sixteenth. This corporation reserves the right to amend, alter, change, or repeal any provision contained in this certificate of incorporation in the manner now or hereafter prescribed by statute, and all rights conferred on officers, directors, and stockholders herein are granted subject to this reservation.

We, the undersigned, being each of the incorporators hereinbefore named for the purpose of forming a corporation to do business both within and without the State of Delaware, and in pursuance of the general corporation law of the State of Delaware, being chapter 65 of the Revised Code of Delaware, and the acts amendatory thereof and supplemental thereto, do make and file this certificate, hereby declaring and certifying that the facts herein stated are true, and accordingly have hereunto set our hands and seals this 23d day of September, 1929.

C. S. Peobles [L. S.]
L. E. Gray [L. S.]
H. E. Grantland [L. S.]

In the presence of:
Albert L. Miller.

State of Delaware.
County of New Castle, ss:

Be it remembered that on this 23d day of September, 1929, personally came before me, Albert L. Miller, a notary public for the State of Delaware, C. S. Peobles, L. E. Gray, and H. E. Grantland, all parties to the foregoing certificate of incorporation, known to me personally to be such, and severally acknowledged the said certificate to be the act and deed of the signers respectively, and that the facts therein stated are truly set forth.

Given under my hand and seal of office the day and year aforesaid.

[SEAL.] Albert L. Miller, *Notary Public.*

State of Delaware,
Office of Secretary of State.

I, Charles H. Grantland, secretary of state of the State of Delaware, do hereby certify that the above and foregoing is a true and correct copy of certificate of incorporation of the Marine Midland Corporation, as received and filed in this office the 23d day of September, A. D. 1929, at 11 o'clock a. m.

In testimony whereof I have hereunto set my hand and official seal, at Dover, this 23d day of September in the year of our Lord 1929.

[SEAL.] Charles H. Grantland,
Secretary of State.

By-Laws of Marine Midland Corporation (as Amended to October 1, 1929)

OFFICES

1. The principal office shall be in the city of Wilmington, county of New Castle, State of Delaware, and the name of the resident agent in charge thereof is the Corporation Trust Co. of America.

2. The corporation may also have offices at such other places, within or without the State of Delaware, as the board of directors may from time to time appoint or the business of the corporation may require.

SEAL

3. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization, and the word "Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise represented.

STOCKHOLDERS' MEETINGS

4. Meetings of the stockholders shall be held at the principal office of the corporation in Wilmington, Del.

5. An annual meeting of stockholders, after the year 1929, shall be held on the first Wednesday after the first Tuesday in February in each year if not a legal holiday, and if a legal holiday, then on the next day following that is not a legal holiday, at 12 o'clock m., when they shall elect by a plurality vote, by ballot, a board of directors and transact such other business as may properly be brought before the meeting.

6. The holders of a majority of the stock issued and outstanding, and entitled to vote thereat, present in person, or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by law, by the certificate of incorporation or by these by-laws. If, however, such majority shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person, or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of voting stock shall be present. At such adjourned meeting at which the requisite amount of voting stock shall be represented any business may be transacted which might have been transacted at the meeting as originally notified.

7. At any meeting of the stockholders every stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless said instrument provides for a longer period. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the corporation, and except where the transfer books of the corporation shall have been closed or a date shall have been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election for directors which shall have been transferred on the books of the corporation within twenty days next preceding such election of directors.

8. Written notice of the annual meeting shall be mailed to each stockholder entitled to vote thereat at such address as appears on the stock book of the corporation, at least 10 days prior to the meeting.

9. A complete list of the stockholders entitled to vote at the ensuing election, arranged in alphabetical order, with the residence of each, and the number of voting shares held by each, shall be prepared by the secretary and filed in the office where the election is to be held, at least 10 days before every election, and shall at all times, during the usual hours for business, and during the whole time of said election, be open to the examination of any stockholder.

10. Special meetings of the stockholders, for any purpose, or purposes, unless otherwise prescribed by statute, may be called by the president or by resolution of the board of directors, and shall be called by the president or secretary at the request in writing of a majority of the board of directors, or at the request in writing of three or more stockholders owning at least 10 per cent in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

11. Business transacted at all special meetings shall be confined to the objects stated in the call.

12. Written notice of a special meeting of stockholders, stating the time and place and object thereof, shall be mailed, postage prepaid, at least 10 days before such meeting, to each stockholder entitled to vote thereat at such address as appears on the books of the corporation.

DIRECTORS

13. The property and business of this corporation shall, except as otherwise provided in the certificate of incorporation, be managed by its board of directors, 20 in number. Directors need not be stockholders. They shall be elected at the annual meeting of the stockholders, and each director shall be elected to serve until his successor shall be elected and shall qualify. In case of any increase in the number of directors, such additional directors shall be chosen by the directors.

14. The directors may hold their meetings and have one or more offices, and keeep the books of the corporation .except the original or duplicate stock ledger, outside Delaware, at such office of the corporation as they may from time to time determine.

15. If the office of any director or directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, a majority of the remaining directors, though less than a quorum, shall choose a successor or successors, who shall hold office until the next annual election and until a successor or successors have been duly elected, unless sooner displaced.

16. In addition to the powers and authorities by these by-laws expressly conferred upon it, the board of directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

EXECUTIVE COMMITTEE

17. There shall be an executive committee of the board of directors consisting of five directors in addition to the president, ex officio which shall be designated by resolution or resolutions, passed by a majority of the whole board. The members of such committee shall serve for a period of one year and until their successors are elected and have qualified. The board of directors may also in the same manner designate an alternate for each such member. In the event that any member of the committee is unable to attend any meeting or meetings, his alternate may act thereat in his stead. Vacancies in alternate membership shall be filled in the same manner as vacancies in the membership of the committee.

18. In the event of a vacancy occurring in the executive committee, the board of directors shall, by resolution passed by a majority of the whole board designate a successor to fill the vacancy for the unexpired term.

19. Subject to such limitations and regulations as may be prescribed by law or these by-laws or by the board of directors, the executive committee shall have and exercise all the powers of the board of directors in the intervals between the meetings of the board, and shall have power to authorize the seal of the corporation to be affixed to all papers which may require it.

20. Regular meetings of the executive committee shall be held on such days, at such hours and at such place or places as the committee may by resolution appoint.

21 No notice shall be required to be given of any regular meeting of the executive committee.

22. Special meetings of the executive committee may be called at any time by any two members of the committee and may be held at any place and at any time designated in the notice thereof.

23. Notice of each special meeting of the executive committee, stating the time, place, and purpose or purposes thereof, shall be given by the president or by the secretary or by any member of the committee to each member of the committee not less than three days by mail or one day by telegraph or telephone prior to the meeting. Special meetings of the executive committee may also be held at any place and time, without notice, provided all the members are present at such meeting or the members absent shall waive notice.

24. At any meeting of the executive committee a majority of the entire committee shall constitute a quorum and, except where otherwise provided by law or by these by-laws, a majority of such quorum shall decide any question that may come before the meeting. A majority of the members present at any regular or special meeting, although less than a quorum, may adjourn the same from time to time, without notice other than announcement at the meeting, until a quorum is present. At such adjourned meeting at which a quorum

shall be present any business may be transacted which might have been transacted at the meeting as originally called.

25. The chairman of the executive committee shall be designated by the board of directors and shall preside at all meetings of the committee. The secretary of the corporation shall act as secretary of the executive committee. In the absence of the chairman or of the secretary, the committee shall appoint a chairman or secretary of the meeting as the case may be. The committee shall keep a record of its acts and proceedings and report thereon to the board of directors at its next regular meeting.

ADDITIONAL COMMITTEES OF DIRECTORS

26. The board of directors may, by resolution or resolutions passed by a majority of the whole board, designate one or more committees in addition to the executive committee, each committee to consist of two or more of the directors of the corporation, which, to the extent provided in said resolution or resolutions, shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation, and may have power to authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.

27. Said committees shall keep regular minutes of their proceedings and report the same to the board when required.

COMPENSATION OF DIRECTORS

28. Directors, as such, shall not receive any stated salary for their services, but by resolution of the board, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the board: *Provided*, That nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

29. Members of special or standing committees may be allowed like compensation for attending committee meetings.

MEETINGS OF THE BOARD

30. Any member of a newly elected board of directors may call a meeting of such board, to be held at such place either within or without the State of Delaware, and at such time as shall be stated in the notice to be given in the same manner as for special meetings.

31. Regular meetings of the board may be held without notice at such time and place either within or without the State of Delaware as shall from time to time be determined by the board.

32. Special meetings of the board of directors may be called at any time by the president or any three members of the board and may be held at any time and place designated in a notice thereof given by the president or by the secretary or by the members calling such meeting to each member of the board not less than three days by mail or one day by telegraph or telephone prior to the meeting.

33. At all meetings of the board one-third of the total number of the board but not in any case less than two directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum, shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation or by these by-laws.

ADVISORY BOARD

34. The board of directors of the corporation may, in its discretion, at any time and from time to time make, constitute, and appoint an advisory board of the corporation, consisting of such persons as the board of directors of the corporation shall from time to time designate, under such rules and regulations as the board of directors of the corporation may adopt. Such advisory board shall be for the purpose of enabling the board of directors of the corporation to obtain counsel and advice with respect to such matters as may be from time to time referred by it to such advisory board for such purpose.

OFFICERS

35. The officers of the corporation shall be chosen by the directors, and shall be a chairman of the board, a president, vice president, secretary, and treasurer. The board of directors may also choose additional vice presidents, assistant secretaries, and assistant treasurers. The secretary and treasurer may be the same person, but a vice president may not hold at the same time the office of secretary or treasurer.

36. The board of directors at its first meeting after each annual meeting of stockholders shall choose a chairman of the board and a president from their own number, and one or more vice presidents, a secretary, and a treasurer, who need not be members of the board.

37. The board may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

38. The salaries of all officers and agents of the corporation shall be fixed by the board of directors.

39. The officers of the corporation shall hold office until their sucessors are chosen and qualify in their stead. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the whole board of directors. If the office of any officer or officers becomes vacant for any reason, the vacancy shall be filled by the board of directors.

THE CHAIRMAN OF THE BOARD

40. The chairman of the board shall preside at all meetings of the stockholders and of the board of directors, and shall be entitled to vote upon all questions. In thet absence of the president, the chairman of the board shall exercise the power and perform the duties of the president. He shall also perform such other duties as the board of directors or the executive committee may from time to time prescribe.

THE PRESIDENT

41. The president shall be the chief executive officer of the corporation and shall, under the control of the board of directors and of the executive committee, have the general management of its affairs and shall perform all duties and exercise all powers incident to his office.

42. In the absence of the chairman of the board, the president shall preside at all meetings of the stockholders and of the board of directors. He shall have power to employ and discharge all employees, and to fix their salaries from time to time. He shall have power to fix and from time to time to change the salaries of all officers whose salaries shall be at the rate of less than $10,000 per annum. He shall execute bonds, mortgages, and other contracts requiring a seal under the seal of the corporation. He shall also perform such duties and be vested with such powers as shall be assigned to him from time to time by the board of directors and by the executive committee, and shall be ex officio a member of all committees authorized by these by-laws or created by the board of directors. He may, from time to time, in his discretion, compensate any director who does not receive a salary from the corporation, for any special service rendered by said director, at his request, not exceeding, however, in amount for any day's service, the amount paid to a director for attending a regular meeting of the board.

VICE PRESIDENTS

43. The vice presidents shall, in the absence or disability of the president, perform the duties and exercise the powers of the president and shall perform such other duties as the board of directors shall prescribe.

THE SECRETARY AND ASSISTANT SECRETARIES

44. The secretary shall attend all sessions of the board and all meetings of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose; and shall perform like duties for the standing committees when required. He shall, if requested, give, or cause to be given, notice of all meetings of the stockholders and of the board of directors, and

shall perform such other duties as may be prescribed by the board of directors or president, under whose supervision he shall be. He shall keep in safe custody the seal of the corporation, and when authorized by the board affix the same to any instrument requiring it, and when so affixed it shall be attested by his signature or by the signature of the treasurer or an assistant secretary. He shall be sworn to the faithful discharge of his duty.

45. The assistant secretaries may, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary, and shall perform such other duties as the board of directors shall prescribe.

THE TREASURER AND ASSISTANT TREASURERS

46. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors.

47. He shall disburse the funds of the corporation for proper corporate purposes, taking proper vouchers for such disbursements, and shall render to the president and directors, at the regular meetings of the board, or whenever they may require it, an account of all his transactions as treasurer and of the financial condition of the corporation.

48. The treasurer and the assistant treasurers shall, respectively, give the corporation a bond if required by the board of directors in a sum and with one or more sureties satisfactory to the board for the faithful performance of the duties of his office in such form as the president or board of directors shall approve.

49. The assistant treasurers may, in the absence or disability of the treasurer, or at his request, perform the duties and exercise the powers of the treasurer, and shall perform such other duties as the board of directors shall prescribe.

DUTIES OF OFFICERS MAY BE DELEGATED

50. In case of the absence of any officer of the corporation, or for any other reason that the board may deem sufficient, the board may delegate, for the time being, the powers or duties or any of them, of such officer to any other officer, or to any director.

CERTIFICATES OF STOCK

51. The certificates of stock of the corporation shall be numbered and shall be entered in the books of the corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the president or a vice president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary. If the corporation has a transfer agent or an assistant transfer agent or a transfer clerk acting on its behalf and a registrar the signature of any such officer may be facsimile. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the corporation, such certificate or certificates may nevertheless be adopted by the corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signatures shall have been used thereon had not ceased to be such officer or officers of the corporation.

TRANSFERS OF STOCK

52. Transfers of stock shall be made on the books of the corporation only by the person named in the certificate or by attorney, lawfully constituted in writing, and upon surrender of the certificate therefor.

CLOSING OF TRANSFER BOOKS

53. The board of directors shall have power to close the stock transfer books of the corporation for a period not exceeding 40 days preceding the date of any meeting of stockholders or the date for payment of any dividend or the

date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect: *Provided, however*, That in lieu of closing the stock transfer books as aforesaid, the board of directors may fix in advance a date, not exceeding 40 days preceding the date of any meeting of stockholders or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion, or exchange of capital stock, and in such case such stockholders, and only such stockholders as shall be stockholders of record on the date so fixed, shall be entitled to such notice of, and to vote at, such meeting, or to received payment of such dividends, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

REGISTERED STOCKHOLDERS

54. The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of Delaware.

LOST CERTIFICATE

55. Any person claiming a certificate of stock to be lost or destroyed shall make an affidavit or affirmation of that fact and advertise the same in such manner as the board of directors may require, and the board of directors may, in its discretion, require the owner of the lost or destroyed certificate, or his legal representative, to give the corporation a bond, in such sum as it may direct, not exceeding double the value of the stock, to indemnify the corporation against any claim that may be made against it on account of the alleged loss of any such certificate. A new certificate of the same tenor and for the same number of shares as the one alleged to be lost or destroyed may be issued without requiring any bond when, in the judgment of the directors, it is proper so to do.

CHECKS

56. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

FISCAL YEAR

57. The fiscal year shall begin the 1st day of January in each year.

DIVIDENDS

58. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock.

59. Before payment of any dividend there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purposes as the directors shall think conductive to the interests of the corporation, and the directors may abolish any such reserve in the manner in which it was created. Any such reserve or reserves may be reduced from time to time by the board of directors by transfer from such reserve or reserves to capital account. Transfers to capital account may also be made from surplus.

NOTICES

60. Whenever under the provisions of these by-laws notice is required to be given to any director, officer, or stockholder, it shall not be construed to mean personal notice, but such notice may, unless some other method is provided therefor, be given in writing, by mail, by depositing the same in the post office or letter box, in a post-paid sealed wrapper, addressed to such stockholder, officer, or director at such address as appears on the books of the corporation, or, in default of other address, to such director, officer, or stockholder at the general post office in the city of Wilmington, Del., and such notice shall be deemed to be given at the time when the same shall be thus mailed.

61. Whenever any notice whatever is required to be given under the provisions of the general corporation law of Delaware or under the provisions of the certificate of incorporation or by-laws of this corporation, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

AMENDMENTS

62. These by-laws may be altered or amended or repealed by the affirmative vote of a majority of the stock issued and outstanding and entitled to vote thereat at any regular or special meeting of the stockholders or by the affirmative vote of a majority of the board of directors at any regular or special meeting of the board if notice of the proposed alteration or amendment or repeal be contained in the notice of the meeting of stockholders or directors, as the case may be: *Provided, however*, That no change of the time or place for the election of directors shall be made within 60 days next before the day on which such election is to be held, and that in case of any change of such time or place notice thereof shall be given to each stockholder in person or by letter mailed to his last-known post-office address at least 20 days before the election is held.

I, Edward H. Letchworth, secretary of Marine Midland Corporation, hereby certify that the foregoing is a true and complete copy of the by-laws of said corporation as the same are in force and effect as of the date hereof.

In witness whereof I have hereunto subscribed my name and affixed the seal of said corporation this —— day of ———, 19—.

[SEAL.] ——— ———, *Secretary*.

SCHEDULE NO. 3

BOARD OF DIRECTORS OF MARINE MIDLAND CORPORATION (DELAWARE)

George G. Allen, president Duke Power Co.
John L. Clawson, chairman of the board, Clawson & Wilson Co.
Walter P. Cooke, chairman of the board, the Marine Trust Co. of Buffalo.
Arthur V. Davis, chairman of the board, Aluminum Co. of America.
William C. Feathers, president the Manufacturers National Bank of Troy.
Seymour H. Knox, president Marine Union Investors (Inc.).
Edward H. Letchworth, director and general counsel, the Marine Trust Co. of Buffalo.
Raymond V. V. Miller, White, Weld & Co.
George O. Muhlfeld, vice president, Stone & Webster (Inc.).
Bayard F. Pope, president Stone & Webster & Blodget (Inc.).
George F. Rand, president the Marine Trust Co. of Buffalo.
Faris R. Russell, White, Weld & Co.
J. F. Schoellkopf, jr., vice president, Schoellkopf, Hutton & Pomeroy (Inc.).
Paul A. Schoellkopf, president Niagara Hudson Power Corporation.
Eustace Seligman, Sullivan & Cromwell.
Ernest Stauffen, jr., chairman of the board.
Charles Winslow Smith, treasurer Sherwood Shoe Co.
Harral S. Tenney, vice president, Marine Midland Corporation.
Thomas A. Wilson, president Peoples Trust Co., Binghamton, N. Y.
Frederick W. Zoller, president Union Trust Co. of Rochester.

SCHEDULE NO. 4

The Marine Midland Banks, classification, capital, deposits, and assets

Bank	Federal reserve system	Capitalization: Par	Capitalization: Outstanding shares	Capital	Surplus	Undivided profits	Combined	Reserves	Total deposits	Total assets
Marine Trust Co., Buffalo, N. Y.	Member	$50.00	200,000	$10,000,000.00	$10,000,000.00	$10,848,041.02	$30,848,041.02	$2,330,000.00	$249,723,992.63	$303,684,043.75
Fidelity Trust Co., New York, N. Y.	do	20.00	300,000	6,000,000.00	4,000,000.00	1,710,271.48	11,710,271.48	252,863.98	56,756,111.46	76,316,612.80
Union Trust Co., Rochester, N. Y.	Nonmember	50.00	80,000	4,000,000.00	3,400,000.00	1,045,961.90	8,445,961.90	1,957,641.91	60,779,914.59	72,122,396.40
Manufacturers National Bank, Troy, N. Y.	Member	25.00	48,000	1,200,000.00	1,200,000.00	1,071,928.40	3,471,928.40	916,601.11	29,068,711.32	34,457,240.83
Power City Bank (State), Niagara Falls, N. Y.	do	25.00	40,000	1,000,000.00	1,000,000.00	338,034.12	2,338,034.12	142,719.91	17,001,202.85	19,599,006.88
Niagara Falls Trust Co., Niagara Falls, N. Y.	Nonmember	50.00	40,000	2,000,000.00	750,000.00	225,279.78	2,975,279.78	122,469.09	14,115,866.46	17,519,836.36
Peoples Trust Co., Binghamton, N. Y.	Member	100.00	5,000	500,000.00	500,000.00	371,529.93	1,371,529.93	152,991.37	9,763,921.92	12,901,188.84
First Trust Co., Tonawanda, N. Y.	Nonmember	100.00	5,000	500,000.00	500,000.00	922,765.96	1,922,765.96	133,859.35	8,658,787.94	10,958,039.25
Niagara County National Bank & Trust Co., Lockport, N. Y.	Member	25.00	24,000	600,000.00	600,000.00	239,485.57	1,439,485.57	129,004.45	8,375,739.73	10,709,516.63
State Trust Co., North Tonawanda, N. Y.	Nonmember	50.00	12,000	600,000.00	400,000.00	440,585.06	1,440,585.06	247,101.88	7,650,746.52	9,534,283.84
Workers Trust Co., Johnson City, N. Y.	Member	25.00	8,000	200,000.00	200,000.00	551,968.16	951,968.16	46,674.84	4,493,024.77	5,491,667.77
Lackawanna National Bank, Lackawanna, N. Y.	do	100.00	2,000	200,000.00	200,000.00	68,182.76	468,183.76	40,117.50	4,687,055.38	5,415,355.64
Union Trust Co., Jamestown, N. Y.	Nonmember	100.00	6,000	600,000.00	600,000.00	549,644.29	1,749,644.29	40,976.40	3,016,022.02	5,056,642.71
Bank of East Aurora (State), East Aurora, N. Y.	Member	100.00	1,750	175,000.00	75,000.00	55,797.31	305,797.31	78,354.38	3,052,815.55	3,616,003.59
Cortland Trust Co., Cortland, N. Y.	Nonmember	100.00	2,000	200,000.00	70,000.00	6,191.73	276,191.73	26,882.31	1,862,687.27	2,370,846.43
Orleans County Trust Co., Albion, N. Y.	Member	50.00	2,000	100,000.00	100,000.00	5,435.99	205,435.99	33,287.56	981,596.51	1,430,320.06
Bank of LaSalle (State), Niagara Falls, N. Y.	Nonmember	100.00	500	50,000.00	25,000.00	8,137.76	83,137.76	1,677.37	757,806.91	842,622.04
Bank of Snyder, Snyder, N. Y.	do	50.00	2,000	100,000.00	50,000.00	5,148.50	155,148.50	2,430.42	572,316.60	759,895.52
Total			778,250	28,025,000.00	23,670,000.00	18,404,389.72	70,159,389.72	6,655,653.83	481,318,320.43	592,785,518.54
Affiliated security corporations:										
Security Properties Co. (Inc.)		(1)	48,000	304,883.00		32,241.60	337,124.60			768,124.60
Fitrust Corporation		(1)	549,600	1,099,200.00	1,099,200.00	8,818.02	2,207,218.02	3,211.18		2,222,551.42
Total			1,375,850	29,429,083.00	24,769,200.00	18,505,449.34	72,703,732.34	6,658,865.01		595,776,194.56

[1] No par.

SCHEDULE No. 5

Status of stock of Marine Midland Banks at March 31, 1930

	Outstanding		Directors qualifying shares	Shares exchanged	Combined per cent	Available shares	
	Par	Shares				Unexchanged	Per cent
Marine Trust Co.	$50	200,000	430	197,721	99.07	1,849	0.93
Union Trust Co., Rochester	50	80,000	302	78,624	98.66	1,074	1.34
First Trust Co., Tonawanda	100	5,000	110	4,885	99.90	5	.10
State Trust Co., North Tonawanda	50	12,000	180	11,819	99.99	1	.01
Niagara Falls Trust Co.	50	40,000	510	38,072	96.45	1,418	3.55
Manufacturers National Bank, Troy, and Security Propreties Co. (Inc.)	25	48,000	1,400	46,242	99.25	358	.75
Niagara County National Bank, Lockport	25	24,000	690	23,034	98.85	276	1.15
Peoples Trust Co., Binghampton	100	5,000	175	4,721	97.92	104	2.08
Workers Trust Co., Johnson City	25	8,000	92	7,792	98.55	116	1.45
Union Trust Co., Jamestown	100	6,000	140	5,860	100.00		
Lackawanna National Bank	100	2,000	161	1,782	97.15	57	2.85
Bank of East Aurora	100	1,750	100	1,603	97.32	47	2.68
Cortland Trust Co	100	2,000	150	1,850	100.00	0	0
Orleans County Trust, Albion	50	2,000	140	1,860	100.00	0	0
Bank of Snyder	50	2,000	260	1,717	98.85	23	1.15
Bank of LaSalle, Niagara Falls	100	500	90	400	98.00	10	2.00
Power City Bank, Niagara Falls	25	40,000	680	38,606	98.21	714	1.79
Fidelity Trust Co., New York City	20	300,000	280	263,669	87.98	36,051	12.02
Total shares		778,250	5,890	730,257		42,103	
Total percentage			.76	93.83		5.41	

NOTE.—Entire available stock of Union Trust Co., Jamestown; Cortland Trust Co.; Orleans County Trust Co., Albion, have been exchanged.

(Thereupon, at 12 o'clock noon, after an informal discussion, in which it was decided to question Mr. Rand on his statement tomorrow, an adjournment was taken until Friday morning, April 25, 1930, at 10.30 o'clock.)

BRANCH, CHAIN, AND GROUP BANKING

FRIDAY, APRIL 25, 1930

House of Representatives,
Committee on Banking and Currency,
Washington, D. C.

The committee met at 10.30 o'clock a. m. in the committee room, Capitol, Hon. Louis T. McFadden (chairman) presiding.

The Chairman. The committee will come to order.

STATEMENT OF GEORGE F. RAND—Resumed

The Chairman. Mr. Rand, in your very excellent statement which you read yesterday morning you covered, sufficient for our purposes, a number of aspects of the type of banking in which you are engaged; but it seems to me that you touched rather lightly, if at all, upon the question of the initiation and application of the group-banking policy. From the standpoint of this committee that is about the most important question we have to consider in this investigation. I should like, therefore, to ask you to state fully to the committee how and by whom—that is to say, by what committee—the Marine Midland Corporation arrived at a banking policy for the group as a whole or for any member of the group, and what means are employed to make this policy effective in the banks.

I should like you to cover the following points:

First. Investment policy: After you have acquired control of a bank what steps are taken to see that the securities which it purchases are sound and liquid?

Second. Loan policy: What action does the Marine Midland, or any other agency connected with it, take in the matter of reviewing or fixing lines of credit or otherwise attempting to improve the loans of one of its banks?

Third. Examination. When your examiner goes out and makes an examination of a member bank of your group I presume he brings in a written report much the same as that of the National and State bank examiners. Should one of these reports reveal incompetency of management, unsatisfactory loans, or securities purchased not up to the standard, what means does your group employ to remedy such a situation? As the majority stockholder of such a bank you hold the power of removal over directors, and through that power indirectly control the appointment and tenure of office of the management personnel. In such a case as I have described would the Marine Midland Corporation call the officers of the bank on the carpet as a means of enforcing the group policy?

I wish you would address yourself to those questions and any other points that may appear pertinent to you along those lines. The committee would be glad to have you answer as fully as you can.

Mr. RAND. I will state in answer to question No. 1—investment policy—which question is, "After you have acquired control of a bank, what steps are taken to see that the securities which it purchases are sound and liquid?" the first thing we do after we have acquired control of a new bank, and even before we have acquired the bank, is to make a detailed examination of its loans and all its securities.

After we have acquired control of a bank we have in the Marine Midland Group (Inc.) an investment committee who are experts in the handling and purchasing of securities. This committee is constantly working with the individual bank in going over its securities, in weeding out the undesirable ones. The securities that the individual bank holds have generally been handled by the president or by a vice president—one officer generally has had charge of them—and our committee works with that officer more or less in advising the retention of good securities and the elimination of unsound securities.

There is a statistical department and an analysis of securities department. Every security that is owned by Marine Midland banks is constantly being analyzed and reviewed. If we hold railroad bonds, the reports of those railroads are followed very closely. If we hold industrial bonds, each report of that industrial concern is studied. The conditions of the industry are tabulated and watched, something that the individual bank perhaps did not do before. So, the securities are constantly reviewed and information about the particular industry or the particular railroad is constantly before our committee working with the officer in the bank who has particular charge of the bank's investments.

Then the matter is brought up to their board, with the recommendation that certain securities be disposed of or certain new securities be added, with the reasons why we make the recommendations.

Many of these banks have not, in the past, given sufficient consideration to their liquidity and we have endeavored to remedy that by the putting of a certain portion of their security holdings in Government bonds and a certain proportion in railroad bonds, with the idea of having a liquid additional reserve for those banks, to have a certain proportion in high-grade rails, a certain proportion in high-grade industrials, a certain proportion in high-grade public utilities, of course, starting with Government and municipal bonds.

The CHAIRMAN. Now there is a second question.

Mr. RAND. The second question referred to loan policy—

What action does the Marine Midland, or any other agency connected with it, take in the matter of reviewing or fixing lines of credit or otherwise attempting to improve the loans of one of its banks?

After we have assumed control of the stock of a Marine Midland bank, we very carefully go over the loans, review as far as possible the financial statements of the makers of the loans. We have in mind also the length of time the loans have run, what payments have been made upon the loans, and the type of industry to which the credit is extended. We work with the proper loaning officers—the president, vice president, or cashier. Sometimes we work with the borrower in pointing out ways and means by which he can improve his business.

This loan committee of the Marine Midland Group (Inc.) is constantly working to eliminate unliquid loans or frozen loans, to get the borrower, individual or corporation, in the habit of filing his financial statements, or, if he is a farmer, working with him on his farm problems.

The smaller banks have, in the past, not been as scientific as the larger banks. They have loaned a small industry in the town because a director sitting around the table will say, "I know John Smith, and know that anything he desires is all right," and they make the loan. Now, in the interest of the borrower as well as our bank, we are encouraging them to get auditors in and make an audited statement of that particular company, to check up on the management and see what the trend is and look back over a period of years to see what progress the company is making and check up on its inventory.

We have done another think in connection with the loans, which I think is very helpful. In the past, the local banker has been too apt to just sit in his bank and talk with his customers. We have urged our local bankers to get out and call on their customers and go into their stores and see the condition of the merchandise, see whether the store looks prosperous, see whether he is keeping his windows clean and up to date, and the way he is operating his store, and offering suggestions. We go through the local factories with the same object in view.

We have retained a former agricultural expert to work with our farmers in the farming communities, to go out and advise with them on the diversification of crops, better ways of running his farm, and, in many cases, we have arranged sales for parts of the farm to enable the farmer to operate his farm in a better way than before.

We are doing a great deal in trying to improve the character of loans in these banks, always, of course, cooperating with the local bank board and the local president. We avoid dictating to them as long as the bank is running smoothly. We have some banks that have been very efficiently and very properly run, and there are very few loans that are subject to criticism. Those banks we have not interefered with, but where a bank has an undue proportion of poor loans, not as liquid as they might be, we do all in our power to assist that bank and show them some similarly situated institutions. We are constantly taking men from one bank and placing them in others for certain periods so that they may learn from observation better methods of operation. It has been quite an eye opener in many cases, and they have gone back and put their own banks voluntarily, of their own accord, in much better condition.

Are there any other questions on that?

The CHAIRMAN. I think that covers that quite well.

Mr. RAND. Now the next question, examination:

When your examiner goes out and makes an examination of a member bank of your group I presume he brings in a written report much the same as that of the national and State bank examiners. Should one of these reports reveal

incompetency of management, unsatisfactory loans or securities purchased not up to the standard, what means does your group employ to remedy such a situation?

Now, our bank examiner, as I said in my statement yesterday, was formerly chief bank examiner for western New York for the New York banking department, a very able man. He has under him seven or eight very capable men. They will go in and make an examination of a member bank of our group and unless the examination shows dishonesty, which it very rarely does, we endeavor to educate the management of that particular bank by placing certain officers or employees in other member banks very much as I have said before. Many of these banks have had a poor business policy, due to the fact they do not know how to run a bank. They have been in a single small bank all of their lives and have had little opportunity to see how other banks operate.

In brief, what we endeavor to do is to educate the management. If we find they have not operated the bank efficiently, we sometimes loan a good man from another bank to work with them for a period.

Should their reports reveal gross incompetency, or should we find that the men in the bank are, in our opinion, not capable of running a bank, then we call a special meeting of the board of the small bank and put the whole situation up to them. Fortunately we have only had to do that once, and we told the person who was in that bank that he was not a born banker and did not have a future in the banking business and should get in some other line. But we always work through the individual board, and the cooperation of the individual boards, after we have had control of the bank, has been very gratifying.

The CHAIRMAN. Your chief examiner, with a corps of assistants, is engaged exclusively in examining that group of banks?

Mr. RAND. Yes, sir.

The CHAIRMAN. And spends all of his time doing that work?

Mr. RAND. Yes, sir.

The CHAIRMAN. You get this information in regard to mismanagement or anything else affecting conditions in those institutions through your examiners?

Mr. RAND. Yes, sir.

The CHAIRMAN. That is the way it is brought to your group?

Mr. RAND. Yes, sir.

Now, our examiners confine themselves very much to the condition of the bank. They do not handle the securities. They receive a list of securities, but the handling of those securities is done by a separate division of our Marine Midland Group (Inc.). The average examiner is not an expert on securities, and we have three or four men who do nothing but handle securities. The bank examiners study the loans. The analysis of securities is handled by the securities division of the Marine Midland Group (Inc.). The individual bank purchases its own securities, cooperating with our securities division and their own board of directors.

The CHAIRMAN. When the examinations by the banking department or the examinations of the national banks which may be in your group, by the Comptroller of the Currency, take place, your examining department or your chief examiner and his assistants go through the examination with these independent examiners?

Mr. RAND. No; we get the report of the banking department of the State or the National department and then go over that report with the officers of the bank, in addition to making our own complete examination.

The CHAIRMAN. After the State examination has been completed, however, or the national-bank examination is completed, those results are reported to you?

Mr. RAND. Yes, sir.

The CHAIRMAN. How often does the State of New York examine the banks?

Mr. RAND. Twice a year.

The CHAIRMAN. At stated periods?

Mr. RAND. No sir; we do not know when they are coming.

The CHAIRMAN. You do not rely upon the examinations of the State banking department or the comptroller's examinations exclusively to keep in touch with your bank's conditions, but keep your own examining force and they go into these banks the same as the State banks or national-bank examiners, without notice?

Mr. RAND. Without notice; yes sir.

The CHAIRMAN. As a matter of fact, then, I suppose they may drop into any one of your banks half a dozen times a year, for that matter?

Mr. RAND. Yes. As a matter of fact, after we have made an examination, this chief examiner of ours will make certain recommendations and then possibly within a month he will send out one of his men to that bank and say, "What have you done with these recommendations? How are you following out the recommendations we have made?" He will probably meet with the board of directors. The board and our examiner will agree on a certain policy and later we will follow up and see how the policy is being carried out.

The CHAIRMAN. Supposing the State banking department, as the result of the examination made by their examiner and the comptroller's office, as a result of the examination by the national-bank examiner, make definite recommendations to charge off assets which are not in conformity with the department's idea?

Mr. RAND. With our department's idea?

The CHAIRMAN. With the ideas of the comptroller's office or of the State banking department?

Mr. RAND. I do not believe I understand that question.

The CHAIRMAN. In other words, if an examiner, either from the comptroller's office or from the State banking department, recommends certain assets to be charged off, are they charged out of the assets of those banks or does one of your banks take over the criticized assets?

Mr. RAND. No, sir; they are charged off by that bank.

The CHAIRMAN. There is no taking out of criticized assets and putting them in another company?

Mr. RAND. No, sir.

The CHAIRMAN. Each bank stands on its own foundation?

Mr. RAND. Yes, sir. We handle it this way: In the case of a bank that has a large number of charge offs, or the banking department, either State or national, has to make certain charge offs and if those charge offs are of sufficient number to be serious, we will charge them off and then the holding company will pay in additional money into that bank.

You see, we raised $57,000,000 in cash. We are keeping a revolving fund anywhere from thirty to forty-five or fifty million dollars in cash at all times, and in case any bank's assets are impaired through the charge offs we do either of two things—have the bank stop paying dividends and let their earnings build up to take care of it, or increase their capital and pay in additional money to the surplus and their capital.

We do not feel that it is wise to take those assets out of the bank for two reasons: First, it relieves the banker of his responsibility on those assets to a certain extent; secondly, they are not apt to be followed up as closely as if left in the bank and that bank left to collect them.

The CHAIRMAN. Now, as to the latter part of the question—as the majority stockholder of such a bank you hold the power of removal over directors, and through that power indirectly control the appointment and tenure of office of the management personnel—can you elucidate on that, as to how you meet that situation?

Mr. RAND. In our banks we have never used our power to eliminate any directors of one of our member banks unless the board of that bank desired those directors eliminated themselves. In other words, we will go to the president of one of our member banks when the annual election comes up and say, "Are there any changes that you people desire to make on your board?" And if the president says, "Well, John Smith is no longer of any use to us; we should like to elect another man in the town who is a capable and coming man in place of him," we will take their suggestions on him and first we will check up on him to see if their recommendations seem sound to us, and the board will go ahead and make those changes by the election of the additional directors.

Now, in the case of officers of banks, if they are incompetent—and as I said, we have only had that experience once—we would call a special board meeting and put it up to the board, and the board would have to do that themselves. They will have to get rid of that president, vice president, or cashier or whoever it was that was incompetent.

The CHAIRMAN. But, as a general thing, you prefer to keep the local boards or the majority of them in the locality where the bank is?

Mr. RAND. Yes, sir; in many localities we have not even put a man on the board and have kept them intact. They run the bank under our supervision and with our help. If the local board wants to make a loan, they can loan any money they want to the community providing it is good. The only time we veto a loan—and then we only do it through moral suasion—is after a long conference, and if we feel it unwise to make that loan we tell the member bank, "We do not advise you to make that loan," and they do not do it.

The CHAIRMAN. Your management makes no limitation as to the amount the officers can lend, either to individuals or to corporations?

Mr. RAND. The officers do not make loans unless approved by their particular boards and we make no limitation on the loaning power of those boards other than the limitations made by law.

The CHAIRMAN. Do you find it necessary at times to transfer funds from one locality to another?

Mr. RAND. Yes, sir.

The CHAIRMAN. You do that?

Mr. RAND. Yes, sir.

The CHAIRMAN. That is done through your parent institution?

Mr. RAND. That is done through one of the larger banks in the group; yes, sir; depositing money with the various banks. For instance, at the time of the stock-market crash last fall we had about $50,000,000 in cash or call loans, extra money which was ready to be used for any of these banks that needed additional funds. In three or four cases, we deposited considerable amounts of money in those banks to enable them to take care of their requirements at that time.

The CHAIRMAN. Do you find that, in the smaller towns, you frequently have to send more money to serve the community, or do they have sufficient money there to take care of their requirements?

Mr. RAND. It seems to average up pretty well. One town will need money and another will have a surplus.

I would say at the present time we are not having to shift funds. The banks are running on about an even keel themselves, but even in times of distress it seems to run fairly even—one bank will need funds and another will have an excess.

The CHAIRMAN. Now, you are operating an interesting group. I should like to ask you what economies in management you have instituted?

Mr. RAND. The economies in management—I mentioned them in my statement yesterday. We formed our group last October. The economies are just beginning to show now. In one bank, for instance, I think it is safe to predict a saving in overhead of from $100,000 to $200,000 a year.

The CHAIRMAN. How did you bring about such economies—by the discharge of unnecessary employes?

Mr. RAND. No.

The CHAIRMAN. Reducing salaries?

Mr. RAND. No; we have never made it a policy to discharge employes. We have, on the contrary, recommended consistently the increase of salaries to employes.

Perhaps if I give a case involving one of our larger banks, a bank of some $70,000,000, where we are able to effect a great many economies, it will serve to illustrate what I have in mind.

Those economies are to be made, first, in the rentals that bank has been paying for space. That bank had several unnecessary offices. It had 11 branches, I believe, and we are able to show them how they can eliminate two or three of those branches.

In the second case—that same bank—in connection with the amount of cash that that bank carried in its own vault, we have been able to save that bank forty or fifty thousand dollars a year, by showing how similar banks, in our group, operate with less cash in their vault. In other words, it does not matter to a local bank whether it carries cash in its vaults or on deposit with the Federal reserve bank. The tellers were doing business with fifteen or eighteen thousand dollars in their cages, and we were able to show those tellers that in another bank of the same size, the teller could do the same amount of business with $4,000 in his cage if he would use his head a little. We were able to cut down the cash requirements in that bank and give the same service to the customer, I think almost to the extent of $1,000,000, in the aggregate. Now, if you figure 5 per cent on $1,000,000, it is $50,000 a year.

We have done that in all our banks, and the saving has not been so much in the smaller banks, but in the larger banks it is quite a great deal. We have done the same thing in purchasing.

Most of the little banks, and larger ones, are the prey of every salesman that goes into their town. They will buy adding machines; they will buy typewriters; they will buy ledgers, and a little bank, with three or four million dollars in resources, will spend sometimes three or four thousand dollars a year unnecessarily in doodads that people come in and sell them. The savings we have made in that connection are remarkable.

We are also showing these smaller banks, and larger ones, too, that are in our group, that, through certain physical changes in their set-up of their bank inside, in the way they handle their collections and handle their items, they can cut down the number of their employees.

As I said a moment ago, we have never let out employees. Where we have, in our group, two or three thousand employees, they are always leaving and there is always a turnover, and we simply stop from hiring for a while. If we go into one bank and find an excess of employees, we will take possibly two or three employees out of that bank—say, for instance, the bank is in Niagara Falls—and move them into our head office in the Marine Trust Co., in Buffalo, where we may need additional employees in the bond or trust department.

We are trying to increase the salaries of our employes and at the same time increase their efficiency and cut down on the total salaries.

The CHAIRMAN. Would you say, in that connection, you have increased or decreased salaries on the whole?

Mr. RAND. Increased them on the whole.

The CHAIRMAN. Would you care to state the maximum and minimum salaries paid?

Mr. RAND. That is difficult to state, because the banks vary so.

The CHAIRMAN. You have no set rule, then, for the different classes of work?

Mr. RAND. No; we have more or less standards. We feel that a man who handles money, a teller, should receive a decent living wage.

The CHAIRMAN. For instance, take a teller: What is the salary paid to a teller?

Mr. RAND. Taking the teller in a bank in Buffalo, one of our tellers receives $4,000 a year.

The CHAIRMAN. And in the smaller institutions?

Mr. RAND. In the smaller institutions the teller's work is entirely different. There a teller does not have to be on his toes as he does in a big city, where he has a string of people waiting to cash checks and do business. He has to be a much more capable man in a larger city. In a smaller town we take into consideration the living conditions of the town, whether he is married or not, and how long he has been with the bank.

I should say that the teller in the small town would receive possibly a minimum wage of $150 a month.

The CHAIRMAN. Take stenographers and bookkeepers: What rate of salary do you pay them?

Mr. RAND. With the stenographers and bookkeepers, it depends upon the banks in which they are. In the small towns a stenographer will do all kinds of work in a bank. She may work in the bank part of the time or may do stenographic work. We pay our stenographers, I would say, depending upon their age, their qualifications, and length of time they have been in the bank from $75 a month to $250 a month.

The CHAIRMAN. Mr. Lord the other day in his testimony before this committee made the statement that their group never took over an institution that was not on a paying basis, and he also stressed the thought that these small banks in small towns could not operate successfully and that the only way that situation in these rural communities could exist in the future would be to adopt a form of branch banking; that those units could be operated as branches efficiently and serve those communities. Do you agree with that statement?

Mr. RAND. In general I do.

The CHAIRMAN. You have taken over small banks in small communities?

Mr. RAND. Our group, Mr. McFadden, is very similar—our problems in our group are very similar—to the problems in Mr. Lord's group. His group radiates out of Detroit and we radiate out of Buffalo. We have 18 banks in our group and he has more than that.

We have, for the most part, taken over paying banks. Now we have taken over two or three banks—I will say two—that are not making earnings at the present time, but we think they have a great future. We believe the town in which they are located is growing.

I do not know of any way of taking care of the banking requirements of many towns in New York State without a straight-out branch banking system.

The CHAIRMAN. In the acquisition of these banks, do you wait for them to suggest to you that they be taken over or do you go out and negotiate or buy up control of the banks?

Mr. RAND. We have never bought up the control of any bank, and my policy is never to buy up the control of a bank unbeknown to the officers of the bank or, in any way, detrimental to the best interests of the town. In fact, we have never bought up control of the banks without full consent of the directors of the banks. In every case in the acquisition of our banks we have never used any force or suasion. The banks have all come to us, I think, in every single case and asked that they be included in our Marine Midland group.

In the original formation of the group, however, we went to some 12 or 13 banks who had been working with us for years and we knew them and knew their officers and directors, and told them what we were planning to do and asked them if they cared to come in with us. We simply told them our plan, and if they wanted to come in it was all right, and if they did not want to come in it was all right.

The CHAIRMAN. You dwelt at some length yesterday on the trade area of Buffalo. I notice, in looking over your group, that you have gone across the State line into territory that might be tributary to New York City. Have you arrived at what you consider to be your definite trade area or do you consider the whole of New York State as your trade area?

Mr. RAND. We feel that the whole of New York State is our definite trade area. I should like to read something here that I have prepared——

Mr. CHAIRMAN. I should like also to embody in that question, for your thought and consideration in making your answer, the fact that you have acquired a bank in New York City which is a somewhat different plan than some of the other groups are working under. Will you explain to us that plan?

Mr. RAND. A New York City bank is very essential to our group. I should like to elaborate on that. I was hoping you would ask that question because it is very essential to us.

The CHAIRMAN. In that connection, the thought occurs to me as to whether or not, in the working out of your plan of group management, you contemplate the use of that bank exclusively for your group in New York—that is to say, whether your New York operations are to be conducted through that institution or whether you will utilize other banks for correspondents, and so forth.

Mr. RAND. We do not contemplate using the New York bank exclusively.

The CHAIRMAN. But the major portion of the business will be done through that institution?

Mr. RAND. The major portion of the business will be done through that institution; yes—probably 50 or 60 per cent through our New York bank and the other 40 per cent through bank correspondents in New York. Of course you must realize nearly all the banks are members of the Federal reserve system and a large portion of the New York business is done through the Federal reserve banks.

The same changing methods in business and the tendency toward consolidation which deter banks in small towns from retaining their business makes a bank in New York of great value even to such banks as the Marine Trust Co., of Buffalo, the Union Trust Co., of Rochester, and our banks in larger cities.

In an ever-increasing measure we have seen independent manufacturing companies in Buffalo and western New York merge or sell out to other concerns in a similar line of business. In case after case the executive offices are now in New York.

Cash balances which formerly ran into hundreds of thousands of dollars with our up-State banks are gradually reduced, becoming small operating accounts.

In many instances a large stock interest in the merged company remains—for, example, in Buffalo. Men whom we know well become prominent in the affairs of the company moving to New York. Much as they would like to continue to do business with the old bank which they know, gradually this business slips away, due to the convenience of doing business with a New York City bank at their headquarters. There is already an indication that with a bank in New York City we will regain their business which has been lost in recent years and retain within the group such business in the future.

(After discussion off the record.)

Mr. RAND. I will say this, that we have seen no evidence of the New York banks trying to take this business away from us except in a perfectly fair competitive way. Many of these mergers and consolidations had nothing at all to do with the New York banks, but just for economic and business reasons.

For instance the Hotel Statler Co. moved down to New York because the president of it, Mr. Statler, wanted to live there, and gradually he began doing business in New York, and there are many, many cases of that kind totally outside of the investment and underwriting business or the power of the New York banks that have caused this business to go to New York.

I will also say that I do not see any way in which banks outside of New York City could act as registrar and transfer agent of corporations whose stock is listed on the New York Stock Exchange. Other cities have a similar rule. We have in Buffalo, in our local stock exchange, a rule that you have to have a registrar and transfer agent in Buffalo, and Chicago, I believe, has the same.

Mr. Wingo. Explain why that is necessary.

Mr. Rand. Because, when a man in Buffalo sells some stock on the Buffalo Stock Exchange, he could not go to New York or Chicago and have a New York or Chicago bank act as registrar, because it has to be delivered under the rules of the stock exchange immediately, and the expense and all that is prohibitive.

Mr. Wingo. You do not mean immediately. Explain that, for the benefit of the thousands who may read this record and who do not understand this transfer situation. You do not have to deliver it on the very day; it is the next day, is it not?

Mr. Rand. I can not qualify to state the rules of the stock exchange, but it interferes seriously with the delivery if it has to go out of town to be registered or transferred.

Mr. Wingo. I do not know anything about the stock exchange, but I have read somewhere that you have to make your transfer by 3 o'clock the next day.

Mr. Fischer. That is delivery, but that does not necessarily mean it has to be transferred.

Mr. Wingo. That is the point I wanted to get at; go on and explain it, because you just made a statement in the record that will be challenged by a great many gentlemen.

Mr. Rand. I will have to get somebody more familiar with the rules of the stock exchange than I am.

The Chairman. Is not this the real answer: That these transactions take place in New York City and, because of the requirements of the exchange as regards deliveries, it would be physically impossible to send them to these other cities for these transfers; in other words, it would impede these transactions to such an extent that it would be a great handicap, and inasmuch as the New York stock market is the big market, it is necessary that these transfers and registrations take place in close proximity to the exchange?

Mr. Wingo. Both of you gentlemen, I presume, are lawyers?

The Chairman. I am not a lawyer.

Mr. Rand. I am not.

Mr. Wingo. I said that sarcastically. When you say it is necessary physically to do this, unless they are different stocks from any I have ever seen or any I have ever as an attorney prepared for a little country corporation, I do not believe that you have given the real reason yet. There is another reason, I anticipate, aside from the natural selfish desire to control the business. I have seen stock certificates with three or four transfers on them before they were ever transferred on the books. If a man wants to take a risk, and not have it transferred on the books, he can do so, and in some instances that happens.

(After further informal discussion off the record.)

Mr. SEIBERLING. The important thing that we have not in the record is that these corporations consolidating and moving to New York affect the banks to the extent of $100,000 a year in connection with transfers.

Mr. RAND. That is not accurate. I could not say with accuracy just what that would amount to, but suppose one of our customers in Buffalo were to sell a bond issue and have that bond issue listed on the New York Stock Exchange. The trustee of the bond issue would have to be a New York bank. If we had a bank in New York, we would receive the fee ourselves, assuming that our customer picked out our bank as trustee.

The CHAIRMAN. Which they would be likely to do.

Mr. RAND. Which they would be more apt to do. In many cases this amounts to between $20,000 and $30,000, depending on the size of the bond issue.

Mr. WINGO. That is a bond to be listed on the New York Stock Exchange?

Mr. RAND. Yes.

The CHAIRMAN. I think a statement should go into the record that Mr. Rand discusssed with the committee, off the record, an angle of this development in banking such as he has engaged in through the organization of the Marine Midland Corporation, with particular reference to their taking over the Fidelity Trust Co. in New York, operated as the New York City institution of their group.

Mr. WINGO. Before you get away from that stock transaction and that stock registrar, there are two reasons why they insist upon that, and one is to keep the stock there, and frequently stock will be held in brokers' hands with numerous transfers of ownership but without an actual transfer on the books, and the major reason why they insist on it is that they want to keep those transactions as a New York contract, governed by the laws of New York. For illustration, there are the call-loan rates. This is a real reason. There is nothing physical that would require the registrar or the stock-transfer bank to be there; and the registrar or the stock-transfer bank could be in Buffalo just the same as in New York except for the reason I mentioned. Their selfish idea is to keep it in New York City, and they use that practice to make it a New York contract, so that if any litigation arises the New York courts have jurisdiction and the New York laws as to usury and everything else govern.

I think, if you ask them in New York, they will tell you that that is the real reason why they require it.

The CHAIRMAN. In connection with this discussion of consolidations and mergers and control of banking incident thereto, during the past few years a new method of financing industry independently from bank loans has developed through the issuance of common stocks and their sale to the public. How has that affected, in your judgment, the general commercial banking business? In other words, the Federal reserve act was created in 1913 to serve the business interests of this country through making eligible for rediscount paper representing commercial transactions, and practically ever since the development and organization of that system, we have been having a decreasing amount of that very class of paper, and the concerns who were to be served from that source have gained their money from the public through the issuance of common stock and other classes of securities.

Now, in your judgment, how has that tended to affect the general banking business of the country?

Mr. RAND. Well, it has changed quite materially the general character of our business by cutting down the eligible paper we have for rediscount with the Federal reserve bank, in that the amount and number of commercial loans that we are called upon to make is declining, and on the other hand the amount of collateral loans we are called upon to make is increasing.

The CHAIRMAN. Collateral loans are usually secured by stock-exchange securities, are they not?

Mr. RAND. Stock-exchange collateral.

The CHAIRMAN. How do you meet that, then, in carrying your assets in such condition that will permit you to obtain money from the Federal reserve in case you require it? What class of securities do you carry?

Mr. RAND. We meet that by increasing, of course, our supply of Government bonds. We carry larger amounts of Government bonds. We also carry larger lines of acceptances and bankers' bills, which are eligible for rediscount.

The CHAIRMAN. You are forced to do that because of these changing conditions?

Mr. RAND. Changing economic conditions.

The CHAIRMAN. And your situation in that respect is no different from that of any of the other large banks?

Mr. RAND. No.

The CHAIRMAN. Particularly the banks in New York City.

Mr. RAND. Our situation is comparable to that of banks in New York City, Cleveland, Detroit, and Pittsburgh.

The CHAIRMAN. Have you any suggestion to make as to whether or not that is a development that synchronizes with the intent of the Federal reserve plan?

Mr. RAND. I could not answer that.

The CHAIRMAN. In other words, does not that tend to freeze the assets of the Federal reserve system?

Mr. RAND. I suppose it does in a smaller way.

The CHAIRMAN. As a matter of fact, does not the large volume of acceptances which the Federal reserve carries from time to time practically resolve itself into frozen assets?

Mr. RAND. I would not be qualified to say that.

The CHAIRMAN. Mr. Luce.

Mr. LUCE. Before asking a question or two I want to take the stand myself and from personal experience add something to the considerations that have resulted in the centering of business in New York.

Something more than 40 years ago I started a business in the city of Boston. Five years later we opened a branch in New York. The

New York business grew rapidly and the Boston business grew slowly, and three years ago we abandoned our business in Boston and centered it in New York, and such funds as the corporation possessed were transferred from a Boston bank to a New York bank.

That was not done through any love of New York. Personally, if I were faced with the prospect of having to live in New York in order to make a living I would go and try to exist without the same sort of living somewhere else somehow. This business went to New York simply because there was more money to be made in New York, and I did not have to go with it.

I think you will find that is at the heart of this whole tendency of business to go from the smaller to the larger place. It goes because that is more profitable. There is no personal consideration, and nothing in connection with any social tendency that could be checked if we wanted to do it. I reiterate that business goes to the larger place because it is more profitable to do business in the larger place.

Now, as to the physical factors connected with the transfer of stocks, in Massachusetts the head office of our public service corporations were generally at first in the city concerned. That is changing, but still there are some public-service corporations with their main offices in the smaller cities. They maintain a transfer office in Boston in large part because of the convenience to the stockholders. It is a nuisance when you are closing up an estate or when you are making an individual purchase or sale to have to send certificates of stock off some 30, 40, 50, or 100 miles and take several days to get the thing done, rather than to step around the corner into the office of the transfer agent and have it done in five minutes.

Now, one or two questions. Unfortunately I was kept away from yesterday's hearing by the necessities of the business on the floor of the house, and I am not informed as to whether in your group there are any securities companies.

Mr. RAND. When we took over the Fidelity Trust Co. they had a small securities company called the Fitrust Corporation, and that is still in existence, and also in the Manufacturers' National Bank of Troy they have a small securities company in connection with that bank, called the Security Properties Co. (Inc.).

Mr. LUCE. It has been disclosed that in the West, from which we have had most of the testimony prior to this, there has been a marked growth of lending on securities. Is that true also of the business in New York State?

Mr. RAND. Yes; lending on collateral. I just mentioned that. The banks are lending in increasing amounts on collateral.

Mr. LUCE. Is it your expectation that you will concentrate the business of all your banks in that regard in one securities company?

Mr. RAND. Well, the securities company has nothing to do with the loans that the banks make. The collateral loans that the banks make to customers are made at the banks, and not through any securities company. I do not know of any securities company that makes loans on collateral. That is a banking function.

Mr. LUCE. I think that we have different things in mind. I have had in mind the allotments to others.

Mr. RAND. Do you mean the underwriting of securities?

Mr. LUCE. Yes; the underwriting of securities.

Mr. RAND. What was the question?

Mr. LUCE. Is it your intention to develop a central bank separately for that purpose?

Mr. RAND. Do you mean, is it our intention to develop a securities company for the underwriting of securities?

Mr. LUCE. Yes.

Mr. RAND. We are studying that proposition now, and we are not prepared to say at this time whether we will develop that or not. We are selling through our bond departments, through the bond department of the Marine Trust Co., the Union Trust Co. of Rochester, and our other large banks—selling and distributing large amounts of securities. We have to do it in self defense, and there is a demand by our customers for that kind of business, and it fulfills an economic function, of the banks selling high-grade securities. Whether we will form a securities company to handle that end of it or not, I am not prepared to say at this time. We have not decided. I would imagine that we probably will.

Mr. LUCE. Is it your judgment that the tendency toward the greater participation by banks in that particular type of business is wise or unwise?

Mr. RAND. My judgment is that it is probably wise. It all depends on the way the securities company is operated. If the securities company is operated in a high-grade way, and distributes only the highest-grade securities, I think it is a wise thing to do. In our trust departments and in our fiduciary capacity, we have made it a practice never to buy any securities that are sold by ourselves. In any of our trust accounts, we never purchase securities from our own banks or from any member of our own bank group. We have never done that; we never will.

Mr. LUCE. It has been charged that your high standard is not observed in many parts of the country and that banks having trust departments are willing to unload into trust funds the poorer grades of securities for which they do not find a ready market. What is the answer to that?

Mr. RAND. My answer to that is that all of the banks that I know of, the higher-grade banks, particularly in New York and the larger cities, have adopted the same policy that we have, of never purchasing securities from themselves with trust funds. I do not know of a large New York bank or a large bank of any standing anywhere that purchases securities from itself. I may be mistaken on that, but that is my impression.

Mr. LUCE. You have pointed out that the tendency of business to go from smaller cities to the larger cities has resulted in gain on the part of the banks in the larger cities, at the expense of those in the smaller cities, and that you are attempting by your form of organization to recover some of that loss.

Turn the matter around. When the banks in New York discover and realize that they are thus being attacked in a perfectly legitimate way, will not the inevitable result be that they will turn around and begin to form holding companies themselves?

Mr. RAND. I should think it would be.

Mr. LUCE. Then tell me this: If you were to start over again with a perfectly free hand to establish branch banks, would you establish a branch banking system or a group banking system?

Mr. RAND. That is a difficult question to answer.

Mr. LUCE. It is an important part of what we are trying to find out, whether, with free competition between the two systems, and full opportunity, the branch banking system or the group banking system will bring the community greater economic advantage and more safety?

Mr. RAND. I discussed that at length in my statement yesterday, of which I would be glad to give you a copy.

Mr. LUCE. It would be in the transcript, then, and I shall read it. I feared I might be duplicating.

Mr. RAND. My conclusion on that was that we had not really made up our minds which system was preferable, that each has many advantages over the other.

Mr. LUCE. That is all.

The CHAIRMAN. Judge Brand.

Mr. BRAND. I want to ask you a few questions only.

First, what is the approximate size of the smallest bank in your system?

Mr. RAND. About $1,000,000 in deposits.

Mr. BRAND. What is the population, say, of the city or cities in which such a bank is located?

Mr. RAND. I would say about 3,000 population; 2,000 or 3,000.

Mr. BRAND. Your group banks loan to farmers, as I understand it?

Mr. RAND. I beg your pardon?

Mr. BRAND. Do your group banks loan to farmers?

Mr. RAND. Yes.

Mr. BRAND. Upon what character of security?

Mr. RAND. Sometimes we take a mortgage on their farm, and at other times we loan them to buy a tractor, and we take a note from them, and things of that kind.

Mr. BRAND. What rate of interest do you charge the farmer?

Mr. RAND. Six per cent.

Mr. BRAND. How long do you carry it?

Mr. RAND. When I said 6 per cent, that is our standard rate. Some of the banks—and I may be mistaken—might charge 6½ or 5½ per cent.

What is your other question?

Mr. BRAND. How long do you carry the loan?

Mr. RAND. A commercial bank should not carry a loan longer than 90 days. Of course, that is ridiculous when it comes to farmers. Sometimes we have loans that we carry along for several years, but we do not like to do it. We like to have the farmer amortize the loan.

Mr. BRAND. For instance, if he wanted to borrow $1,000 in March, payable this fall, would you make him that loan?

Mr. RAND. Yes.

Mr. BRAND. Do you charge any commission outside of the rate of interest?

Mr. RAND. No, sir.

Mr. BRAND. That is the total cost to him for the use of that money?

Mr. RAND. Yes.

Mr. BRAND. Do you loan at any time on the crops that he produces on the farm?

Mr. RAND. We have never had that in New York State to any extent; we have never taken an assignment of the crop, and never been asked to. We will loan a man in the spring $1,000, with the understanding that when his crop comes in he will pay us off, but we, unlike banks in other localities, have never been called upon to make loans directly on the crop.

Mr. BRAND. What is the average value of the land that the farmers own who apply to you for money?

Mr. RAND. That would be hard to answer, because the sections are different. We have some dairying, some in orchards, and some in hay. I would say it runs anywhere from $100 an acre to $300 or $400 an acre.

Mr. BRAND. We know that there has been more or less criticism—and I think that is impliedly admitted in your statement and in the statement of others—of this group banking on the ground that either impliedly or expressly they are trying to evade the double liability of stockholders in case of the insolvency of the bank. What is the amount of stock on an average that your holding company owns in these smaller banks?

Mr. RAND. Taking all the banks, we own about 97 per cent

Mr. BRAND. Suppose that you were to buy a bank and you could not buy up over 51 per cent?

Mr. RAND. Then we would not buy it.

Mr. BRAND. Say two-thirds.

Mr. RAND. We would probably take it if we could get two-thirds.

Mr. BRAND. Suppose that that bank failed; your bank would be liable for the double liability, would it not?

Mr. RAND. Yes, sir. Bank stockholders would be liable.

Mr. BRAND. Would these other stockholders owning one-third of the stock in that insolvent bank be assessed in order to help pay the creditors of the failed institution?

Mr. RAND. In the first place, in our particular group we would never let a bank get in that shape. Our holding company has as a part of its plan the keeping of a revolving fund of between $30,000,000 and $50,000,000 in cash at all times. At the present time we have some $45,000,000 in cash. If a bank got in a bad condition, before it got to the double liability we would pay any amount of money to take care of it.

Mr. BRAND. But suppose that it did fail and the holding company owned 66⅔ per cent of the stock, which you would have to make good and would make good; the owners of the other third of that stock would be liable for the double liability, would they?

Mr. RAND. Yes.

Mr. BRAND. And have to pay?

Mr. RAND. Depending on whether we would allow them to pay I do not know. That contingency would probably never arise.

Mr. BRAND. Would you not require them to pay?

Mr. RAND. I would not say as to that. We might pay for them; I do not know.

Mr. BRAND. But it would be paid in any event?

Mr. RAND. It would be paid.

Mr. BRAND. There is no danger, then, of a holding company not paying the assessment which may be levied by the Government or by the State banking department in case of the insolvency of a bank?

Mr. RAND. I can not say as to any other holding company; I only say as to our own. As far as our own is concerned, I can not conceive of any minority stockholder having to pay anything.

Mr. BRAND. Does your holding company carry double liability in case of insolvency?

Mr. RAND. Our holding company does not carry double liability. We would welcome it if it were necessary.

The combined capital of our banks at the present time is $28,025,000, and therefore the double liability would be $28,025,000. We aim to keep at all times in cash an amount sufficient to take care of that double liability. In other words, our company will carry in cash anywhere from $30,000,000 to $50,000,000, so that the double liability is assured. We have it in cash, in other words.

Mr. BRAND. Suppose that one of your banks began to get in a shaky condition or in an unsound condition, financially, and the probabilities were that it would become insolvent. What would you do?

Mr. RAND. I believe I explained that. We would keep it from getting that way by our examination by working out the poor assets, by paying in additional money from our holding company into the capital structure of the bank.

Mr. BRAND. Getting back to that surplus fund that you referred to once or twice, where do these member banks of the holding company deposit this surplus fund?

Mr. RAND. For the most part, in the Federal reserve bank where they are members; most of our banks are members of the Federal reserve. There are four or five exceptions. The other banks deposit in their bank correspondents. I would say that very few of them carry more than a third or a quarter of their funds with other members of our own group.

The CHAIRMAN. May I ask a question there?

Mr. BRAND. Yes.

The CHAIRMAN. They do not deposit the surplus funds with your holding company, do they?

Mr. RAND. No; the surplus funds of the holding company are carried on deposit with our own banks and with other banks, and where they are carried on deposit with our larger banks——

The CHAIRMAN. Do you mean the larger banks of your group?

Mr. RAND. The larger banks of your group—the money is placed on call in Government bonds or invested so that it is always kept liquid.

Mr. BRAND. You recognize that there have been criticisms of this group banking?

Mr. RAND. Yes.

Mr. BRAND. Relative to the question whether you want to evade this double liability.

Mr. RAND. The formation of our holding company was in no sense due to the intention to evade the double liability.

Mr. BRAND. But there has been that criticism made, that the holding companies were formed to evade this double liability. Do you deny that that is true?

Mr. RAND. Yes.

Mr. BRAND. For your holding company.

Mr. RAND. We are perfectly willing to have double liability on our holding company stock, so far as that is concerned.

Mr. BRAND. Are your smaller units, located in agricultural sections, supplied with all the money they want and need to carry on their business?

Mr. RAND. I would not say that the small bank is supplied with all the money they want; the small bank receives all that they should have. Sometimes a banker will think that he should have a lot more than he is entitled to. I would say that they are supplied with all the money they need for their legitimate demands to take care of their communities.

Mr. BRAND. Are there other banks in these cities where you have your smaller banks?

Mr. RAND. Yes, sir.

Mr. BRAND. Were they there when you got possession of your banks?

Mr. RAND. Yes.

Mr. BRAND. Are all of them there that were there when you established your group banks in those smaller communities, or have any of them failed?

Mr. RAND. None has failed, to my knowledge.

Mr. BRAND. Then, so far as your group banking business is concerned, you have not interfered with the other banking institutions in cities in which they are located?

Mr. RAND. Not in the slightest.

Mr. BRAND. I want to ask you one other question, along the line that the chairman was questioning you, which is more or less immaterial. As I understand you, the average salary that you pay to your tellers is $150 per month in your smaller banks.

Mr. RAND. I may be somewhat guessing on that. I should think that that would be the average salary. In some of our smaller banks, in a bank of $1,000,000, where we sometimes have a cashier act as teller, I would say as a general rule that $150 a month was about the lowest we paid the teller.

Mr. BRAND. What do you pay your cashier in a $1,000,000 bank?

Mr. RAND. I would say that we pay him between $3,000 and $4,000 a year.

Mr. BRAND. Do you have a vice president and a president in each bank?

Mr. RAND. Not in a small bank like that. A president and a cashier.

Mr. BRAND. What do you pay the president?

Mr. RAND. Very often the position of president of a small bank is an honorary position, but where he is active, we probably pay him $3,000 or $4,000 a year, maybe $5,000. Where the president is active, the cashier would generally not be active.

Mr. BRAND. In the Bank of Snyder, I notice that the resources are about $650,000. In a bank like that, do you have a loan committee independent of the board of directors to pass on loans?

Mr. RAND. That particular bank is practically in a suburb of Buffalo; it is to all intents and purposes a suburb of Buffalo; and that bank is officered by some of our officers of the Marine Trust Co., and they have a loan committee that acts for that bank.

Mr. BRAND. Are you familiar with the merger of the Fourth National Bank in Atlanta with the Atlanta Lowrey National Bank, into the First National Bank?

Mr. RAND. No, sir.

Mr. BRAND. What suggestion would you make in regard to the establishment of a bank in a section where the people themselves are not able to form a bank and where all the banks have failed? Would you suggest that they go in a branch banking system or a chain banking system, or a group banking system?

Mr. RAND. Branch banking system.

Mr. BRAND. A branch banking system can be more economically operated than a group banking system, or chain banking system, can it?

Mr. RAND. Yes, sir.

Mr. BRAND. Do you recommend branch banking because it is safer, or cheaper?

Mr. RAND. It is more economical—that is, for the contingency that you mentioned.

Mr. BRAND. Take a State like Georgia or South Carolina. Georgia, at least, is purely an agricultural State. What sort of a banking system would you suggest for Georgia?

Mr. RAND. I could not offer a suggestion, because I do not know the conditions.

Mr. BRAND. There is nothing there but farmers growing cotton.

Mr. RAND. I would think a branch banking system would be the best; but, as I say, that is only a haphazard answer, not knowing the conditions there.

Mr. BRAND. Then, if Georgia does not have a branch banking law, your opinion is that the State legislature ought to provide for it?

Mr. RAND. I could not answer that unless I knew the conditions better. I think it is unwise to try to answer something where I do not know anything about the conditions in Georgia.

Mr. BRAND. Well, the agricultural classes are depending upon wheat, or corn, or cotton to make a living, and in that State, as well as in the South generally and the West, which is preferable, in your opinion, going into a branch banking system or a group banking system or a chain banking system?

Mr. RAND. I would hesitate to answer that, because I do not know the conditions.

The CHAIRMAN. What is the please of the committee now? It is 12.30.

Mr. WINGO. I would like to ask a few questions. I will have to leave in a few minutes.

The CHAIRMAN. All right; proceed.

Mr. WINGO. You stated, in response to a question from Judge Brand a moment ago, that branch banking is more economical than group banking. Did you mean that in connection with the situation he mentioned down in Georgia, or as a general proposition?

Mr. RAND. I think it is true as a general proposition.

Mr. WINGO. Then why do you not engage in branch banking exclusively, instead of group banking?

Mr. RAND. I thought I covered that in my original statement; that group banking is more economical than independent banking, unit banking, but there are so may other conditions that come up in group banking that are advantageous that, in my opinion, it offsets to some extent the greater economies that might be effected out of straight branch banking. In other words, in group banking you retain many of the benefits of independent unit banking which you might not be able to obtain in straight branch banking. As I said in my statement yesterday, I am not prepared to say which system is preferable, but I think either system is preferable to the independent unit bank.

Mr. Wingo. If the law and the restrictions were identical, do you think then that you would in some instances maintain group banking and in other instances maintain branch banking?

Mr. Rand. So far as our particular operation is concerned, if I might hazard a guess, I would say we would probably go to branch banking.

Mr. Wingo. That is the point I wanted to get at. If we liberalized the law along the line you and the advocates of branch banking insist would be proper, the probabilities are that you would gradually be transformed into a branch-banking system?

Mr. Rand. Yes, sir.

Mr. Wingo. Which would you prefer, the trade area or the State line?

Mr. Rand. I feel that the trade area would be preferable.

Mr. Wingo. What reasons now occur to you, as a practical banker, based upon your own observation and experience, that would make a trade area preferable to a limitation based solely upon the polical lines of a State?

Mr. Rand. Well, I discussed that at length in my statement, and I feel I can only speak for our own situation, because I am not familiar with the other trade areas or trade locations. For our own situation, I would say that New York State and possibly a part of Pennsylvania and a part of New Jersey, as well as a part of Connecticut, following in general the second Federal reserve district, which includes those particular States.

Mr. Wingo. In other words, you have some natural industrial centers which are near State lines, and their trade and business are not limited to the political subdivisions of the country, but covers other States adjacent to those industrial centers and banking centers—that is the gist of your thought on that, I presume?

Mr. Rand. Yes.

Mr. Wingo. Your corporation, as I understand, is a Delaware corporation?

Mr. Rand. Yes, sir.

Mr. Wingo. Where do you hold your stockholders' meetings?

Mr. Rand. Wilmington, Del.

Mr. Wingo. Do you intend to hold your stockholders' meeting there each February, or are you permitted to hold it in Buffalo, if you desire to do so?

Mr. Rand. No; we are not permitted to hold them in Buffalo. We hold them in Wilmington, Del.

Mr. Wingo. I think you would be permitted to hold it elsewhere, but your policy is to hold it at Wilmington and you have been holding it in Wilmington?

Mr. Rand. Yes, sir.

Mr. Wingo. All three of your original incorporators are citizens of Wilmington?

Mr. Rand. Yes.

Mr. WINGO. Under your charter, your holding corporation is permitted to engage in any business that an individual could engage in, except a few functions of a banking nature; for illustration, you are not permitted to receive deposits; you are not permitted to issue a circulating medium; and you are not permitted to buy and sell gold bullion and foreign coins; but is there any other business that you are barred from under your charter?

Mr. RAND. I do not know.

Mr. WINGO. You can do anything that an individual can do except those things which are specifically enumerated in your charter that you are barred from doing, can you not?

Mr. RAND. I could not answer that. I am not a lawyer, and therefore could not answer that. I know that our holding company, the Marine Midland Corporation, is a holding company exclusively engaged in no other business except the holding of bank stocks.

Mr. WINGO. You mean that in practice you are strictly a holding company?

Mr. RAND. Yes.

Mr. WINGO. Is your attorney here?

Mr. RAND. No, sir.

Mr. WINGO. That is my interpretation of your charter, that you can do what any person naturally can do except those things which I have enumerated. I am under the impression, as a country lawyer, that where you enumerate and include certain things in a document that way, that that excludes the others, and the reverse would be true, that where you undertake to give a broad authority except as to certain things, then those few would eliminate from the exceptions all others. But your directors do not have to be stockholders, do they?

Mr. RAND. I do not know—no.

Mr. WINGO. Your directors may alter, amend, add to or repeal any by-law without the consent, knowledge, or approval of the stockholders—is not that true?

Mr. RAND. I could not answer that.

Mr. SEIBERLING. That is true.

Mr. RAND. I believe that is true.

Mr. WINGO. You will find it on page 7 of your printed charter, in article 4:

> To make, alter, amend, change, add to, or repeal the by-laws of this corporation without any action on the part of the stockholders.

That is under the tenth subdivision, giving the powers of your board of directors, and under your charter all your powers are vested in your board of directors, who do not have to be stockholders, and that board of directors in turn may subdelegate all of their power to two members.

Do any of your banks act in a fiduciary capacity?

Mr. RAND. Yes, sir.

Mr. WINGO. Do they loan on the stocks either of the parent corporation or of any of the unit banks in your group?

Mr. RAND. No, sir.

Mr. WINGO. They are permitted to do it, are they not?

Mr. RAND. Our banks are permitted to loan on the stocks of every other bank in the group, but we do not do it. We do have a few loans, but our policy is not to lend upon our own stock, upon the stock of the holding company. We do have a few loans that are gradually being liquidated that hung over from before the time we formed the Marine Midland Corporation. For instance, we took into the Marine Midland Corporation the Union Trust Co. of Rochester, the largest bank in Rochester. Before we took that into the Marine Midland Corporation there were some few loans on the Marine Trust Co. and Union Trust, of Rochester stock, and vice versa. Now, that stock was exchanged for stock in our holding company, but gradually we are eliminating that, so that eventually we will not loan upon our own stock.

Mr. WINGO. Your policy, then, is to avoid what, of course, is obviously a dangerous practice, which would permit pyramiding?

Mr. RAND. Our policy is to treat our holding company as much like an actual bank as we possibly can, and not loan upon our own stock.

The CHAIRMAN. Do you maintain a market for any of your stocks?

Mr. RAND. Do you mean the other stocks of the constituent banks?

The CHAIRMAN. Yes.

Mr. RAND. No.

The CHAIRMAN. Do you maintain a market on the stock of the holding company?

Mr. RAND. We have nothing to do with that. When our company was formed we had a million shares of our stock that were handled by four different firms, and whatever marketing was done was maintained by them, but we have never tried to manipulate the stock or put it up.

The CHAIRMAN. Have you any arrangement for the maintenance of or for making a market for your stock with any of those houses?

Mr. RAND. We have not. The houses themselves are doing it, but it is independently of us.

The CHAIRMAN. Do you have to sell those stocks?

Mr. RAND. No, sir; never.

Mr. WINGO. As to those banks that act in a fiduciary capacity, do they receive on deposit the trust funds of the trust where they are acting in a fiduciary capacity?

Mr. RAND. Yes.

Mr. WINGO. Do they pay the customary interest on that deposit?

Mr. RAND. Yes.

Mr. WINGO. Do they not pay any additional?

Mr .RAND. No, sir.

Mr. WINGO. Do you think that is wise?

Mr. RAND. I do not see how we could discriminate and pay trust funds left on deposit with us more than we pay our regular customers. It would open up all kinds of embarrassing problems for us if we did. Our policy is to treat them all alike, however, paying our trust funds the highest rate of interest we can under the clearing house arrangements in the cities in which we operate.

Mr. WINGO. Do you think a bank should be permitted to be exempt from the ordinary rules governing a trustee where the trustee is an individual? Why should a bank be given preference over an individual in connection with the income to be derived from the handling of trust funds?

Mr. RAND. I can not answer that.

Mr. WINGO. Do you not recognize that that is a sound rule, that the trustee shall not derive any emoluments or profits from the handling of trust funds other than the commissions allowed by law?

Mr. RAND. Yes; I agree with that.

Mr. WINGO. Why should a bank acting in a fiduciary capacity be permitted to profit from handling the trust estate in addition to the regular commissions allowed by law?

Mr. RAND. Of course, we keep most of our trust funds invested at all times; we have very little in the way of trust funds on deposit. Most of them are invested, and most of the trust fees are fixed by law.

Mr. WINGO. But, as to the deposits that are made, you simply treat them as the other deposits bearing interest?

Mr. RAND. I do not know as I understand exactly what you mean. We pay our trust funds the same interest that we pay our other accounts, but we have no bank that I know of that has a uniform rate for all their accounts. Some are savings, some are thrift, some are checking accounts, and the rates vary. We aim to pay our trust funds the largest rate of interest that we consistently can, but we do not favor a trust account over some widow that may have a deposit with us. In other words, it seems to me that we should have a fair rate of interest, pay a fair rate of interest to all of our customers, and, simply because one is a trust account, we should not pay more on that than we would some individual or some poor person or some widow or orphan, and that is the way we try to operate.

Mr. WINGO. Where you are dealing with an individual who comes and voluntarily deposits the funds with you, each one of you, as contracting parties, is capable of protecting the interest of himself; but, on the other hand, where you are acting as trustee for an estate, you are dealing with yourself, and is it not the natural tendency, without any corrupt motive, for anyone who is borrowing money to pay the lowest rate he can pay on it?

Mr. RAND. I think that is true, but in handling our trust estate we pay the largest rate of interest we consistently can, and we have never penalized to the slightest extent because of that contractual relation.

Mr. WINGO. But that results in the trust estate sometimes having to take a lower return than could be safely procured elsewhere.

Mr. RAND. I do not think so. It does not in our case. We invest that money possibly down to $100 or $200. We do not let it lie in the bank at interest.

Mr. WINGO. So your policy is not to take advantage of your power there and accumulate the trust funds and simply pay a current rate of interest on the deposits?

Mr. RAND. I think that would be very wrong.

Mr. WINGO. That would be very reprehensible?

Mr. RAND. That would be wrong. We have never done that.

Mr. WINGO. Your corporation is authorized to do an underwriting business. Have you ever done any of that?

Mr. RAND. No, sir.

Mr. WINGO. Do any of your constituent banks do an underwriting business?

Mr. RAND. Yes.

Mr. Wingo. Do any of your banks buy securities underwritten by your other banks?

Mr. Rand. Yes; our banks do. Where our Marine Trust Co., for example, has a bond issue, we allow participation in that bond issue to our group of banks, and that is one of the benefits of group banking.

Mr. Wingo. Is there not a possible danger there?

Mr. Rand. There may be a possible danger, but I do not see that there is any more danger in buying from the bond department where we underwrite the securities than in buying elsewhere. If they do not buy from us, they will buy from some other bank, and maybe an inferior security, or they will buy from some bond salesman or some bond house, and it might be an inferior security.

The Chairman. I would like to ask, Mr. Rand, whether you invest the trust funds of your customers in securities of your own organization?

Mr. Rand. No, sir; never have done that.

Mr. Wingo. Notwithstanding the authority in your charter, you have never engaged in anything except holding the stocks of your unit banks?

Mr. Rand. Yes.

Mr. Wingo. You have not done any mortgage business?

Mr. Rand. No, sir.

Mr. Wingo. And your holding corporation has not done any underwriting; your banks do that?

Mr. Rand. That is right.

Mr. Wingo. What size community, as a general proposition, do you think would be able to maintain a unit bank profitably?

Mr. Rand. I think a town of 10,000 or 15,000 people could maintain a unit bank profitably.

Mr. Wingo. Where there is a unit bank in a town and there is a manufacturer in that small community who needs more credit, as suggested in paragraph 2 under the heading "Advantages to the depositors" on page 18 of your statement, it is customary now for the independent unit bank to arrange for the handling of that larger credit through one of its correspondents, is it not?

Mr. Rand. Yes, sir; if the correspondent will do it. Very often the correspondent will not take the excess line of the unit bank.

Mr. Wingo. It would not do it unless it were profitable and sound.

Mr. Rand. Unless it were profitable and sound, and unless they happened to have the money.

Mr. Wingo. Would your group take it if it was not profitable and sound?

Mr. Rand. We would not want our member bank to take the loan originally unless it were profitable and sound. If our member bank took the loan, we would assume that it was profitable and sound or they would not have taken it.

Mr. Wingo. You would assume it?

Mr. Rand. We would approve it before it came to us.

Mr. Wingo. In other words, if a loan would appeal to you as being safe and sound, why would it not appeal to the correspondent of the independent unit bank?

Mr. Rand. Their judgment might be different than our own, and it might appeal to the independent unit bank. I do not know—it would have to depend on the individual loan, and you can not answer in advance what it would be.

Mr. WINGO. So the logic of your answer on that point is that the superior judgment of your group system is the determining factor as against the unit bank taking care of that excess credit needed by the manufacturer in a local community?

Mr. RAND. Yes; I would say so.

Mr. WINGO. Under subdivision 3 of the same chapter, on page 19, you say, "The isolated country bank, while professing to have trust and investment departments, has been unable to afford competent officers along such lines." Then you say that through your banking organization there is available to the public such service through the part time of men who are experienced in their respective fields. Do you mean that you send out your different experts to these different unit banks in these small communities?

Mr. RAND. Yes.

Mr. WINGO. As a matter of fact, you exercise considerable supervisory control over the detailed operations of your unit banks, do you not, in order to guarantee the safety and soundness of them?

Mr. RAND. Well, I think I covered that in my answer to Mr. McFadden earlier in the hearing. Our examining committee works with these banks; we get to know how they operate; we get to know whether the loans that they are making are good and sound. We do not require the individual bank to take up with us a loan beforehand unless it is an unusually large loan or unless they are in doubt as to whether they should make the loan.

Mr. WINGO. In other words, it is comparable to this, that in an ordinary, individual unit bank there are certain types and sizes of loans and the operating officer, say the cashier or the active vice president, or president, whoever is the operating head, makes the great bulk of the loans without consulting the board of directors or a loan committee——

Mr. RAND. Yes.

Mr. WINGO (continuing)—and it is the unusual loan that the board of directors or the loan board or committee passes on?

Mr. RAND. Yes, that is correct.

Mr. WINGO. Now, your holding company and its supervisory officers and advisory officers occupy about the same relation to your banks as the directors in the independent unit bank would occupy to the cashier on these current loans?

Mr. RAND. Marine Midland Group (Inc.) does.

Mr. WINGO. And it is only the unusual loan that the operating officer would not act upon?

Mr. RAND. Yes.

Mr. WINGO. In other words, if I walked into a unit bank in one of your towns, and I was a citizen there, and I asked for an ordinary, small loan, nothing unusual in size, and I had an established credit and standing, they would not ask the holding company or its advisory group or board for approval, but if I asked for an extraordinary loan or was engaging in some new venture and wanted to establish some new manufacturing enterprise and wanted a line of credit, the possibilities are that they would get the benefit of your judgment?

Mr. RAND. Yes.

Mr. WINGO. Although the local board would ultimately determine what that would be?

Mr. RAND. Yes.

Mr. WINGO. Now, you have examiners that go around, I understand?

Mr. RAND. Yes.

Mr. WINGO. And they are in close touch with the credit organization of your holding company?

Mr. RAND. With the credit organization of Marine Midland Group (Inc.)

Mr. WINGO. And, for practical purposes, those examined are really traveling credit representatives? They are the agency through which your holding company protects your stockholders against improvident loans or improvident management of your units banks?

Mr. RAND. Yes.

Mr. WINGO. And that control, in your experience, has been effective?

Mr. RAND. Yes.

Mr. WINGO. That is all.

The CHAIRMAN. Before we adjourn, I would like to ask you one or two questions.

You defined your particular trade area as New York State and a certain portion of northern Pennsylvania. Would you acquire any banks outside of that area?

Mr. RAND. Our policy at the present time is not to acquire any banks outside of New York State. We may some time later wish to change that, but we are not going outside of New York State at the present time.

The CHAIRMAN. There is nothing in your make-up to prevent you from acquiring a bank in San Francisco if you want to, is there?

Mr. RAND. No, sir.

The CHAIRMAN. Now, the presentation of Mr. Lord, of Detroit, the other day embodied a statement as regards their stock holdings. For instance, he told us what per cent of his stock was held in Detroit, what per cent was held in New York, and what per cent was held in other parts of the country. Have you your stock ownership classified so that you could give us some idea as to where your stockholders are?

Mr. RAND. Yes, sir.

The CHAIRMAN. Would you put that in the record at this point?

Mr. RAND. It is covered in my statement. Our stock is held in 45 different States.

The CHAIRMAN. If that is already in the record, I do not want it repeated, but if you have it by States, I would like to have it. Have you separated the amount that is held in New York City?

Mr. RAND. Yes.

The CHAIRMAN. If you would put that in also, we will appreciate it, and, without objection, that will be placed in the record at this point.

(There was no objection, and the statement referred to is reproduced below.)

Distribution of Marine Midland Corporation stock on April 10, 1930

State and place	Number of stockholders	Total shares
New York:		
Buffalo	6,505	2,891,844
New York City	2,667	877,911
Rochester	1,555	249,067
Troy	534	102,650
Niagara Falls	967	231,297
Binghamton	184	31,788
Tonawanda	194	115,455
North Tonawanda	169	84,210
Lockport	372	62,315
Johnson City	80	11,457
Lackawanna	57	1,535
Jamestown	120	16,653
East Aurora	83	8,664
Cortland	126	8,296
Albion	47	1,864
Snyder	116	3,458
Total Marine Midland cities	13,776	4,698,464
411 other communities	2,191	287,778
Total New York State (427)	15,967	4,986,242

State	Number of communities	Number of stockholders	Number of shares
New York	427	15,967	4,986,242
Alabama	2	2	35
Arizona	1	1	10
Arkansas	1	1	50
California	22	112	29,161
Colorado	5	11	2,025
Connecticut	40	200	12,351
Delaware	6	15	4,348
District of Columbia	1	38	5,979
Florida	19	36	10,264
Georgia	4	8	18,008
Illinois:			
Chicago	1	371	44,371
Other	56	137	10,614
Total	57	508	54,985
Indiana	13	43	37,908
Iowa	19	60	1,208
Kentucky, Louisville		6	150
Louisiana, New Orleans		2	164
Maine	38	136	4,017
Maryland:			
Baltimore	1	88	12,890
Other	10	17	892
Total	11	105	13,782
Massachusetts:			
Boston	1	720	69,463
Other	164	1,006	25,190
Total	165	1,726	94,653
Michigan:			
Detroit	1	35	3,533
Other	16	31	12,368
Total	17	66	15,901

NOTE.—There are many communities tributary to Marine Midland cities whose figures are not included in Marine Midland cities totals.

Distribution of Marine Midland Corporation stock on April 10, 1930—Contd.

State	Number of communities	Number of stockholders	Number of shares
Minnesota	12	56	3,850
Mississippi	1	3	200
Missouri	2	15	2,355
Montana	2	6	280
Nebraska	4	12	450
New Hampshire	26	92	3,066
New Jersey	71	449	78,785
North Carolina	7	11	3,888
New Mexico	4	5	236
Ohio:			
Cleveland	1	74	11,101
Other	34	85	11,429
Total	35	159	22,530
Oklahoma	3	4	275
Oregon	2	16	520
Pennsylvania:			
Philadelphia	1	230	18,341
Other	111	201	60,532
Total	112	521	78,873
Rhode Island:			
Providence	1	140	4,766
Other	16	74	841
Total	17	214	5,607
South Carolina	3	4	56
South Dakota	1	1	5
Tennessee	4	9	926
Texas	7	19	1,445
Utah	1	1	5
Vermont	23	74	4,579
Virginia	13	27	3,196
Washington	11	60	3,394
West Virginia	4	6	206
Wisconsin	10	49	3,379
Wyoming	1	1	10
Total United States (45)	1,226	20,857	5,509,356
Foreign:			
Canada	26	71	13,673
England	2	9	1,090
Hawaii	1	1	100
West Indies	1	1	10
Total, foreign	30	82	14,873
Grand total	1,256	20,939	5,524,229

The CHAIRMAN. Will it be convenient for you to come back at 2.30?

Mr. RAND. I will if you want me to. I had planned not to, but I will if you desire.

The CHAIRMAN. I think there are other members of the committee that would like to question you. Perhaps we could make it at 2 o'clock, if that would help you any.

Mr. RAND. As I said, I place myself in your hands. I will stay here as long as you want me to; I will be glad to.

The CHAIRMAN. Then I suggest that we recess until 2.30 o'clock this afternoon.

(Thereupon, at 12.55 o'clock p. m., a recess was taken until 2.30 o'clock p. m.)

AFTER RECESS

The hearing was resumed at 2.30 o'clock p. m. at the conclusion of the recess.

STATEMENT OF GEORGE F. RAND—Resumed

The CHAIRMAN. The committee will come to order.

Mr. SEIBERLING. I should like to ask the witness just a few questions. By the way, are you going to put the articles of incorporation and by-laws in the record, Mr. Chairman?

The CHAIRMAN. They were placed in the record yesterday.

Mr. SEIBERLING. I just wondered if you wanted it in; and how about the exhibits that go with it? He has Schedules Nos. 4 and 5.

The CHAIRMAN. They also have been placed in the record.

Mr. SEIBERLING. Mr. Rand, I notice on page 3 of the articles of incorporation, paragraph 8, that your corporation has the right to deal in its own shares to the extent, however, that it can not impair its capital. That is correct, is it?

Mr. RAND. Yes, sir.

Mr. SEIBERLING. In your statement of December 31, 1929, you show a surplus of $19,670,000. It would have been possible on that date to have had invested in your holding company stock, holding company funds of over $19,000,000?

Mr. RAND. The surplus of the 17 banks of the Marine Midland Corporation as of December 31, 1929, was $19,670,000 not the surplus of the holding company. The holding company as of that date had cash on hand or in transit of $57,157,689.71. The only stock we have purchased of our own is eight or ten thousand shares for our employees, as employees' stock. I think the amount, as of January 1, was not over two or three hundred thousand dollars.

Mr. SEIBERLING. That is not the question I asked you. Under your set-up it would have been possible to have invested over $19,000,000 in your own stock if you had wanted to?

Mr. RAND. We had the right to do it, but we did not do it. That is common to Delaware corporations—investing in their own stock.

Mr. SEIBERLING. You have an executive committee provided for of five members?

Mr. RAND. Yes, sir.

Mr. SEIBERLING. And, of course, they control the activities of your company between meetings of the board of directors?

Mr. RAND. Yes.

Mr. SEIBERLING. And you have a provision that a majority shall control so that, as a matter of fact, it makes it possible for three men in your organization to control the whole organization between meetings of the board?

Mr. RAND. It does in theory, but actually the company is simply a holding company and does not take any action of any importance without a full board meeting, although under the by-laws, we have that power.

Mr. SEIBERLING. Of course, that is your present practice, but you do not have to continue to run it that way and neither does your successor?

Mr. RAND. That is common with banks and with most corporations. During the absence of the board, the men on the executive committee—a majority of them—are in control.

Mr. SEIBERLING. You do not have to make any reports, as a banking company?

Mr. RAND. We are not a banking company, but a holding company.

Mr. SEIBERLING. In accordance with your charter and by-laws, you are not a banking company?

Mr. RAND. That is correct.

Mr. SEIBERLING. But, in reality, you are a tremendously big banking company?

Mr. RAND. No; we do not do any banking.

Mr. SEIBERLING. You run a great many banks.

Mr. RAND. The Marine Midland Corporation of Delaware does not run any banks. It is simply a holding company to hold bank stocks.

Mr. SEIBERLING. When you hold stocks, your holding company, in reality, runs the banks?

Mr. RAND. Not the holding company; no. We have a separate company, the Midland Group (Inc.) under which the banking business of this company operates; that is, we do not do any banking business or perform any banking function, but the explanation and all functions I mentioned this morning are handled by a sort of clearing-house group of the various banks themselves—the presidents of these various banks acting as the Marine Midland Group (Inc.).

Mr. SEIBERLING. That is true; but your holding company sits away up on top and directs all of them, does it not?

Mr. RAND. It does not direct them.

Mr. SEIBERLING. It has a right to direct them, though?

Mr. RAND. The holding company does not have the right to do business in New York State and does not do business there.

Mr. SEIBERLING. It owns the capital stock of all the banks?

Mr. RAND. Yes, sir; but it does not actually do any business. It transacts no business, but simply holds the stock of the banks and receives the dividends and pays out dividends.

The CHAIRMAN. May I ask a question right there?

Mr. SEIBERLING. Yes.

The CHAIRMAN. It has no other income?

Mr. RAND. Except from the cash which it has on hand—forty or fifty million dollars.

The CHAIRMAN. Except the income it receives from that?

Mr. RAND. Yes, sir; it has no other income.

Mr. SEIBERLING. Just one more question along that line: Then, while you own all of these banks—substantially all the capital stock—you have here the sheet showing the proportionate part of the capital stock you own, showing an average of 93.83 per cent——

Mr. RAND. Yes, sir.

Mr. SEIBERLING. You own 93.83 per cent of all the banks of the group and yet you contend you are not in the banking business?

Mr. RAND. We are not in the banking business, as a holding company; no.

Mr. SEIBERLING. You make no reports as a holding company to the State or to the Federal Government—you are not subject to call for any reports?

Mr. RAND. No; but we have voluntarily offered to the banking department of New York State to permit them to examine our company at any time and recently a bill has been passed in the New York State Legislature and the House, and I believe signed by the governor in the last few days, which would put our holding company under the banking department for examination; so, from now on I believe the bank holding companies in New York State will be subject to examination by the New York Banking Department.

Mr. SEIBERLING. You are familiar with living trusts and trusts under wills, I take it?

Mr. RAND. Yes, sir.

Mr. SEIBERLING. Under this set-up, it will be possible, at future times—25 or 50 years from now—to have all of the stock of this holding company deposited in trusts of one kind and another and the holding company run by men without a dollar's interest in the company?

Mr. RAND. No, sir.

Mr. SEIBERLING. It would be possible?

Mr. RAND. I do not see how.

Mr. SEIBERLING. Under the set-up, it would be perfectly legal?

Mr. RAND. I do not know. I am not a lawyer, and can not answer that.

Mr. SEIBERLING. You do know that a director does not have to have any stock?

Mr. RAND. Yes, sir.

Mr. SEIBERLING. And a member of the executive committee does not have to have any stock?

Mr. RAND. No, sir.

Mr. SEIBERLING. If three men on the executive committee can control the company, then it would be possible to have your stock trusteed and three men run the holding company without any ownership of stock?

Mr. RAND. In theory it would be possible, but not in practice to-day. I do not see how much difference it would make under the requirement that the three men should own 10 shares each—the difference between owning 30 shares of stock out of 5,500,000 shares and owning none—the difference is so small that it reduces it almost to the point of absurdity. As a matter of fact, the directors that are on the executive committee are very large stockholders—they are the largest stockholders in the Marine Midland Corporation. I suppose, in theory, you could take a bank like the National City Bank and work out the proposition you have submitted, and have the directors, owning ten shares of stock each out of five or six million shares of the National City Bank, control the whole bank.

Mr. SEIBERLING. Do you thing it is a good thing to have such a large company as you have here controlling so many banks and so many deposits of the people, and upon whom the people depend for their money to do business, controlled by three men who have no interest in the company and who do not even have to live in the State of New York?

Mr. RAND. Three men do not control the company.

Mr. SEIBERLING. I am not asking that. Would you think that would be a good thing if such a thing should be done?

Mr. RAND. If such a remote contingency arose, I think it would be a very bad thing, but it is almost impossible.

Mr. SEIBERLING. As long as you are managing this holding company, with the views you have expressed here, I have no doubt it would be all right, but looking into the future, do you think that legislation should be passed permitting such a possible situation as I have just described to you?

Mr. RAND. I think the situation is so remote that no legislation of that kind would be needed. The same contingency you mentioned, you could work up for any large corporation or any great bank. The same think could be true of the Chase Bank and the National City Bank or any other great institution.

Mr. SEIBERLING. You do not think a banking institution is comparable with any large industrial company, do you?

Mr. RAND. No; but the same banking institution is comparable, in some respects, to our holding company, and the same contingency you mentioned is perfectly possible in connection with any bank you can mention.

Mr. SEIBERLING. I just want to ask a few questions along another line. You had the Lackawanna Steel in Buffalo recently?

Mr. RAND. Yes, sir.

Mr. SEIBERLING. And that consolidated with the Bethlehem Steel Co.?

Mr. RAND. Yes, sir.

Mr. SEIBERLING. Did you do business with the Lackawanna at that time?

Mr. RAND. Yes, sir; and we still do.

Mr. SEIBERLING. Now, the consolidation—I do not want to dig into the affairs of that company, but the consolidation of that company with the Bethlehem—what effect did that have on the banking situation in Buffalo, not only as to deposits, but as to the transfer of stock, trusteeship of bonds, and those things that were necessary in the actual financing of the company?

Mr. RAND. In that particular company it did not have so large an effect, except a Buffalo man who was president of it is no longer president, and the directors' meetings are no longer held in Buffalo. That stock, before the merger with the Bethlehem, if I remember correctly, was already listed on the New York Stock Exchange.

Mr. SEIBERLING. You are familiar with the contest going on between Cleveland and New York now in reference to the Youngstown Sheet & Tube Co.?

Mr. RAND. Only from newspaper reports.

Mr. SEIBERLING. Do you know that just now, probably for the first time in this country, as far as I know, a Cleveland house is underwriting debentures for an Akron company amounting to $30,000,000? That is very unusual, is it not?

Mr. RAND. I would not say that it was unusual for a Cleveland or Chicago house to underwrite a large bond issue.

Mr. SEIBERLING. Is it not desirable that we keep these sections, like Buffalo, Cleveland, and Chicago, in a position so that they can underwrite securities for companies in their own territory?

Mr. RAND. I think that is very desirable.

Mr. SEIBERLING. Why do you think it is desirable? I just want to get your reasons for it.

Mr. RAND. Well, I think it is desirable because it diversifies the large financial transactions and spreads them out over the country as a whole. It builds up in these large cities like Chicago, Detroit, and Buffalo, and Cleveland big houses who can do a big underwriting business. It retains money and business in those localities that otherwise might be concentrated in another locality.

Mr. SEIBERLING. Incidentally, it also gives the lawyers of those centers something to do?

Mr. RAND. Yes, sir.

Mr. SEIBERLING. And insurance agents something to do?

Mr. RAND. Yes, sir.

Mr. SEIBERLING. And the trust departments of banks something to do in the way of registering bonds and collecting coupons, and there is not any real reason why New York should do all the business of that character in the country, is there?

Mr. RAND. No. Generally, when a big issue is handled by a house in Cleveland, Buffalo, or Chicago, or Detroit there are New York partners taken into the picture.

Mr. SEIBERLING. I think that is all.

The CHAIRMAN. Mr. Busby.

Mr. BUSBY. On page 7 of your statement, headed "The Midland Group (Inc.)," you say the Marine Midland Corporation is purely a holding corporation organized under the laws of Delaware and transacting no business in the State of New York?

Mr. RAND. Yes.

Mr. BUSBY. In the same paragraph you state that for the purpose of affording certain advantages you mention there the Marine Midland Group (Inc.) was organized under the laws of New York as a management company.

I take it that you refer to the Marine Midland Group (Inc.) as being a different organization from the Marine Midland Corporation, the one originally mentioned?

Mr. RAND. Yes; we formed the Marine Midland Group (Inc.), organized under the laws of the State of New York, which is a small company with a moderate capital, which does these things mentioned in that paragraph.

The CHAIRMAN. Under the corporation laws or under the banking laws?

Mr. RAND. Under the corporation laws.

Mr. BUSBY. So the Marine Midland Corporation and the Marine Midland Group (Inc.) are two distinct bodies?

Mr. RAND. Yes.

Mr. BUSBY. One organized under the laws of Delaware and the other under the laws of New York?

Mr. RAND. Yes. That is done entirely for matters of taxation.

Mr. BUSBY. Well, what stocks or evidences of ownership in the Marine Midland Group (Inc.) do you have outstanding? What is it, in other words, anyway?

Mr. RAND. The Marine Midland Group (Inc.) is in reality a sort of clearing-house arrangement or group arrangement of various banks with a capital, I believe, of $3,000. It is a very nominal capital. Each of the presidents of the individual banks is a director in the Marine Midland Group (Inc.). The expenses of the Marine Midland Group (Inc.) are nominal. The only expenses they have are the paying of the examining committee, the paying of the investment experts that we have, and the handling of whatever group advertising is being done by the group. In effect, it is like a clearing-house arrangement of a city, where the banks chip in and pay the clearing-house examiners and pay for whatever expenses may come up.

Mr. SEIBERLING. Who owns the $3,000 stock?

Mr. RAND. The $3,000 stock is owned by the trust companies that can own the stock. In case the member bank can not own the stock, it is owned by the president of that bank. That amounts to from $30 to a few hundred dollars in each case.

Mr. BUSBY. What relation does this body have to the other body—the holding corporation?

Mr. RAND. The holding company is simply a holding company to receive dividends and pay out dividends. Some of the directors of the Marine Midland Group (Inc.)—the key directors—are also directors in the Midland Corporation, and from time to time the executives and directors of the Marine Midland Corporation confer with the directors of the Marine Midland Group (Inc.).

Mr. BUSBY. This organization is the agency that handles the business, largely, of the main holding company, is it not?

Mr. RAND. Yes.

Mr. BUSBY. It is merely the contact agent between the holding company and the individual banking units in your system?

Mr. RAND. Yes.

Mr. BUSBY. You say you have $57,000,000 cash that belongs to the holding company?

Mr. RAND. That was at the first of the year—yes.

Mr. BUSBY. How do you keep that cash invested—or is it invested?

Mr. RAND. I explained that this morning. Were you here?

Mr. BUSBY. Yes; I was here.

Mr. RAND. That is deposited among the various member banks and other banks.

Mr. BUSBY. And do those banks pay interest on that?

Mr. RAND. They pay interest upon that deposit. The banks that that money is deposited in keep that money in Government bonds or call loans—keep it liquid.

Mr. BUSBY. What do you think of an independent bank making money in a town of six or seven or eight thousand people—an average city of that size?

Mr. RAND. That is just about the border line in my own feeling. I feel a bank in a city of ten or fifteen thousand population—an independent bank—would have a chance to get along fairly well.

Mr. BUSBY. Suppose you have several banks in a town of that size—say three?

Mr. RAND. That makes it that much more difficult.

Mr. BUSBY. What about a town of four or five thousand people having its own independent bank?

Mr. RAND. It would have very hard sledding in a town of that size.

Mr. Busby. Does your managing board, representing the holding company, arrive at policies that should be put into effect by the banks in your system?

Mr. Rand. That is largely arrived at by the dicetors of the Marine Midland Group (Inc.) rather than the directors of the holding company.

Mr. Busby. Is that the institution we were talking about awhile ago?

Mr. Rand. Yes; the management company.

Mr. Busby. I believe it was Mr. Lord who, in his statement the other day, told us about "approved policies" that had been decided upon by the managers of his holding corporation. So the Marine Midland Group (Inc.) decides on "policies" for your institutions? How is the decision passed down to the several banks?

Mr. Rand. For each bank, a member of the group—the president of the bank is a director in the Marine Midland Group (Inc.). He attends the meetings of the Marine Midland Group (Inc.); he enters into the discussions and knows what is going on and when he goes back to his own bank, the policy decided on he carries back to his own bank and puts it into effect in his own bank.

Mr. Busby. Suppose the directors of his bank do not agree with him?

Mr. Rand. That has not arisen so far.

Mr. Busby. But suppose it does arise?

Mr. Rand. He discusses that with his directors. That has not arisen so far, however.

Mr. Busby. Do you think the time will ever arrive when the separate banks in your group will refuse to accept these policies decided on by the Marine Midland Group (Inc.)?

Mr. Rand. We would welcome that. If the directors of our bank in Rochester, for example, which is the largest bank in Rochester, a big bank, should feel that the Union Trust Co. of Rochester should operate under a different policy than the Marine Midland Group feel they should, we would go down there and have a meeting with those directors and thresh the matter out and discuss it, and if they convinced us, we would do what we thought was best; and again, maybe we would convince them. It is all a matter of discussion and conference. The larger banks in our group are well-run and the matters of policy are pretty well defined. They have operated much the same policies as we have, and they are working together in that respect. There has been, so far, no conflict in that respect.

Mr. Busby. Whom do your examiners represent? Who selects them, and to whom do they report?

Mr. Rand. The examiners are selected by the directors and officers of the Marine Midland Group (Inc.). They report direct to the officers of the Marine Midland Group (Inc.).

Mr. Busby. Is there only one individual from each group that is a member of the organization that controls the Marine Midland Group (Inc.)?

Mr. Rand. In some banks we have more than one.

Mr. Busby. How many members are in it?

Mr. Rand. About 25. We have about 17 banks. We had 18 banks, but we are merging two. We have 17 banks and the larger banks have more representatives than the smaller banks. We have at least one from each bank.

Mr. BUSBY. Does this organization employ economists and statisticians to keep them advised as to the situation of finance throughout the country, as well as your business?

Mr. RAND. It does in respect to the purchase of securities in our bonds and investments. We have experts along that line.

The Marine Trust Co. is a large bank of $300,000,000 resources. We have our own statistician and economist in the Marine Trust Co. That function has not been taken over by the group, as yet. Later on, undoubtedly it will.

Mr. BUSBY. Is it your belief or not that the credit of the country should be in proportion to the needs of commerce and business of the country?

Mr. RAND. Well, I certainly do.

Mr. BUSBY. Suppose, through our banking system and method of handling financing the credit is extended greatly in excess of the proper needs of the business of the country: What, in your judgment, would be the result?

Mr. RAND. That is difficult to say. I think the law of supply and demand will operate in banking the same as it does in any other line.

Mr. BUSBY. Do you not think the recent collapse of the stock market was due largely to the fact that the agencies for creating securities and bonds and putting them on the market, and especially through the individual bond salesmen, who went to the individual person and solicited, and sold bonds, created such a great supply of bonds and stocks throughout the country that credit was extended far beyond any business needs of the present time, and that that is what caused the collapse in finances recently?

Mr. RAND. I do not feel qualified to state why the collapse occurred and what caused it. I have heard so many different angles on it and so many different agencies blamed for the smash, that I think anyone who would try to put his finger on the cause is a very brave person. I do not feel qualified to express an opinion on that.

Mr. BUSBY. Of course, these investment houses underwriting syndicates are bound to depend on stocks and bonds being handled in quantity in order to have a big business, are they not—in order to make money?

Mr. RAND. That is a little out of my line, and I do not feel qualified to state anything on that.

Mr. BUSBY. You have some of those organizations in your institution?

Mr. RAND. We handle bonds and handle the underwriting of bonds, but I have not seen how the underwriting of good, high-grade bonds, such as we do, has created an oversupply, or has had a contributory cause to the stock-market crash.

Mr. BUSBY. I will take but two or three minutes more. Suppose, as we have witnessed in this city, perfectly desirable buildings constructed by reason of the fact that an underwriting syndicate has made it possible to supply the funds with which to place the bonds of that building on the market: The building is not needed, but it is a good building. The bonds are sold to the public, and then the building is not used. It is a good building, and the public loses what it has invested in the bonds, by reason of the building being sold out under a first trust to pay off a part of the first-mortgage bonds. Could you not see, under circumstances like that, where easy money, being made available by underwriting syndicates, would be a detriment to the people and to business?

Mr. RAND. I think you are getting back to the law of supply and demand again.

Mr. BUSBY. I am not dealing with that now. I am looking at the situation created by the underwriting syndicates and these investment companies. I think they have gone far beyond the requirements according to the law of supply and demand in furnishing credit.

Do you not think that kind of condition would be detrimental to the people—business stability?

Mr. RAND. If you had a condition that caused the creation of more production than you need, that might be detrimental, but I think that might be just one of the many other contributing causes. I do not see how you can pin it onto any one agency.

Easy money may be conducive to speculation, but it is only one of the great many other contributory causes, and it is hard to put them in their proper relationship. You can read volumes on it and study it until you are dizzy, but I can not, in my own mind, pin it down to any one cause.

The CHAIRMAN. Mr. Rand, I should like to ask two or three questions before I defer to Mr. Fort, on the organization of your group.

In the organization of your group, what was the motivating cause that prompted it? Was it the business in your section, or particular trade area, that demanded improved service, or was it to strengthen the local banking situation, or was it that you and your associates saw an opportunity to progress from a banking standpoint?

Mr. RAND. I think that is the real reason—possibly a combination of all three. As I said this morning, many of our customers are growing larger and becoming stronger and requiring larger lines of credit and carrying larger balances with us, and many spreading out through our trade area and we desired to strengthen our position in our territory. We desire to strengthen the position of a number of the smaller banks who were having increasingly difficult sledding.

As I said in my statement yesterday morning, several times in the last year or two, at the request of the State banking department, we have aided State banks and kept them from failing in two or three instances.

The CHAIRMAN. If the laws of the State and Nation had permitted you to organize as a branch banking institution, would you have organized as a group, as you have?

Mr. RAND. I think not. I think we probably would have organized as branches, although I think the group system provides an admirable transitional stage.

The CHAIRMAN. In regard to the purchase of these various banks, do you believe that the price at which the stock was bought by your company, represents a fair capitalization of the earning power of the units?

Mr. RAND. Yes.

The CHAIRMAN. Is it not true that some of the prices paid have been such that the returns must, necessarily be low for some period of time?

Mr. RAND. That is probably true. Of course, our corporation was formed in October or September of last year, when all bank stocks were selling on a very high basis. We ignored, as far as we possibly could, the market value of the stocks, and took into consideration mainly the earning power and asset value, liquidating value, and the communities in which they were, in arriving at the basis on which we exchanged stock for the various banks.

The CHAIRMAN. In listening to the testimony of others, as well as yourself, under the group plan, I am impressed with the thought that where these companies are well managed they are successful and probably advantageous to the community, as well as to the men who are running the institution, but in view of the possibilities of the future and possible changes in management, do you not think that we, Representatives in Congress here, with legislation in mind, should take into consideration the question of maximum and minimum as to the size of these groups and the territory they should cover; in other words, this particular plan of group or chain banking—and there is quite a similarity between the two—has had a variety of experiences in this country. It has been clearly demonstrated that where it is in strong hands it has succeeded, but in weak hands it has usually failed. Do you not think there should be some limitations placed in order to protect the public?

Mr. RAND. I think there should be limitations as to territory. I do not see how or why you should limit the size of these groups any more than you limit the size of large banks in New York or Chicago. I do not see why they should be——

The CHAIRMAN. In other words, you think you have as good a right to have a big bank in Buffalo as they have to have a big bank in New York City?

Mr. RAND. Yes, sir.

The CHAIRMAN. And in serving your particular trade area, if the business of the trade area requires it, you should have the opportunity of taking care of the business of that particular territory, without regard to the size of your institution?

Mr. RAND. Yes, sir.

The CHAIRMAN. Supposing that branch banking were authorized now, would you probably convert into a branch-banking system or continue under your present form?

Mr. RAND. Of course, that is a difficult question to answer. My feeling is—and speaking only for myself and not for my board of directors—I would prefer to see us in a reasonable time convert into a branch-banking system.

The CHAIRMAN. Now, in regard to your holding companies, the Delaware corporation, which is the Marine Midland Corporation, which is the holding company of these stocks of banks in your group, who votes that stock at the annual meetings?

Mr. RAND. The stocks of the various banks?

The CHAIRMAN. Yes.

Mr. RAND. That is voted by the officers of the Marine Midland Corporation of Delaware.

The CHAIRMAN. You designate certain officers?

Mr. RAND. Yes, sir; designated at the board meeting, as to the voting power of the stock.

Mr. SEIBERLING. Who votes the stocks held in your companies and trusts, and various corporations, banks, and so forth, held under wills—who votes that?

Mr. RAND. As a rule, our policy under that is that unless we have a large block of stock in any individual corporation we do not vote them. If we have a couple hundred shares of United States Steel Corporation stock in one trust, we do not vote that stock unless our coexecutor desires us to. If we have a very large block of stock in a certain corporation and the management of that corporation is good and the company is making progress, our trust department brings it before the executive committee of the trust company and we vote it in favor of the management. We try to put ourselves in the position that the person naming us trustee was himself before he died.

The CHAIRMAN. What would be your view on the question of examination of affiliated companies, either by the Comptroller of the Currency of national banks, or the superintendent of State banks in connection with State banks?

Mr. RAND. I think they should be examined.

The CHAIRMAN. You would be in favor of that?

Mr. RAND. Yes, sir.

The CHAIRMAN. You do not have any examination by the corporation department of the State of New York over your New York company, do you?

Mr. RAND. No, sir.

The CHAIRMAN. That is, the group company?

Mr. RAND. Yes, sir.

The CHAIRMAN. Do you have to make any reports to the department covering your operations of that group?

Mr. RAND. To what department?

The CHAIRMAN. To the corporation department of the State of New York.

Mr. RAND. I do not think we do.

The CHAIRMAN. Let me ask you one or two other questions pertaining to the expenses of the Marine Midland Corporation of Delaware.

Is there any expense attached to the operation of that company?

Mr. RAND. A nominal expense.

The CHAIRMAN. Any salaries of officers?

Mr. RAND. A few salaries of officers.

The CHAIRMAN. How about the Marine Midland Group (Inc.)—the New York corporation?

Mr. RAND. The Marine Midland Group (Inc.) pays only salaries to its bank examiners and its bond experts, or where we have, in a number of cases, taken a man from the Marine Trust Co. who spends part time with the group and part time with the Marine Trust Co., his salary is prorated.

The CHAIRMAN. How is that money furnished to the group company?

Mr. RAND. Each bank chips in, and we take our expenses for the quarter, and each bank contributes in proportion to its deposits.

The CHAIRMAN. The officers and directors of the Marine Midland Co. of Delaware and the officers and directors of the Marine Midland Group (Inc.)—their salaries are paid by the banks, are they not?

Mr. RAND. The directors get no salary. The officers of the Marine Midland Group (Inc.)—the only salaries they get are those who are employed full time in the examinations and in a supervising capacity.

Now, there are one or two officers there in the Marine Midland Group (Inc.) who receive part of their salary from the group and part from the bank in which they serve. For instance, we have an officer who serves as president of the Marine Midland Group (Inc.), Mr. Becker. He was receiving a moderate salary at the Marine Trust Co. When he went to the Marine Midland Group his salary was adjusted and paid in proportion to the work that he did for the group and the trust company. So there is no double salary. There is no double salary and there is no desire on the part of those forming the group to give large salaries.

The CHAIRMAN. The salaries of the officers of the two holding companies that are affiliated——

Mr. RAND. The officers' salaries of the Delaware corporation are very nominal.

The CHAIRMAN. And deducted from the dividends they receive?

Mr. RAND. Yes, sir; deducted from the income of the corporation, dividends and interest.

Mr. FORT. Unfortunately, I missed a great deal of Mr. Rand's testimony on account of having to attend to other duties. I do not want to duplicate, and hope you will call my attention to the fact if I should happen to.

We have asked other witnesses, Mr. Rand, who have been here representing other groups, whether they believed that there were any legal regulations of group banking that we should adopt if we are to recognize it legally at all. What is your view on that?

Mr. RAND. I think that probably the territory should be defined. It is hard to give an off-hand opinion on that. I had not thought of it——

Mr. FORT. When you say the territory should be defined, you mean similarly to the suggestion of the comptroller, for instance, as to branch banking, through trade areas?

Mr. RAND. Yes, sir.

Mr. FORT. Some such basis of definition?

Mr. RAND. Yes, sir.

Mr. FORT. You men who have been running the companies are so much better posted than we are as to the hazards there may be in bad management through your personal observation of it, we have asked the other gentlemen if they would not tender a memorandum of their views as to what, if any, form of regulation it may be wise for Congress to consider, applicable to group, chain, and branch banking.

Mr. RAND. I shall be glad to do that.

Mr. FORT. For advisory use.

Mr. RAND. I shall be glad to do that.

Mr. FORT. In your handling, Mr. Rand, if your fiduciary business, is that so handled that the trust companies which act as trustees, or banks having trust departments, earn directly or indirectly any profit whatever other than the statutory commissions?

Mr. RAND. None whatever.

Mr. FORT. Do they buy secruities from the security affiliates of the bank?

Mr. RAND. No, sir.

Mr. FORT. They always buy outside?

Mr. RAND. Yes, sir.

Mr. FORT. And bank outside?

Mr. RAND. No, sir. We discussed that this morning at some length.

Mr. FORT. Then I will not go into that any further.

Mr. RAND. We keep very little on deposit of our trust funds. Most of it is immediately invested.

Mr. FORT. Have you expressed your views on branch banking as a policy?

Mr. RAND. Yes; I expressed them at length in my original statement.

Mr. FORT. I saw that. Have you gone into the question as to whether branch banking should be permitted—that is, the establishment of branches should be permitted—in competition with existing unit banks?

Mr. RAND. We have not discussed that.

Mr. FORT. What would your view on that be? Let us take one of the small towns that Mr. Busby spoke about: If there is a unit bank in a town of five or six thousand, should the Marine Trust or any large institution, in a neighboring town, be allowed to go into that town with a branch?

Mr. RAND. I should say no. I think the way to handle that would be the way the national banking department and State banking department handle it now. If we had national branch banking and the Marine Trust wanted to start a branch in a certain town, whether they should be allowed to start the branch should be in the discretion of the banking department, who would investigate the banking conditions there and see whether the town would be better served by a branch bank, and it should not be permitted if there is proper service there.

Mr. FORT. That is difficult to do as long as you have a dual system, naturally.

Mr. RAND. If you have State and national banks?

Mr. FORT. Yes. I speak as one coming from New Jersey. We had a situation there three or four years ago where it seemed almost for a time that there was competition between the State department and the national department to see who would authorize the most banks.

Mr. RAND. I have understood that the State banking department of New York State and the national department were cooperating pretty well on matters of that kind.

Mr. FORT. That always depends upon the personality at the head of the departments?

Mr. RAND. Yes, sir.

Mr. FORT. We had a situation where that did not work out so well, and we had to get rid of our commissioner. Consequently, as long as that dual control in that matter does not have access to a court of appeals, you are faced with that bad situation?

Mr. RAND. Yes, sir.

Mr. FORT. That leads to another question. Do you see any real excuse in America for a dual code of banking; that is having both national and State codes working side by side, or would we be better off with a single code?

Mr. RAND. Well, that is a large understaking to answer.

Mr. FORT. I notice that the bulk of your banks are State chartered?

Mr. RAND. Yes, sir.

Mr. FORT. All but two.

Mr. RAND. We have two or three national banks.

Mr. FORT. Is that the result of preference in setting up the organizations or does it happen that the banks you wanted were so incorporated in the first place?

Mr. RAND. There is no intention to discriminate against national banks; it is simply a condition that exists in New York State to-day. We have not changed any banks from State to National or from National to State.

Mr. Fort. Is that because you are indifferent in your choice between the two sets of laws or because you did not want to disturb the status quo?

Mr. RAND. I feel I personally would prefer to operate, at the present time, under a State charter, but not to the extent, if we had a good national bank or had a number of them, we would have them change over to State institutions. We would prefer to keep them as national banks.

Mr. FORT. That interests us here because we are considering, as a part of all this, some reference to the weakness or point of strength of the national code in distinction to the State codes.

You say you think you would prefer the New York State code. What are the reasons for that?

Mr. RAND. In the first place, we can be a trust company which we can not be under the national code. We can be a national bank with trust powers, but as a trust company under the State law, we have broader power in mortgage loans, etc. Our preference is not strong——

Mr. FORT. Is it in any way influenced by the fact that State institutions—trust companies—can buy and sell stocks which the national banks can not do?

Mr. RAND. Not to any extent.

Mr. FORT. Do you think that is a wise power for a bank to have?

Mr. RAND. I do not think a bank should deal in stocks.

Mr. FORT. Either for itself, for its own account, or as an underwriter?

Mr. RAND. I do not say as to underwriting.

Mr. FORT. It may be for itself, for its own account?

Mr. RAND. Our trust companies have never underwritten stock. Occasionally we offer a high-grade preferred stock, but I do not know, in the last three or four years, when we have offered stock.

Mr. FORT. Do you have a securities affiliate?

Mr. RAND. No. I explained that this morning at length.

Mr. FORT. Have you been asked about the question of segregation of savings deposits?

Mr. RAND. No.

Mr. FORT. We have been trying to find out the views of bankers on whether or not savings deposits ought not to be segregated as to investment and made preferred creditors of a bank as against commercial deposits. What is your view on that?

Mr. RAND. I think it would be unwise.

Mr. FORT. Some States have gone so far as to forbid joint operation even in the same building. You see no reason for elevating the savings deposits accounts to a higher level of security than the ordinary account?

Mr. RAND. No.

Mr. FORT. In your institution, do you permit your subsidiary banks to make collateral loans on the stocks of the Marine Midland Corporation itself?

Mr. RAND. I discussed that this morning. Our policy is not to make loans on our own stocks. As I said this morning, when we formed our group last October, the Marine Trust Co. was loaning perhaps on the Union Trust Co. of Rochester stock and vice versa. We are working that out and taking on no new loans.

Mr. FORT. It would be, perhaps, a wise regulation, if we regulate this matter at all, to prohibit such loans except after a reasonable period of time after the organization of the group?

Mr. RAND. I should be in favor of that.

Mr. FORT. In our banking laws now, we limit the amount that can be loaned to an individual borrower to a certain percentage of the bank's surplus and resources. Modern loaning having become so much a matter on collateral rather than on names, have you ever considered the question as to whether a similar limitation on percentage of loans on any one single collateral might or might not be desirable?

Mr. RAND. That is a question I would have to think about a little. I am inclined to say that I think it would be desirable but, on the other hand, it depends on the security. For instance, if a banker were limited to an amount of United States Steel common or preferred stock it could take, it might work a hardship, whereas it might take a great deal of that stock profitably rather than take a lot of little dabs of second-rate companies. It is rather a difficult matter to legislate on. Some regulation might be worked out that might be beneficial.

Mr. FORT. It has always seemed to me, as a banker, and looking into this question, that many of our most serious troubles in these banks has come from loans on frozen securities. I think every bank has had its troubles with that and possibly some regulation of it might be in the general public interest and in the interest of the banks themselves in the long run.

Mr. RAND. It would have to be worked out carefully because, as I say, some banks could take a great deal of a great big nationally known company that enjoys a good market, and a regulation of that kind might hurt a bank that way. I think some regulation along that line, taking that into consideration, might be advisable.

Mr. FORT. The factor of ready marketability might enter?

Mr. RAND. Yes, sir.

Mr. FORT. I guess you have heard, as we have, that the only place to buy control of a company is to go to one or two banks and get it, and they would be glad to let you have it.

Did you discuss this morning the question of how you set up your directorates in your local banks?

Mr. RAND. Yes.

Mr. FORT. You keep them local?

Mr. RAND. Yes.

Mr. FORT. The stock which they hold to qualify them is your stock?

Mr. RAND. No, sir; it is theirs.

Mr. FORT. For the time being?

Mr. RAND. In some cases it is owned outright by the individuals, and, in a few other cases, we have an agreement to repurchase the stock from them.

Mr. FORT. An enforceable agreement at your option?

Mr. RAND. Yes, sir; only a few cases.

Mr. FORT. So, you could disqualify a director overnight, by making him give up his stock?

Mr. RAND. I think that that is not our case; that we have an option to buy the stock of the director upon his death. We agree to buy it from his estate, but he can own it until his death.

Mr. FORT. I would like to see a copy of the agreement, because that is a very interesting situation.

Mr. RAND. We have no arrangement whereby we can disqualify a director overnight.

Mr. FORT. Have you any arrangement in a bank where there is any substantial minority interest for representation of that minority interest?

Mr. RAND. In all our banks we own at least 93 per cent of the stock and there is practically no minority interest.

Mr. FORT. I thought you showed in one of these documents 12 per cent outstanding in the Fidelity Trust Co.?

Mr. RAND. That was in the process of taking over. Now I believe we have 96 per cent in that institution.

Mr. FORT. Well, on the general principle of group banking or some group institution having in some cases only control or something over control, would you feel it was desirable or undesirable for us to consider the idea of providing for minority representation?

Mr. RAND. I should think the group bank itself would want the minority interest on the board.

Mr. FORT. That would depend upon the sincerity of the group management to some extent and its purposes.

Mr. RAND. I should think that might be incorporated in the regulations.

Mr. FORT. What is your arrangement as to your security affiliates, such as you have in your institution—you lock the stock of the security affiliates so it can only be sold as part of the stock of the bank itself?

Mr. RAND. Both of our security affiliates were not of our own forming. They had been formed when we took over the bank, and we have arrived at no policy as to them.

Mr. FORT. Have you given any thought as to the wisdom, from the general banking angle, of permitting the tying up of non-banking stock as a unit with a bank stock and marketed the same way?

Mr. RAND. I do not believe I understand that.

Mr. FORT. Is it not possible that, through bad fortune or speculative efforts, or something else, of a security affiliate, when the stock is tied in with it, as a market factor, that a great lack of confidence in the bank itself might come from a collapse of the stock value?

Mr. RAND. That might be possible.

Mr. FORT. And is it not putting an entirely fictitious view in the public mind of the value of bank stocks, as bank stocks, to include the market price of the stock of the corporate affiliate, as some are?

Mr. RAND. I could not answer that question. We are making a study of that now. Some of these securities companies are able and well run, and their business fits in admirably with the banking business.

Mr. FORT. That is the next question I wanted to ask. Just what advantage do you think it is to a bank to have its own securities affiliate?

Mr. RAND. It is a tremendous advantage in that it is a valuable by-product of the bank's own business. What we are up against, not having a securities company of our own, is that some affiliated security company of a New York bank or a Chicago bank or some other bank, will go to one of our customers and underwrite a bond issue for him, and the first thing we know that customer will be going to that other bank. Furthermore, the bank, by its close contact with the customs and through accounts, is very often in a position to guide its capital requirements and developments better than some outside agency that comes in.

Of course that opens up a field for a great deal of discussion and a great deal of study and thought.

Mr. FORT. That is all on the theory that investment and commercial banking are now so close that it is difficult to find the line of demarcation.

Mr. RAND. That is true; there is a great deal in common.

Mr. FORT. But if no bank had security affiliates, the first hazard you spoke of, namely, losing your accounts to the bank whose security affiliate would be financing, would not obtain?

Mr. RAND. Of course what might happen there—I am speaking offhand—and as I said I have not given the possibility very much thought, and it requires a great deal of thought; if a bank did not have a security affiliate, some officers or directors of a bank might organize one on the side and they might reap a very large profit out of operating a security company and the profits of that company would go to the individuals instead of to the banking institution where it rightfully belongs. As I say, that is a subject for profound study and it is a big subject.

Mr. FORT. I have operated one myself and I know something about it, but not for a bank.

You see no hazard in the affiliation between an investment house and a bank of possibly getting your bank loaded with some frozen things?

Mr. RAND. There again you get back to the management of the bank and the investment company. There is that possibility, but you can get loaded and frozen with other things than that.

Mr. FORT. You think there is no greater tendency to get loaded when they own the affiliate itself through circumstances arising from bad management than there is getting loaded at the hands of other customers?

Mr. RAND. I do not think so—perhaps not as much.

Mr. FORT. I think that is all.

The CHAIRMAN. I should like to ask you if you see any danger in this quite recent development of mixing commercial and investment funds?

Mr. RAND. I do not see any; no.

The CHAIRMAN. Of course, in England they keep the two quite separate.

Mr. RAND. Separate the savings deposits from the——

The CHAIRMAN. No; I did not mean that. For instance, you have in banks short-time money and long-time money. You have cash and you have credit. Short-time funds are mixed in with long-time investments, and long-time investments are mixed in with short-time funds. The thing is becoming quite mixed; in other words, we are mixing our commercial and our investment banking to an extent that it makes available, when not controlled, funds, for instance, for speculative purposes, like last fall or the past two years, in speculating operations. There were all the funds available that anyone would want to play the market with by the mingling of those funds and making them available for any particular movement and without any segregation of the short-time funds and the long-time funds. For instance, savings are long-time funds and invested in securities, and the short-time funds are supposed to be liquid. Do you think there is any danger in that, or do you think it is a proper and ethical banking movement, or do you think we should stop, look, and listen when we mix commercial funds with long-time investments?

Mr. RAND. I do not see how you can very well differentiate those funds. I do not see any real danger. I think the way the various banking institutions came through this crash was really remarkable.

I am afraid that any radical change in handling or segregating those funds might be more dangerous than the evil you are attempting to cure.

The CHAIRMAN. Let me ask you this, quite aside from that question: The movement toward consolidations in groups and branches is pretty active just now. Returning to the question of Mr. Fort—and the suggestion, I think, was brought about by the testimony of other witnesses—to the question of regulation of these movements, is it your practice, when you take over a bank, to consult with the banking superintendent or the Comptroller of the Currency, or do you acquire the institution without taking it up first with the banking superintendent or the comptroller?

Mr. RAND. As a rule, we have conferred with the banking superintendent or the Comptroller of the Currency. We have conferred more with the superintendent of banks, because most of the banks have been State banks, and we have been in a little closer contact with the State banking department than with the Comptroller of the Currency, and in a number of cases, where we thought there was any question that might arise in the mind of the Comptroller of the Currency or in the mind of the State superintendent of banks, we have conferred with them.

The CHAIRMAN. Under the present movements is it possible for a weak group or mercenary group to take over control of many banks without consulting the Comptroller of the Currency or the banking superintendent?

Mr. RAND. It is possible.

The CHAIRMAN. It seems to me there should be some check on that temporarily while this movement is running so rapidly. For instance, I was furnished with information the other day that indicated to me a group which apparently did not have sufficient financial backing was considering taking over some 200 banks in one of the States of the Union, and they could proceed to do that without consulting the banking superintendent or the comptroller. So while that movement is as active as it is now, it seems to me some temporary check should be placed on it either through the State banking department or through the comptroller's officer. What would you think of a regulation like that, before these groups can extend, that they must get permission of the Comptroller of the Currency or of the State superintendent of banks?

Mr. RAND. I think these groups should be under the jurisdiction of the State superintendent or the Comptroller of the Currency, or both; and that, in taking over banks, that should be one of the functions of the comptroller or the State banking department to pass upon the stability and strength of the various holding companies. That would overcome the objection you mentioned.

The CHAIRMAN. We could probably reach most of those by providing a regulation in the national law in regard to membership in the Federal reserve system to prohibit membership if their business was not conducted in that manner by first getting the consent of the Comptroller of the Currency or the banking superintendent.

Mr. RAND. I think the Controller of the Currency or the superintendent of banks, or both, should have the power to prevent a holding company that had not passed their requirements or is not the type of holding company that they feel a bank should be owned by—I think they should have the power of preventing that holding company from taking over the bank.

The CHAIRMAN. Mr. Dunbar.

Mr. DUNBAR. In your testimony, Mr. Rand, you stated that one of the means of economic reforms and activities in the substation banks you acquired, was to cause them to have less actual cash in their safe, and you instructed them to deposit some of that money in the Federal reserve bank.

Now, the Federal reserve bank pays no interest. Did you mean to make that statement?

Mr. RAND. Yes; our banks have to carry a certain amount on deposit with the Federal reserve banks anyway. We have certain requirements as to the money we have to carry wit hthe Federal reserve banks. If we take money out of the tellers' windows and from out of our own vault and put it there, that releases other money which we will have to invest in Government bonds or to put in other banks where we do get interest on it.

Mr. DUNBAR. Is your Marine Midland Corporation a member of the Federal reserve system?

Mr. RAND. No, sir; it could not be.

Mr. DUNBAR. How many of the substation banks are members of the Federal reserve system?

Mr. RAND. Ten of our banks are members of the Federal reserve system. The other eight are not, but those eight, for the most part, are very small banks.

Mr. DUNBAR. Would your corporation be permitted to be a member of the Federal reserve system?

Mr. RAND. No.

Mr. DUNBAR. No bank holding company would be permitted to be a member of the Federal reserve system?

Mr. RAND. Not under the present law.

Mr. DUNBAR. Now, you stated that you deposited this money in the Federal reserve bank and it would release credit to you that would enable you to make money.

Mr. RAND. Yes, sir.

Mr. DUNBAR. In the Federal reserve bank you are required to carry a certain amount on deposit for reserves, and you get no interest for that?

Mr. RAND. Yes, sir.

Mr. DUNBAR. Have these banks that you advised to deposit their surplus money in the Federal reserve bank been depositing their money there?

Mr. RAND. Yes, sir; they have been.

Mr. DUNBAR. Then, why deposit any more there when you get no interest on it, but could get interest on it by depositing it in other banks?

Mr. RAND. In other words, this is what we were doing: We were taking money that they were holding in the bank in the tellers' windows and in the vault, and on which we were drawing no interest, and we deposited that money in the Federal reserve bank, and that released money that was in the Federal reserve bank so that we could use that in buying Government bonds or in placing it in banks where we did get interest.

Mr. DUNBAR. But why not use the money that you saved from the tellers' windows and held in your vault for that purpose, instead of swapping the money?

Mr. RAND. We took the money that we were getting no return on, and placed it where we got return; in other words, we could have taken the money we had in the tellers' windows and put it in other banks and gotten a return on it.

Mr. DUNBAR. But you get no return on any money in the Federal reserve bank over and above your lawful reserve that you are required to keep there?

Mr. RAND. No, sir.

Mr. DUNBAR. I wish you would explain how it was possible to get money from money you put into the Federal reserve bank.

Mr. RAND. We took money that was idle and put it in other banks. We had money in the Federal reserve banks, and we replaced that money by money that we saved by the methods I mentioned.

Mr. DUNBAR. You put the money in the Federal reserve and you released the money in the Federal reserve bank to other banks?

Mr. RAND. Yes, sir.

Mr. DUNBAR. I thought you loaned more money and took the paper and rediscounted it and continued to pyramid it?

Mr. RAND. No, sir.

Mr. DUNBAR. The same effect could be effected by depositing the money directly into other banks instead of putting it into the Federal reserve bank?

Mr. RAND. Yes, sir.

Mr. DUNBAR. Now, Mrs. Pratt this morning, brought out the point in reference to your establishing a bank in the city of New York so that you there might take care of your customers who would naturally leave you and go to other banks there and she said the thought was new to her and possibly the trust companies would fall into that habit and the chairman said perhaps they would, and I think Mr. Wingo said after they got there they would be swallowed up by the banks in the city of New York. Is not that a possibility?

Mr. RAND. That is a possibility, but——

Mr. DUNBAR. In other words, are we not going right toward centralization and everything of that sort?

Mr. RAND. No, sir; I think it is going the other way.

Mr. DUNBAR. You think the business is decentralizing?

Mr. RAND. No, I think our plan of banking decentralizes banking control away from, for instance, one center. I think it means stronger banks in the Northwest and stronger banks in Detroit and stronger banks in Buffalo and decentralizes the banking business.

Mr. DUNBAR. Then, by buying this bank in New York City who made your bank in Buffalo stronger?

Mr. RAND. Yes, sir.

Mr. DUNBAR. Has this bank in New York more capitalization than your bank in Buffalo?

Mr. RAND. No.

Mr. DUNBAR. The resources of your bank in Buffalo are available for this bank in New York?

Mr. RAND. No, sir.

Mr. DUNBAR. If your customers were transferred to a bank in New York City not as strong as your bank in Buffalo, I should think there would be a little hesitancy—I should think they would go to the stronger bank.

Mr. RAND. I thought I covered that this morning.

Mr. DUNBAR. Perhaps you did, and I will look it over.

Now, this morning, you said you sold securities in self defense, and Mr. Luce thought it was not wise to do so. These securities which you sold in self defense—what do you mean by that? Does that mean people you are doing business with issue bonds, and you buy them and sell them?

Mr. RAND. Our Marine Trust Co. has 150,000 customers. They are coming to their banker and asking him for information about securities. They are coming to us and asking us to find or secure certain securities for them, so our bond department in our Marine Trust Co. is selling securities to our own customers, the same as other banks throughout the territory are doing.

Mr. DUNBAR. You do that as much as an accommodation to your customer as yourself, because they expect you to do that for them?

Mr. RAND. Yes, sir

Mr. DUNBAR. Do you encourage your substation banks to become members of the Federal reserve system?

Mr. RAND. We have not changed the banks that have gone into our group. If they are members of the Federal reserve, we want them to remain members of the Federal reserve. So far, we have not adopted a policy. I should say, however, our policy is to have our large banks, particularly, members of the Federal reserve system.

Mr. DUNBAR. Why should not the smaller banks be members?

Mr. RAND. Well, we allow our banking boards a very large degree of local autonomy and where the board of directors of the local bank wish to become a member of the Federal reserve system, we encourage it and sometimes they have not wished to become a member of the Federal reserve system and we have not interfered with the local autonomy that they cherish.

Mr. DUNBAR. You are a believer in the Federal reserve system?

Mr. RAND. By all means. I am a director in the Buffalo branch of the Federal reserve.

Mr. DUNBAR. To what extent will these holding companies interfere with the Federal reserve banks?

Mr. RAND. I do not think they will interfere.

Mr. DUNBAR. You believe the holding company will encourage most of the substation banks to be members?

Mr. RAND. Yes, sir.

Mr. DUNBAR. All of your national banks are members of the Federal reserve system, of course?

Mr. RAND. Yes, sir.

Mr. DUNBAR. You have to deal, in doing business with your industrial companies, you have to deal in a great many of their bonds and stocks, do you not?

Mr. RAND. Not in stocks. We occasionally buy some of their bonds.

Mr. DUNBAR. Now, to what extent do you think that our industrial system is being encouraged to promote their business beyond requirements, by reason of the easy credit which exists throughout our country most of the time?

In my district I have seen more failures of industrial plants due to the fact that when they get on easy street and make $100,000 they want to make $500,000; and they begin to expand and their credit was good, and before they knew of it they got in deep water. Would you call that a fault of the banking system out there as much as anything else?

Mr. RAND. I have not had experience out in your territory, so I really can not answer that.

Mr. DUNBAR. You watch all the people you lend money to very carefully, of course?

Mr. RAND. Yes.

Mr. DUNBAR. That is one of the advantages you claim for group banking?

Mr. RAND. Yes, sir.

Mr. DUNBAR. Is there any legislation, in your opinion, going to solve this problem? I have been coming here every day and the longer I come the more confused I get. Could we have any national legislation that would affect group banking all over the United States to apply to it?

Mr. RAND. Yes; if Congress would put it into effect, it would.

Mr. DUNBAR. If Congress put it into effect, the States could pass laws in respect to group banks and they might antagonize, might they not?

Mr. RAND. I really could not answer that question.

Mr. DUNBAR. We have our State banks, which are antagonizing our national banks, and it seems to me we would have different laws in different States respecting group banking that would not be in harmony with the national act. For instance, take the matter of taxation: In your State of New York you only pay one-tenth the tax on your capital we have to pay out in Indiana. It is just a matter of State law. The laws of the State of New York are especially applicable to all bank stocks and all capital. Out in Indiana the bank stock is assessed as capital, surplus, and undivided profits, and then pays tax at 4 per cent.

The States are not in harmony in their dealing with banking institutions and the States could enact laws which are not in harmony with our Federal law so long as they remain within the State.

You believe, even under this situation that will exist, that the Federal Government could enact a holding company group bank law that would be made effective throughout the country?

Mr. RAND. As far as it applied to Federal reserve banks or national banks. I could not answer your question fully because it is a legal question, and I am not a lawyer.

Mr. DUNBAR. I infer from your testimony that you are broad-minded and you believe branch banking has a place just as well as group banking?

Mr. RAND. Yes.

Mr. DUNBAR. You spoke about group banking should be established in cities above 10,000, because you said unit banks could flourish in towns between 10,000 and 15,000—could prosper?

Mr. RAND. Well, I said in answer to the question as to how large a city should be to start an independent bank, the city should be approximately 10,000 or above. I think that is correct.

Mr. DUNBAR. Now, it would be your opinion, if we had a Federal group law—and for that matter we could have a State law on the subject—in all probability the unit banking system will disappear?

Mr. RAND. No, sir; I do not think so. I think we will always have unit banking.

Mr. STRONG. I wanted to ask you a few questions about the organization of your holding company. As I understand, the first authorization was for $10,000,000 capital.

Mr. RAND. Ten million shares authorized.

Mr. STRONG. At a value of $10 par?

Mr. RAND. $10 par.

Mr. STRONG. And that stock was used in exchange for stock of the group banks?

Mr. RAND. Only a part of it. If you read the original statement, it gives the whole history of that.

Mr. STRONG. I wanted to ask some questions and wanted to lay the foundation.

Mr. RAND. About 3,800,000 shares were issued in exchange for the stock of various banks.

Mr. STRONG. How many banks were in the group when it was first formed?

Mr. RAND. When it was first formed there were 16 banks.

Mr. STRONG. Was that the start of your group?

Mr. RAND. Yes, sir.

Mr. STRONG. Now, what arrangements are made as to the exchange of the stock of the banks for the holding company stock?

Mr. RAND. I explained that while you were out. We worked out a plan with all the various banks, taking into consideration their earnings, asset value, liquidating value, and the market value of the stock at the time, and the prospects of the bank and the locality in which it was located.

Mr. STRONG. When you take in new banks, what procedure do you go through?

Mr. RAND. The same.

Mr. STRONG. What I am asking is whether the banks that first created the holding company did not have the advantage of making their own deals as to the proportionate amount of holding company stock they should have for the stock of their exchanging bank, and when the other banks come in, you do not scrutinize them very carefully, and perhaps make a less generous proposition with them.

Mr. RAND. We carefully refrained from that. We were afraid we would be open to that criticism, and besides it would not be fair and it is not fair.

We go through exactly the same procedure when we take over a bank as we did when we formed the group.

Mr. STRONG. Is the amount of stock larger in amount—than the combined amount you hold in the banks?

Mr. RAND. It is, in number of shares, but the stock we exchange for the stock of the bank coming in is probably about equal in value for the bank stock that we are receiving.

Mr. STRONG. Of course, the bank stock you are putting out at first has really no value until you get control of the banks for which the stock is issued; it is only paper. You issue that for the stock of the bank?

Mr. RAND. Yes. No stock has been issued except for cash or bank stock.

Mr. STRONG. Do you issue a proportionately larger amount of the stock of the holding company than the stock of the bank you take in?

Mr. RAND. No; for instance, we have outstanding at the present time approximately $55,000,000—five and one-half million shares at $10 par. The combined capital of these various banks is $28,025,000. Their surplus and undivided profits are over $40,000,000. The combined capital surplus and undivided profits of the banks is $70,-159,000.

Mr. STRONG. Capital and surplus?

Mr. RAND. Yes, sir. The issue in exchange was five and one-half million shares, approximately, of new stock, of $10 par, or $55,000,000.

Mr. STRONG. What is the stock of the holding company worth?

Mr. RAND. It is selling for approximately $45 a share.

Mr. STRONG. That is four and one-half times the original value of the stock?

Mr. RAND. Yes.

Mr. STRONG. There are considerable paper profits in that?

Mr. RAND. When we took over the various banks, their own stock was selling from three to eight times their book value. When we took over the Marine Trust Co., the stock was selling for $1,200 a share, and had a book value of about $150 a share.

My position on the market value of the stocks of these banks has been that I am not interested in the market values. The market values are created by conditions over which we have no control.

Mr. STRONG. You have control over the profits; if you make a good profit you increase the value of the stock.

Mr. RAND. By increasing the earning power of these various banks, and that is all we have been interested in doing.

Mr. STRONG. You have been organized about four or five months?

Mr. RAND. We organized September, 1929.

Mr. STRONG. Have you paid any dividends yet?

Mr. RAND. Two—30 cents a share each.

Mr. STRONG. How do the earnings compare to those dividends?

Mr. RAND. We are earning about $2 a share.

Mr. STRONG. Quarterly?

Mr. RAND. No; per year. Our stock is selling on a higher yield basis than the average New York bank stock; that is, it is not selling as high as the average New York bank stock.

Mr. STRONG. Do you intend to confine your operations to the State of New York?

Mr. RAND. That is our intention at the present time.

Mr. STRONG. Have you some banks in Canada?

Mr. RAND. No.

Mr. STRONG. You say it is your intention to stick to the State of New York?

Mr. RAND. Yes.

Mr. STRONG. Does your charter provide you can go outside of the State of New York?

Mr. RAND. Yes.

Mr. STRONG. You do not intend to do that?

Mr. RAND. At the present time we do not intend to. We may change our minds later.

Mr. STRONG. I presume you do not want to take into your group any bank that does not make money.

Mr. RAND. The only banks we have taken in that do not make money are banks that we feel in the future will make money. A bank that does not make money is a poor bank, and we do not want to take them in.

Mr. STRONG. What is your scheme or your proposition in these holding companies? What do they provide in the way of taking care of the small towns or small businesses?

Mr. RAND. I thought I covered that in my original statement.

Mr. STRONG. Maybe you did, but I will not keep you very long.

Mr. RAND. I have discussed that so much to-day I hardly know where to commence. We, of course, try to build up the local communities.

Mr. STRONG. Mr. Seiberling says that your argument was that branch banking was necessary to take care of that situation.

Mr. RAND. In the very small town I think that branch banking is necessary.

Mr. STRONG. Then you think branch banking is preferable to your system of banking?

Mr. RAND. I should say if branch banking were permissible in New York State, or if Congress would amend the law and make branch banking legal, the chances are that we would favor the branch system.

Mr. Strong. You would convert to a branch banking?

Mr. Rand. Our inclination would be to do that.

Mr. Strong. Are you in favor of the suggested trade area plan of branch banking?

Mr. Rand. Yes.

Mr. Strong. What trade area would your group of banks belong to?

Mr. Rand. As I said previously, I feel that the second Federal Reserve District would just about suit our trade area; that is, New York State, parts of New Jersey and parts of Pennsylvania and part of Connecticut.

Mr. Strong. Do you think your group would be able to dominate the banking in that trade area?

Mr. Rand. No.

Mr. Strong. Are there other groups?

Mr. Rand. Yes; there are other groups.

Mr. Strong. Organized along your lines?

Mr. Rand. Somewhat along our lines?

Mr. Strong. How many banks are in your group?

Mr. Rand. Seventeen.

Mr. Strong. That is including branches?

Mr. Rand. No. I think the 17 banks operate 68 branches.

Mr. Strong. They are State banks mainly that have these branches?

Mr. Rand. State and national. I think there are four national banks and the balance State banks.

Mr. Strong. National banks have no branches outside of the State in which the bank is located?

Mr. Rand. No, sir; that is against the law in New York State and national banking laws. Some national banks have branches inside of the city but not outside.

Mr. Strong. The real purpose of organizing your group is to have branches outside of the city in other parts of the State or States in your Federal reserve district?

Mr. Rand. That is one of the purposes.

Mr. Strong. If your group continues for 5 or 10 years, do you think you will be able to dominate the Federal reserve bank in your territory?

Mr. Rand. No; it would be ridiculous to think we could dominate the Federal reserve bank.

Mr. Strong. You have dominated the other banks in that territory, have you not?

Mr. Rand. No; there are some pretty strong banks in our territory.

Mr. Strong. You started about five or six months ago and you have 68 banks now.

Mr. Rand. No; 17 banks.

Mr. Strong. But you have 50 or 60 branches?

Mr. Rand. Thirty-four branches in Buffalo, but there are other banks in Buffalo that have almost as many as we have.

Mr. Strong. That is pretty good progress in that short time?

Mr. Rand. We have added only one in the last two or three years in Buffalo.

Mr. Strong. Now, you have 17 banks in this original group controlling about 70 branches. Do you contemplate you will take in a great many more banks and branches?

Mr. RAND. Not indiscriminately. We might add three or four banks a year, but we are not——

Mr. STRONG. Are you contemplating that those banks will each have a number of branches?

Mr. RAND. We can not tell that.

Mr. STRONG. How many other groups in that trade area that you refer to—how many other groups have branches like you have?

Mr. RAND. I could not answer that offhand. There is one at Syracuse, the Bank of Manhattan of New York City, and others in New York State.

Mr. STRONG. Do you not really believe as a practical proposition in ime there will be a uniting of some of those groups, as a natural onsequence?

Mr. RAND. There may be. I do not know.

Mr. STRONG. It is reasonable to suppose there will be?

Mr. RAND. I could not say.

Mr. STRONG. You would say it is reasonable to believe that?

Mr. RAND. I would not say that, even.

Mr. STRONG. If there were, and those banks up there would unite in these groups, don't you think they would have a dominating influence in the control of the Federal reserve bank?

Mr. RAND. No; I think there are too many banks in New York State to have any one group have any appreciable influence on the Federal reserve.

Mr. STRONG. I was suggesting there would be a combination of banks down to two or three groups and if that should happen, I think there would be a domination of the Federal reserve bank. One of the things I am worrying about in this new changing banking system of ours into chain, group, and branch banking, is whether or not, during the course of the years, there will not be such a combination of banks that they will dominate and control the Federal reserve banks. Everybody knows that if banking should be centered in one or two groups in each Federal reserve district, they would exert a tremendous influence on the Federal reserve banks.

Mr. RAND. I can not see any danger of that in New York State. I do not know the conditions outside of New York State. I can see no danger in New York State at present or future of one or two or three groups dominating the Federal reserve bank in New York State.

Mr. STRONG. Have you ever attempted to solicit any other banks to join your group?

Mr. RAND. No, sir; they have come to us.

Mr. STRONG. Unsolicited?

Mr. RAND. Yes. We might solicit them in the future. We would never use any force or coercive methods to get banks to join our group.

Mr. STRONG. Mr. Wakefield and Mr. Decker held out that statement to us, and yet before they got home we got a letter from a considerable group insisting they had used persuasive measures that might be described as practically force to bring certain banks into the group. Do you realize that if that were done it would be a serious proposition?

Mr. RAND. Yes.

Mr. STRONG. Just one more question: Do you not that if combinations of banks are allowed to spring as rapidly as your system is growing, and the one at and St. Paul and St. Louis and San Francisco and thro country, eventually we are going to have a control of n credits in this country by a few groups?

Mr. RAND. No; I think the country is so large and the pro the groups could have in proportion to the total resource growth and strength of the country—I do not believe any g can dominate or attempt to dominate in the country.

Mr. STRONG. We have had group banking only a few months, a they are controlling hundreds of banks in their groups and domina ing and controlling the banking business in their territories.

If those strides are maintained, in the course of a few years it seems to me there is serious danger of a control of money and credits in various territories of the United States and which will, in turn, lead to amalgamation of such interests, and what I am afraid of is that, through combinations of group banking, chain banking, and branch banking, we will have a control of money and credits in the country that will be a dangerous thing for the Nation.

Mr. RAND. I do not think you will have anything to fear on that.

Mr. STRONG. Naturally, having formed a successful combination of banks, I imagine you would not be fearful of it, and as long as you are at the head of them, probably there should not be any such fear, but our lives are short and when men get into power they become selfish, and it has been the history of the world that the greatest domination of a nation is money and credits. They dominate armies, and we said during the war "that men win battles, but money wins wars."

That is all I care to ask.

The ACTING CHAIRMAN (Mr. Seiberling). We thank you very much for your testimony, Mr. Rand. The committee will stand adjourned until Tuesday, April 29, 1930.

(Whereupon, at 4.20 o'clock p. m., the committee adjourned, to meet at 10.30 o'clock a. m., on Tuesday, April 29, 1930.)