

# **MONEY TRUST INVESTIGATION**

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## **INVESTIGATION**

**OF**

## **FINANCIAL AND MONETARY CONDITIONS IN THE UNITED STATES**

**UNDER**

**HOUSE RESOLUTIONS NOS. 429 AND 504**

**BEFORE THE**

**SUBCOMMITTEE OF THE COMMITTEE ON  
BANKING AND CURRENCY**

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## **PART 6**

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**WASHINGTON  
GOVERNMENT PRINTING OFFICE**

**1913**

**SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY,  
HOUSE OF REPRESENTATIVES.**

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# MONEY TRUST INVESTIGATION.

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SUBCOMMITTEE OF THE  
COMMITTEE ON BANKING AND CURRENCY,  
HOUSE OF REPRESENTATIVES,  
*New York, N. Y., Thursday, June 13, 1912.*

The subcommittee met at 11.15 o'clock a. m. in room 328, Custom-house Building.

Present: Messrs. Pujó (chairman), Brown, Stephens, Daugherty, Byrnes, Neeley, Guernsey, and Heald.

Present also: Samuel Untermyer, Esq., of New York, N. Y., and Edgar H. Farrar, Esq., of New Orleans, La., counsel for the subcommittee.

## TESTIMONY OF MR. JAMES B. MABON—Continued.

Mr. UNTERMYER. Will you be good enough to describe the method of the exchange—its machinery—as to the listing of bonds and securities other than stocks?

Mr. MABON. The method is for an application to be made to the stock list committee. Mr. Martin, may I have those requirements?

Mr. UNTERMYER. I would like, if you please, to have the printed list of requirements as to the bond listing and the debenture listing and note listing.

Mr. MABON. I have them here, yes.

Mr. UNTERMYER. Please produce the printed list of requirements.

The witness produced the paper requested, which was offered in evidence by Mr. Untermyer, and marked "Exhibit 30½, June 13 1912," and is here printed in the record, as follows:

EXHIBIT No. 30½, JUNE 13, 1912.

COMMITTEE ON STOCK LIST,  
*New York Stock Exchange, March 2, 1908.*

This committee will meet every Monday at 3.30 p. m. in the room of the committee.

An application signed by an executive officer of a corporation must be filed with the secretary of the exchange, and on notice from him six additional printed or typewritten copies must be filed on or before the Wednesday prior to date set for its consideration.

Every application must be accompanied by a check for \$50 for each \$1,000,000 or portion thereof of the par value of each class of security. Check should be drawn to the order of "Treasurer of the New York Stock Exchange," and will immediately become the property of the exchange.

## REQUIREMENTS FOR ORIGINAL LISTINGS.

## RAILROAD CORPORATIONS.

Application for an original listing of the securities of a railroad company shall recite the title of the company, date of organization and authority for same, amount of authorized capital stock and amount issued, par value, rate of dividend; voting power: if full or partly paid; if personal liability attaches to ownership; if preferred stock is authorized whether cumulative or noncumulative, and nature of preference as to dividend, voting power, and distribution of assets; location and route of road; description of property and total mileage in operation; contemplated extensions; total equipment; amount of mortgage lien, date of maturity, and rate of interest; amount of other indebtedness or liability, jointly or severally, for leases, guarantees, rentals, and car trusts, and terms of payment thereof; distribution of securities; disposition of proceeds of sale; name and location of transfer agent and registrar; address of main office of company, list of officers and directors (classified), date of annual meeting, end of fiscal year; agreement with the exchange to publish annual reports, to maintain a transfer office in New York City, and to give at least 10 days' notice in advance of the closing of the books for any purpose.

## BONDS.

Application must recite the full title of the bonds, denominations, amounts of authorized and outstanding issue, date and maturity; amount applied for and numbers, with a full description of the bonds, names of trustees, rate of interest, when and where payable; whether the bonds are subject to redemption by sinking fund or otherwise; terms of exchange or convertibility, if any, into other securities; whether issued in coupon or registered form, or both, and if the latter, whether they are interchangeable; if coupon bonds only are issued, whether they have privilege of registration as to principal; purposes of issue and disposition of proceeds; terms of issue of additional amounts as provided for in the mortgage or trust deed. Special clauses in the mortgage reciting terms of issue and redemption, and restrictions or limitations of unusual character should be outlined.

A tabulated statement must be furnished with the list of properties owned, acquired, and operated by the company, showing those covered by the mortgage or other indenture under which the bonds are issued; those covered by prior liens; bonded indebtedness of acquired or operated companies with details; whether such companies are owned in fee or by ownership of bonds and stocks, and the amount of such bonds and stocks owned, authorized, and issued; also certified copy of action of stockholders and directors authorizing the reservation of stock equal to amount of convertible bonds.

Opinion of counsel should approximate the following form:

"We have examined the mortgage, dated \_\_\_\_\_, \_\_\_\_\_, made by the \_\_\_\_\_ Company to the \_\_\_\_\_ Trust Company of \_\_\_\_\_ as trustee, to secure an issue of \_\_\_\_\_ bonds of said company to an amount not to exceed \$\_\_\_\_\_. We are of opinion that the actions of the directors and stockholders in respect to this mortgage were in conformity with the laws of the State of \_\_\_\_\_ and are in accordance with the laws of all States in which the property so mortgaged is situated, and that the mortgage and bonds therein referred to are in all respects valid and binding obligations of said company."

When bonds are intended to replace one or more prior issues, the committee will require evidence of the satisfaction of prior liens.

A copy of the mortgage must be furnished with a copy of certificate from the county clerk in each county in which the mortgaged property is located that the mortgage has been recorded in such county. Should the laws of the State not require a record to be made in the several counties, a copy of certificate of the secretary of the State, showing the legal record, shall be filed. This copy of the mortgage must be certified by the trustee to be a true copy.

When a trust indenture provides that bonds may be issued in coupon and registered form, each registered bond issued thereunder shall declare that it is issued in lieu of, or in exchange for, coupon bonds whose numbers are distinctly stated in, or are indorsed upon, said registered bond, and that said numbered coupon bonds are not contemporaneously issued and outstanding.

When any coupon bond or bonds shall be surrendered in exchange for registered bonds, there shall be issued a like amount of registered bonds bearing

statement therein, or indorsed thereon, of the serial number or numbers borne by the coupon bonds so surrendered for exchange, which coupon bonds shall be immediately canceled by the trustee.

In each case of transfer of a registered bond, the bond issued because of such transfer shall have recorded therein, or indorsed thereon, the same serial numbers of coupon bonds as are recited in the surrendered bond as being specially reserved for said surrendered bond.

In any exchange of registered bonds for coupon bonds, the numbers of the coupon bonds so issued shall correspond with those stated in the surrendered registered bond.

PAPEERS TO BE FILED WITH APPLICATIONS.

For listing stocks:

Seven copies of the charter or articles of incorporation, one copy to be attested by the secretary of state in which the company is incorporated.

Seven copies of by-laws, one copy to be attested by secretary of company.

Seven copies of leases and special agreements, one copy of each to be attested by the secretary of the company.

Seven copies of income account, covering at least one year of actual operation of the company, and seven copies of the balance sheet at the end of said year, one copy of each to be certified by an authorized public accountant or the auditor of the company.

One copy of resolutions of stockholders authorizing issue, and of the action of the directors thereunder, attested by secretary of the company.

Opinion of counsel as to legality of authorization and issue of securities.

Certificate of registrar as to amount of securities registered at date of application.

Certified copy of agreement to publish annual reports, to maintain a transfer office in New York City, and to give at least 10 days' notice in advance of the closing of the books for any purpose.

Report of a duly qualified civil engineer covering the actual physical condition of the property as of recent date.

Map of the road and contemplated extensions.

Full set of specimens of securities of the company.

In addition to the foregoing, for listing bonds:

Six additional copies of the mortgage or trust deed.

Opinion of counsel shall cover (a) as to organization, (b) as to validity of issue, (c) as to real estate in fee.

Trustees' certificate shall cover (a) as to acceptance, (b) as to issuance under the terms of the mortgage, (c) as to securities held, (d) as to cancellation or cremation of underlying and unissued securities, prior liens, etc.

CORPORATIONS OTHER THAN RAILROADS.

Application for an original listing of securities of corporations other than railroads must recite the title of the company, date of organization and authority for same; amount of authorized capital stock and amount issued, par value, rate of dividend; voting power; if full or partially paid; if personal liability attaches to ownership; if preferred stock is authorized, nature of preference as to dividends, whether cumulative or noncumulative, voting power and distribution of assets; whether an original organization or a consolidation of several previously existing firms or corporations; if a consolidation, a concise history of its organization, and the names and locations of constituent companies; whether the constituent companies are owned in fee or otherwise, and amounts of authorized, issued, and owned stocks of same; a full description of the property, real, personal, and leased; if real estate is owned in fee, the acreage thereof and the character of buildings thereon; nature and character of product; business proposed to be transacted; duration of charter and charters of subsidiary companies; statement of special rights and privileges conveyed to the company under its charter or to its directors under the by-laws; agreement with the exchange by which the company binds itself to the following:

That it will not dispose of its interest in any constituent company or allow any of said companies to dispose of its interests in other companies, except on direct authorization of stockholders.

That it will not speculate in its own or constituent companies' securities or permit similar speculations by any of its constituent companies.

That it will publish at least once in each year and submit to the stockholders, at the annual meeting of the company, a detailed statement of its physical and financial condition, an income account covering the previous fiscal year, and a balance sheet showing assets and liabilities at the end of the year; also income account and balance sheet of any subsidiary company.

Papers properly attested, as set forth in list to be filed with applications of railroad companies, must also be filed.

#### REORGANIZED CORPORATIONS.

Application to list securities of a corporation which has been insolvent or has been reorganized must contain a concise history of the corporation and of its predecessor, together with a statement of the reason for its reorganization; history of proceedings if property was sold under foreclosure; amount and description of all securities which have been authorized and issued by the new company; amount of those issued in lieu of, or exchanged for, any of the preceding issues; purposes and terms in detail under which additional securities of the reorganized company may be issued; amount and description of the various securities which have been retired, canceled, deposited, or otherwise held, or are still outstanding.

The following papers must be filed, in addition to those previously referred to: Certified copies of legal proceedings and order of court confirming sale.

Income account of the predecessor company for a period of at least one year prior to reorganization, and final balance sheet; also a balance sheet of the new company at date of reorganization, all of which shall be certified by an authorized public accountant or the auditor of the company.

Opinion of counsel that the proceedings have been in conformity with legal requirements, that the title to the property is vested in the new corporation, and is free and clear from all liens and incumbrances, except as distinctly specified.

Certificate of cancellation, deposit, or holding of prior issues.

Certified copies of new mortgages or deeds of trust.

#### ADDITIONAL AMOUNTS OF LISTED SECURITIES.

State amount and character of such additional issues, public distribution, and disposition of proceeds of sale; amounts covered by prior applications for listing to which reference should be made by giving numbers and dates of applications; amount, description, and disposition of securities exchanged for new issues; describe additional property acquired and its present physical condition; file attested copies of resolutions of stockholders and action of directors as to issuance of the additional securities, and opinion of counsel as to validity of issue; if authorized capital stock is increased, a certificate of such increase from the secretary of state; certified copies of income account and balance sheet of recent date.

The registrar shall not register any additional stock until notified by the committee that such stock has been duly listed.

Thirty days' notice of any proposed increase of capital stock of a corporation shall be given to the exchange before such increase will be eligible for listing.

When the capital stock of a corporation is increased through conversion of convertible bonds, already listed, the issuing corporation shall give immediate notice to the exchange, and this committee may thereupon authorize the registration of such shares and add them to the list.

The governing committee may suspend dealings in the securities of any corporation previously admitted to quotation upon the exchange, or it may summarily remove any security from the list.

#### TRUSTEES OF MORTGAGES.

The committee recommends that a trust company or other corporation be appointed trustee of each mortgage or trust deed; when a State law requires the appointment of a local individual trustee, that a trust company or other corporation be appointed as cotrustee.

The committee will not approve of an officer of an applicant corporation as a trustee of securities issued by it, nor will it regard such officer or director as qualified to give opinion as counsel on any legal question affecting the corporation.

In all cases where two or more liens have been placed upon the same real property of a corporation, each lien must be represented by a trustee or trustees entirely separate and distinct from those to whom any other liens upon the same real property, either in art or in entirety, have been intrusted.

The trustee must present a certificate acknowledging the acceptance of the trust and giving the numbers and amount of bonds executed in accordance with the terms of the mortgage; if the trust deed requires the deposit of collateral as security for the mortgage, the trustee shall certify to the deposit of such collateral, specifying it in detail. In the matter of additional issues of bonds the trustee must certify that such increase has been made in conformity with the terms of the trust deed, and that the lien of the mortgage has been duly recorded against any new property acquired, or that the required additional collateral has been duly deposited.

#### TRANSFER AND REGISTRY.

A corporation is required to maintain a transfer agency and a registry office in the city of New York, Borough of Manhattan. Both the transfer agency and the registrar must be acceptable to the committee on stock list; the registrar must file with the secretary of the exchange an agreement to comply with the requirements of the exchange in regard to registration.

A trust company or other agency or individual shall not at one and the same time act as transfer agent and registrar of a corporation.

When a company has its stock transferred at its own office, a transfer agent or transfer clerk shall be appointed by authority of the board of directors to countersign certificates, who shall be an individual other than an officer authorized by the by-laws of the company to sign certificates of stock.

The entire amount of the capital stock of a corporation listed upon the exchange must be directly transferable at the transfer office of the company in the city of New York.

When a corporation also makes transfer of its shares in other cities, the certificates issued therefrom shall be interchangeable and be identical in form and color with the New York certificates, except as to the names of the transfer agent and the registrar.

Certifications of registry shall provide for the signature of an executive officer of the corporation acting as registrar, i. e., an officer having general powers to sign for the corporation.

A change in the form of certificate, or of the transfer agency, or the registrar, or of the trustee of bonds, shall not be made without the approval of this committee.

#### ENGRAVED CERTIFICATES REQUIRED.

Every bond, coupon, or certificate of stock must be printed from steel plates which have been engraved in the best manner and which have such varieties of work as will afford the greatest security against counterfeiting.

For each document or instrument there must be at least two steel plates, viz, a face plate containing the vignettes and lettering of the descriptive or promissory portion of the document, which should be printed in black or in black mixed with color; also a tint plate, from which should be made a printing in an antiphotographic color, so arranged as to underlie important portions of the face printing.

These two printings must be so made upon the paper that the combined effect of the whole, if photographed, would be a confused mass of lines and forms, and so give as effectual security as possible against counterfeiting by any scientific or other process. The imprint of each denomination of bonds must be of such distinctive appearance and color as to make it readily distinguishable from other denominations and issues. It is required for each class of stock issued that there shall be a distinctively engraved plate for 100 shares, with said denomination engraved thereon in words and figures; for certificates issued for smaller amounts there shall be a similar plate, distinctive in design and color, for each issue; there shall be engraved thereon some device whereby the exact denomination of the certificate may be distinctly designated, also conspicuously the words "Certificate for less than 100 shares."

It is recommended that the terms of redemption by sinking fund or otherwise, and of conversion into other forms of securities, be shown in the text of bonds; also that the terms of preference or other privilege in the issues of stocks be stated on the face of the certificates.

All certificates should bear upon their face the following:

"This certificate is not valid until countersigned by the transfer agent and the registrar."

It is required that a specimen of each issue of stocks or bonds shall be referred to the committee for acceptance as to form, character, and workmanship, prior to application for their listing; no form of stock certificate or bond will be accepted unless it has been engraved by some bank-note engraving company whose work this committee has been authorized by the governing committee to pass upon.

The name of the engraving company must appear upon the face of each bond and certificate of stock and also upon the face of each coupon and the title panel of the bond.

The committee will object to any security upon which an impress is made by a stamp.

A power of attorney indorsed upon a certificate of stock must be irrevocable with a bill of sale and power of substitution. The following form is suggested:

"For value received \_\_\_\_\_ hereby sell, assign, and transfer unto \_\_\_\_\_ shares of the capital stock represented by the within certificate and do hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the said stock on the books of the within named company with full power of substitution in the premises.

"Dated \_\_\_\_\_, 19\_\_\_\_.

"\_\_\_\_\_.

"In presence of—  
"\_\_\_\_\_."

#### CERTIFICATES OF DEPOSIT IN TRUST.

Institutions, firms, or corporations, depositaries of securities under plans of reorganization, protective or associate action, are requested to accept on deposit only such securities as are a delivery in the exchange; provided, that in any case where said depositaries find it necessary to accept securities which are not a delivery, they shall issue therefor a distinctive certificate which will indicate the irregularity. Agreements for deposit of securities for protective or associate action must be limited to a specified time for continuance, within which a plan of reorganization or adjustment will be presented to the certificate holders for acceptance, or in default thereof such holders will be granted opportunity to withdraw the securities represented by their certificates and terminate their agreement. Penalty for delay in depositing securities under any agreement should not be imposed until all holders of such securities have had reasonable opportunity for depositing, after the listing of the certificates of deposit.

When bonds are deposited with institutions, firms, or corporations which are depositaries under plans of reorganization, protective or associate action, certificates therefor will be considered as representing the deposit of coupon bonds. Certificates issued for deposit of registered bonds or bonds not a delivery in the exchange must bear on their face evidence of such fact. Certificates of deposit for securities, whether for reorganization, protective, or associate action, or for voting trustees, must bear the countersignature of some institution as registrar, in same manner as certificates for stock.

#### ANNUAL REPORTS.

The exchange requires of all corporations whose securities are admitted to the stock list that they shall print, publish, and distribute to stockholders, at least 15 days prior to annual meetings, a full report of their operations during the preceding fiscal year, complete and detailed statements of all income and expenditures, and a balance sheet showing their financial condition at the close of the given period. The exchange requests that stockholders of corporations take such action as may be necessary to make this requirement effective.

WM. W. HEATON, *Chairman.*  
GEORGE W. ELY, *Secretary.*

## COMMITTEE ON STOCK LIST.

*New York Stock Exchange, July 1, 1912.*

This committee will meet on Mondays at 3.30 p. m.

An application signed by an executive officer of a corporation must be filed with the secretary of the stock exchange. and on notice six additional printed or typewritten copies must be filed on or before the Wednesday prior to date set for consideration.

Every application must be accompanied by a check for \$50 for each \$1,000,000 or portion thereof of the par value of each class of security. Checks should be drawn to the order of "Treasurer of the New York Stock Exchange."

## REQUIREMENTS FOR ORIGINAL LISTINGS.

## RAILROAD CORPORATIONS.

Application for an original listing of the capital stock of railroad corporations shall recite the title of the corporation, date of organization, and authority for same; special rights or privileges under charter; amount of capital stock authorized, issued, and applied for; par value; rate of dividend; voting power; whether capital stock is full paid and nonassessable; whether personal liability attaches to ownership; whether preferred stock authorized, whether cumulative or noncumulative; preference as to dividends and distribution of assets; location and route of road; description of property and total mileage in operation; contemplated extensions; total equipment; amount of mortgage lien, amount of other indebtedness or liability, jointly or severally, for leases, guarantees, rentals and car trusts, and terms of payment thereof; distribution of securities; application of proceeds; income account for one year and balance sheet of recent date; name and location of transfer agent and registrar; address of main office of corporation; list of officers and directors (classified); date and place of annual meeting; end of fiscal year.

Application for bonds shall recite in addition the full title; denominations; amount authorized, outstanding, applied for, with numbers, and authority for issue; date and maturity; rates of interest, when and where payable; distribution; names of trustees; redemption by sinking fund or otherwise; terms of exchange or convertibility into other securities; whether issued only in coupon form, registerable as to principal, or fully registered, or both, and if the latter, whether interchangeable; purposes if issue and application of proceeds; terms of issue of additional amounts; trustees' obligation to declare principal and interest due and payable in event of default, and restrictions or limitations of unusual character; a tabulated list of properties owned, leased, and operated, showing those covered by the mortgage or other indenture under which the bonds are issued; those covered by prior liens; indebtedness of leased companies or companies controlled by ownership of bonds and stocks, and the amount of such bonds and stocks owned, authorized, issued, assumed, guaranteed, or deposited as collateral.

If bonds are convertible into stock, file certified copy of the action of stockholders and directors authorizing issue and reservation of stock to be held specifically for such conversion.

When bonds are issued to replace other liens, the committee will require evidence of the satisfaction of such liens or a certificate of trustee that prior lien bonds are held under the terms of the mortgage or indenture.

A copy of the mortgage or indenture must be furnished, including a certificate from the county clerk in each county in which the mortgaged property is located, that the mortgage or indenture has been recorded in such county. Should the laws of the State not require a record to be made in the several counties, a copy of certificate of the secretary of the State, showing the legal record, shall be filed with the copy of mortgage or indenture. This copy must be certified by the trustee to be a true copy.

When a mortgage or indenture provides that bonds may be issued interchangeably in coupon and registered form, each registered bond issued thereunder shall bear a legend reciting the number or numbers of the coupon bond or bonds reserved for exchange of such registered bond in substantially the following form:

"The within bond is issued in lieu of or in exchange for (a coupon bond(s), numbered \_\_\_\_\_, for \$1,000 (each, none of) which bond(s) is (is not) contemporaneously outstanding, and (a) coupon bond(s) bearing the said serial number(s) will be issued in exchange for this bond upon its surrender and cancellation."

A registered bond not interchangeable shall bear the following:

"The within bond is issued in lieu of or in exchange for (a) coupon bond(s), numbered \_\_\_\_\_, for \$1,000 (each, none of) which bond(s) is (not) contemporaneously outstanding."

The committee recommends that when fully registered bonds are to be issued, they shall be made interchangeable with coupon bonds.

When mortgages or indentures provide for the issuance of coupon bonds of the denomination of \$100 the committee recommends that any 10 such bonds be exchangeable into coupon bonds for \$1,000 each, and that each unit consisting of ten \$100 bonds bear a number, together with an affix letter (A to J), representing a \$1,000 bond reserved for exchange, and that each \$100 bond bear the following legend:

"For this bond and nine other bonds of the same denomination and serial number, bearing affixed letters A to J, a coupon bond for \$1,000 is held in reserve and is not contemporaneously outstanding, and on the surrender and cancellation of ten \$100 bonds of said series a coupon bond for \$1,000 will be issued in exchange therefor bearing the lowest serial number reserved for each purpose."

When bonds are to be denominated in foreign moneys the committee recommends that the standard of value in United States gold coin be stated, and that the text of all such bonds be in the English language, with the foreign text in a parallel column. The English text shall govern the interpretation in all such issues.

(For papers and agreements to be filed, see pp. 3 and 4.)

#### CORPORATIONS OTHER THAN RAILROADS.

Application for an original listing of securities of corporations other than railroads shall recite the title of the corporation, date of organization and authority for same; amount of capital stock authorized, issued, and applied for; par value; rate of dividend; voting power; whether capital stock is full paid and nonassessable; whether personal liability attaches to ownership; whether preferred stock is authorized, whether cumulative or noncumulative; preference as to dividends and distribution of assets, and redemption; whether an original organization or a consolidation of several previously existing firms or corporations; if a consolidation, a concise history of its organization, and the names and locations of constituent companies owned in entirety or otherwise, and amounts of authorized, issued, and owned stocks of same; full description of the property, real, personal, and leased; real estate owned in fee, acreage and location, and the character of buildings thereon; nature and character of product; business to be transacted; duration of charter and charters of subsidiary companies; special rights and privileges conveyed to the corporation under its charter, or to directors under by-laws; income account for one year and balance sheet of recent date; name and location of transfer agent and registrar; address of main office of corporation; list of officers and directors (classified); date and place of annual meeting; end of fiscal year.

For bond listings the requirements are substantially the same as for bonds of railroad corporations, page 1.

(For papers and agreements to be filed, see pp. 3 and 4.)

#### MINING CORPORATIONS.

Application to list securities of mining corporations shall recite details of original organization and authorized capitalization; amount of shares outstanding, amount applied for, amount of shares remaining unissued, and options or contracts on such shares; whether capital stock is full paid and nonassessable; par value; voting power; whether personal liability attaches to ownership; whether preferred stock is authorized, whether cumulative or noncumulative; preference as to dividends and distribution of assets and redemption; bonded indebtedness, if any, with date of issue, maturity, and rate of interest; list and numbers of patented and unpatented claims; full description of mineral and other lands, leases, and water rights, smelting and concentrating plants, timber and fuel supply, owned or controlled; a geological description of the country in which the mines are located showing the character of the ore produced, the proper method of treatment, a description of the ore bodies, average values, and probabilities on further exploration.

A history of the property giving prior workings of mine, results obtained, and production each year, with statement of receipts and expenditures, and disposition of income; location of mines and proximity to railway or other common carrier; cost of mining, transportation, milling, or smelting; balance sheet showing assets and liabilities; if a mining development and an income account not available, guarantee of an amount to complete development and afford working capital; statement of ore reserves compared with reserves of previous years and an estimate by a competent mining expert of the probable life of the mine; a balance sheet of all companies owned or controlled by stock ownership or otherwise; name and location of transfer agent and registrar; address of main office of corporation; list of officers and directors (classified); date and place of annual meeting; end of fiscal year.

For bond listings the requirements are substantially the same as for bonds of railroad corporations, page 1.

(For papers and agreements to be filed, see pp. 3 and 4.)

#### REORGANIZED CORPORATIONS.

Application to list securities of a corporation, which has been insolvent, or has been reorganized, shall recite a concise history of the corporation and of its predecessor with a statement of the reason for its reorganization; history of proceedings if property was sold under foreclosure; description and amount of all securities authorized, issued, and applied for by the new corporation; tabulated statement of securities issued in lieu of, or exchanged for any of the preceding issues; purposes and terms in detail under which additional securities of the reorganized corporation may be issued; amount and description of the various securities which have been retired, canceled, deposited, or otherwise held, or are still outstanding; income account of the predecessor corporation for a period of at least one year prior to reorganization and final balance sheet; also a balance sheet of the new corporation at date of reorganization; income account for one year and balance sheet of recent date; name and location of transfer agent and registrar; address of main office of corporation; list of officers and directors (classified); date and place of annual meeting; end of fiscal year.

(For papers and agreements to be filed, see pp. 3 and 4.)

#### CERTIFICATES OF DEPOSIT IN TRUST.

Institutions, firms, corporations, depositaries of securities under plans of reorganization, protective or associate action or voting trusts, are requested to accept on deposit only such securities as are a delivery on the stock exchange, provided that in any case where said depositaries find it necessary to accept securities which are not a delivery they shall issue therefor a distinctive certificate which will indicate the irregularity. Agreements for deposit of securities for protective or associate action must be limited to a specified time for continuance, within which a plan of reorganization or adjustment will be presented to the certificate holders for acceptance, or in default thereof such holders will be granted opportunity to withdraw the securities represented by their certificates and terminate their agreement. Penalty for delay in depositing securities under any agreement should not be imposed until all holders of such securities have had reasonable opportunity for depositing after the listing of the certificates of deposit.

Certificates of deposit will be considered as representing the deposit of coupon, registered, or interchangeable registered bonds. Certificates issued for deposit of noninterchangeable registered bonds or bonds not a delivery on the stock exchange must bear on their face evidence of such fact. Certificates of deposit for securities, whether for reorganization, protective or associate action, or for voting trusts, must bear the countersignature of some institution as registrar in same manner as certificates for stock.

(For papers and agreements to be filed, see pp. 3 and 4.)

#### ADDITIONAL AMOUNTS OF LISTED SECURITIES.

Application to list additional amounts of listed securities shall refer to previous applications by number; state character and amount of additional issues and amounts applied for; whether issued for cash, property, or otherwise; distribution; application of proceeds; amount, description, and disposi-

tion of securities exchanged for new issues; additional property acquired and present physical condition; furnish income account and balance sheet of recent date; attested copy of resolutions of stockholders and action of directors as to issuance of the additional securities, and opinion of counsel as to validity of issue; trustee's certificate of issue of additional bonds under terms of the mortgage or indenture; certificate from the secretary of state or other authority for increase in capitalization.

Thirty days' notice of any proposed increase in the authorized capital stock of a corporation shall be given to the stock exchange before such increase shall be eligible for listing.

The registrar shall not register any listed stock until authorized by this committee.

When the capital stock of a corporation is increased through conversion of bonds already listed, the issuing corporation shall give immediate notice to the stock exchange and this committee may thereupon add said stock to the list and authorize its registration.

(For papers and agreements to be filed, see pp. 3 and 4.)

#### PAPERS TO BE FILED WITH APPLICATIONS.

For listing stocks:

Seven copies of the charter or articles of incorporation, one copy to be attested by the secretary of state in which the corporation is incorporated.

Seven copies of by-laws, one copy to be attested by secretary of corporation. Seven copies of leases and special agreements, one copy of each to be attested by the secretary of the corporation.

One copy of resolution of stockholders authorizing issue and of the action of the directors thereunder, each attested by secretary of the corporations.

Opinion of counsel (not an officer or director of the corporation) as to legality of authorization and issue of securities.

Certificate of proper authority for issue.

Certificate of registrar as to amount of securities registered at date of application.

Report of a duly qualified engineer covering the actual physical condition of the property as of recent date.

Map of the property and contemplated extensions.

Specimens of all securities applied for.

In addition to the foregoing, for listing bonds:

Six additional copies of the mortgage or indenture.

Opinion of counsel shall cover (a) as to organization, (b) as to validity of issue.

Trustees' certificate shall cover (a) as to acceptance, (b) as to issuance under the terms of the mortgage or indenture with numbers and amount of bonds issued, (c) as to securities held, (d) as to cancellation or cremation or deposit of underlying securities, prior liens, etc.

Also, with applications for reorganized corporations:

Certified copies of legal proceedings and order of court confirming sale, or other authority for reorganization.

Certified copy of plan of reorganization.

Opinion of counsel that the proceedings have been in conformity with legal requirements, that the title to the property is vested in the new corporation and is free and clear from all liens and encumbrances, except as distinctly specified.

Certificate of cancellation, deposit, or holding of prior issues.

Certified copies of all mortgages or indentures.

#### AGREEMENTS.

Every corporation applying to list securities must agree—

That it will not dispose of its interest in any constituent company, or allow any of said companies to dispose of its interests in other companies, except on direct authorization of stockholders of the holding company.

To publish at least once in each year and submit to the stockholders, at least 15 days in advance of the annual meeting of the corporation, a detailed statement of its physical and financial condition, an income account covering the previous fiscal year, and a balance sheet showing assets and liabilities at the end of the year; also naturally an income account and balance sheet of all subsidiary companies.

To maintain a transfer office or agency in the Borough of Manhattan, city of New York, where all securities shall be directly transferable and the principal of all securities with interest or dividends thereon shall be payable.

To give at least 10 days' notice in advance of the closing of the books or the taking of a record of stockholders for any purpose. The committee recommends that a date be fixed as record for dividends, allotment of rights, and stockholders' meetings without an extended closing of the transfer books.

To notify the stock exchange in the event of the issuance of any rights or subscriptions to or allotments of its securities and afford the holders of listed securities a proper period within which to record their interests, and that all rights, subscriptions, or allotments shall be transferable, payable, and deliverable in the Borough of Manhattan, city of New York.

#### REMOVALS OR SUSPENSIONS IN DEALINGS OF LISTED SECURITIES.

Whenever it shall appear that the outstanding amount of any security listed upon the stock exchange has become so reduced as to make inadvisable further dealings therein, this committee may direct that such security be taken from the list and further dealings therein prohibited.

The governing committee may suspend dealings in the securities of any corporation previously admitted to quotation upon the exchange or may summarily remove any security from the list.

#### TRUSTEES OF MORTGAGES.

The committee recommends that a trust company or other corporation be appointed trustee of each mortgage or indenture, but when a State law requires the appointment of a local individual as trustee that a trust company or other corporation be appointed as cotrustee.

The committee will not accept as trustee for securities an officer or director of the applying corporation, nor a corporation as a trustee in which an officer of the applying corporation is an executive officer.

The committee will not accept the opinion of an officer or director of an applying corporation, nor of a firm in which the officer or director is a member, as counsel on any legal question affecting the corporation; nor will it accept the opinion of an officer or director of a guarantor corporation on any legal question affecting the issuance of guaranteed securities.

Each mortgage, indenture, or deed of trust made by a corporation or constituting a lien on property of the corporation should be represented by a separate trustee.

The trustee shall present a certificate accepting the trust giving the numbers and amount of bonds executed in accordance with the terms of the mortgage or indenture, and certifying that the lien has been recorded, that collateral has been deposited, and that prior obligations, if any, have been canceled, when required by the terms of the mortgage or indenture. The trustee holding securities for which listed certificates of deposit are issued must notify the stock exchange if the deposited securities are changed or removed for any reason. For additional issues of bonds the trustee must certify that such increase has been made in conformity with the terms of the mortgage or indenture; that the lien has been recorded against any new property acquired; that the required additional collateral has been deposited; and that prior obligations, if any, have been canceled when so required. The trustee shall notify the stock exchange of the holding, cancellation, or retirement of bonds by redemption or through the operation of the sinking fund or by purchase.

#### TRANSFER AND REGISTRY.

Every corporation is required to maintain a transfer agency and a registry office in the Borough of Manhattan, city of New York. Both the transfer agency and the registrar must be acceptable to this committee; the registrar must file with the secretary of the stock exchange an agreement to comply with the requirements in regard to registration.

Certifications of registry must be dated and must bear the signature of a duly authorized officer of the corporation acting as registrar.

The registrar shall not register any listed stock until authorized by this committee.

A trust company or other agency shall not at the same time act as transfer agent and registrar of a corporation.

When a company has its stock transferred at its own office a transfer agent or transfer clerk shall be appointed by authority of the board of directors to countersign certificates, and shall be an individual other than an officer authorized by the by-laws of the company to sign certificates of stock.

The entire amount of the capital stock of a corporation listed upon the stock exchange must be directly transferable at the transfer office of the corporation in the borough of Manhattan, city of New York.

When a corporation makes transfer of its shares in other cities, the certificates issued therefrom shall be interchangeable and identical with the New York certificates, except as to the names of the transfer agent and the registrar, and the combined amounts of stocks registered in all cities shall not exceed the amount listed.

Interchangeable certificates must bear a legend indicating the right of transfer in New York and other cities.

A change in the form of certificate, of the transfer agency, of the registrar, or of the trustee of bonds shall not be made without the approval of this committee.

The committee recommends that the text of bonds and certificates of stock shall provide for direct transfer without reference to the books of the corporation.

#### ENGRAVED CERTIFICATES REQUIRED.

Every bond, coupon, or certificate of stock must be printed from steel plates which have been engraved in the best manner and which have such varieties of work as will afford the greatest security against counterfeiting.

Certificates of deposit of trust companies, banks, or firms for securities deposited under reorganizations, voting trusts, or agreements for legal action must be engraved and printed from steel plates with engraved border and engraved underlying tint.

For each bond, coupon, certificate of stock, and certificate of deposit there must be at least two steel plates, viz, a face plate containing the vignettes and lettering of the descriptive or promissory portion of the document, which should be printed in black or in black mixed with a color, and a tint plate, from which should be made a printing in color underlying important portions of the face printing. The impressions from these two plates must be so made upon the paper that the combined effect of the whole if photographed would be a confused mass of lines and forms, and so give as effectual security as possible against counterfeiting by any process.

The imprint of each denomination of bonds must be of such distinctive appearance and color as to make it readily distinguishable from other denominations and issues. It is required for each class of stock issued that there shall be a distinctively engraved plate for 100 shares with said denomination engraved thereon in words and figures; for certificates issued for smaller amounts there shall be a similar plate, distinctive in color, for each issue; there shall be engraved thereon some device whereby the exact written denomination of the certificate may be distinctly designated by perforation; also conspicuously the words "Certificate for less than 100 shares."

The terms of redemption by sinking fund or otherwise and of conversion into other forms of securities should be recited in the text of bonds.

Certificates of stock should recite ownership, par value, and whether shares are full paid and nonassessable; terms of redemption, preference as to dividends, voting power, or other privilege, including distribution of assets in the event of dissolution of the corporation; certificates for common and preferred stock each shall recite preferences of the preferred; also the following legend:

"This certificate is not valid until countersigned by the transfer agent and registered by the registrar."

A power of attorney upon the reverse of a certificate of stock must be irrevocable with a bill of sale and power of substitution. The following form is required:

"For value received \_\_\_\_\_ hereby sell, assign, and transfer unto \_\_\_\_\_, \_\_\_\_\_ shares of the capital stock represented by the within certificate, and do hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to

transfer the said stock on the books of the within-named company, with full power of substitution in the premises.

"Dated \_\_\_\_\_, 19—.

"\_\_\_\_\_.

"In presence of—

"\_\_\_\_\_.

"NOTICE.—The signature to this assignment must correspond with the name as written upon the face of the certificate in every particular without alteration or enlargement or any change whatever."

This committee will object to any security upon which an impress is made by a hand stamp, except for a date or power of substitution.

No stock certificate or bond will be accepted unless it has been engraved by some engraving company whose work this committee has been authorized by the governing committee to pass upon.

The name of the engraving company must appear upon the face of each bond and certificate of stock and upon the face of each coupon and the title panel of the bond.

WM. W. HEATON, *Chairman.*  
GEORGE W. ELY, *Secretary.*

Mr. UNTERMYER. It is necessary for every corporation that wants its bonds or other securities listed to submit to the exchange the form of the security, is it not?

Mr. MABON. It is; yes, sir.

Mr. UNTERMYER. Where the issue of bonds is secured by mortgage, what is the custom and the requirement as to submitting the entire mortgage and its text to the committee?

Mr. MABON. A certified copy is always required.

Mr. UNTERMYER. In practice, how does this operate? Are the documents all submitted before they are executed, so as to obtain the approval of the exchange?

Mr. MABON. Usually not; in fact, not at all. Copies of the mortgage are submitted as finally executed—certified copies.

Mr. UNTERMYER. Do you not know that if the mortgage as finally executed contains any provisions that are objectionable to the exchange, the bonds are denied a listing?

Mr. MABON. That does not follow.

Mr. UNTERMYER. What happens, then?

Mr. MABON. The committee on stock list makes a particular note in the application form, showing the provisions of the mortgage. If there is an unusual provision in the mortgage it is especially called attention to in the listing.

Mr. UNTERMYER. Suppose there is an objectionable provision in the mortgage; for instance, suppose it does not provide for the proper trustee, or for the proper method of paying interest, or for the proper transfer agent, or register, such as is designated by the exchange rules, then what happens?

Mr. MABON. That matter has never come to the attention of the committee. All the bond applications to list which have been made always have the provisions that are required by the exchange.

Mr. UNTERMYER. You mean the corporation that wants its securities listed sees to it that the requirements of the exchange are observed in the preparation of those securities, and in their execution?

Mr. MABON. It is usual for them to submit to the requirements of the stock-list committee; yes, sir.

Mr. UNTERMYER. Where you are listing stocks, do you also require that the form of the certificate should be approved by the committee?

Mr. MABON. Yes, sir.

Mr. UNTERMYER. In the sale of large issues of bonds of these great interstate corporations, the New York Stock Exchange listing is considered valuable, if not essential, is it not?

Mr. MABON. By whom, sir?

Mr. UNTERMYER. By the public; by the brokers and bankers who buy and underwrite the securities, and by those who distribute them among their customers.

Mr. MABON. I could not answer that question. There are large issues of bonds that are not listed on the exchange.

Mr. UNTERMYER. Will you name any large issue of interstate bonds of any prominent corporation in the last five years that is not listed on the exchange?

Mr. MABON. Erie bonds. Erie notes are not listed.

Mr. UNTERMYER. What issue of Erie notes is that which is not listed?

Mr. MABON. The recent issue of Erie notes.

Mr. UNTERMYER. When was it issued?

Mr. MABON. I am not sure whether it was issued in 1910 or 1911.

Mr. UNTERMYER. How large an issue of notes was it?

Mr. MABON. My impression is it was about \$10,000,000.

Mr. UNTERMYER. Short-term notes?

Mr. MABON. I think they are for two years. That is my impression, but I am not sure.

Mr. UNTERMYER. You know that all the other Erie notes and bonds are listed, do you not?

Mr. MABON. I do not.

Mr. UNTERMYER. Do you know of any that are not?

Mr. MABON. I do not.

Mr. UNTERMYER. Was any application made to list these two-year notes?

Mr. MABON. No.

Mr. UNTERMYER. You know, do you not, that where an obligation is a short-term obligation, such as that, with only two years to run, the usual rule as to the value of marketability would not apply to such a security, do you not?

Mr. MABON. I do not understand that question, Mr. Untermyer.

Mr. UNTERMYER. The Erie two-year notes were taken by a few bankers, were they not?

Mr. MABON. I do not know.

Mr. UNTERMYER. Were they not taken by one banking house?

Mr. MABON. I do not know.

Mr. UNTERMYER. They have not been distributed, have they?

Mr. MABON. I do not know anything about it.

Mr. UNTERMYER. Can you name, in the entire list of bonds of interstate corporations, any great issue of bonds, ordinary-term bonds, or notes, intended for general sale and circulation, that has not been listed on the New York Stock Exchange?

Mr. MABON. I have mentioned the Erie. I have not given the matter any thought.

Mr. UNTERMYER. Can you name any other?

Mr. MABON. I think there has been a recent issue of St. Louis Southwestern bonds which has not been listed on the stock exchange.

Mr. UNTERMYER. You think there has been?

Mr. MABON. Yes.

Mr. UNTERMYER. Are you not a bond broker?

Mr. MABON. Yes.

Mr. UNTERMYER. You are largely engaged in buying and selling bonds, are you not?

Mr. MABON. Yes.

Mr. UNTERMYER. But you do not know whether there has been such an issue recently?

Mr. MABON. I am quite sure there has been, but I do not know of my personal knowledge.

Mr. UNTERMYER. How long ago?

Mr. MABON. I should say within six months.

Mr. UNTERMYER. You know that has not had time to be listed, do you not?

Mr. MABON. No; I am asking—

Mr. UNTERMYER. I say, you know it has not had time?

Mr. MABON. Yes.

Mr. UNTERMYER. Then why did you tell us it had not been listed, when you knew it could not possibly be listed within that time?

Mr. MABON. I do not know that it could not possibly have been listed in that time?

Mr. UNTERMYER. Do not the bonds have to be engraved?

Mr. MABON. The bonds are engraved.

Mr. UNTERMYER. Do they not have to be engraved?

Mr. MABON. Yes.

Mr. UNTERMYER. And how many months does that take?

Mr. MABON. It depends on the size of the issue, I should say.

Mr. UNTERMYER. How big an issue was it?

Mr. MABON. I do not remember.

Mr. UNTERMYER. You know they are to be listed, do you not?

Mr. MABON. I do not.

Mr. UNTERMYER. Do you know whether any application has been made?

Mr. MABON. I do not. I imagine not.

Mr. UNTERMYER. I do not care much about your imagination.

Mr. MABON. I do not know.

Mr. UNTERMYER. What did you say was the size of this issue?

Mr. MABON. I do not remember the size of the issue.

Mr. UNTERMYER. About how large was it? Was it publicly advertised?

Mr. MABON. I think it was; yes, sir.

Mr. UNTERMYER. And you, a bond dealer and banker, do not know how large an issue this was?

Mr. MABON. I think it was about two to five million; I do not remember.

Mr. UNTERMYER. You do not call that a large issue of bonds of an interstate railroad corporation, do you?

Mr. MABON. Mr. Untermyer, I understood your question to be, did I know of any bonds.

Mr. UNTERMYER. How many hundreds of millions of bonds, notes, and like obligations of interstate corporations have been listed in the last year in the New York Stock Exchange?

Mr. MABON. A very large amount.

Mr. UNTERMYER. How many hundreds of millions?

Mr. MABON. I do not know.

Mr. UNTERMYER. Many hundreds of millions?

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

Mr. UNTERMYER. Those are the only two instances of which you can tell us in which bonds have been listed?

Mr. MABON. I have no doubt there are many more.

Mr. UNTERMYER. You can not tell us of any more, can you?

Mr. MABON. Not at the present time.

Mr. UNTERMYER. Do you not know that in selling these bonds—in advertising their sale—the bankers, who have them for sale, advertise that application will be made to list them on the New York Stock Exchange?

Mr. MABON. That is usual; yes.

Mr. UNTERMYER. And that is an element of value to the bond, is it not?

Mr. MABON. I presume it is; yes, sir. I do not know, Mr. Untermyer, whether it is or not.

Mr. UNTERMYER. You have bought many bonds, have you not?

Mr. MABON. Yes.

Mr. UNTERMYER. And you have sold many bonds?

Mr. MABON. Yes.

Mr. UNTERMYER. And you are doing it all the time, are you not?

Mr. MABON. Yes.

Mr. UNTERMYER. And you do not know whether it is regarded as an element of value to a bond to have it listed on the New York Stock Exchange?

Mr. MABON. I presume it is an element of value, I say.

Mr. UNTERMYER. You know it is?

Mr. MABON. There are so many conditions that might surround a case of that kind that I can not answer a question of that kind.

Mr. UNTERMYER. If it is not an element of value, why do the banks always advertise that as an inducement to the purchase of the bonds?

Mr. MABON. I can not answer as to what is in the minds of the bankers or banks.

Mr. UNTERMYER. Do you not advertise it that way?

Mr. MABON. I do not advertise.

Mr. UNTERMYER. Do you not send out circulars when you have an issue of bonds to sell, offering them for sale?

Mr. MABON. No.

Mr. UNTERMYER. Do you not send out any sort of an inducement or suggestion that you have certain bonds for sale?

Mr. MABON. Very rarely.

Mr. UNTERMYER. You do at times, do you not?

Mr. MABON. I have done so.

Mr. UNTERMYER. When these bonds are listed on the stock exchange do you not say so?

Mr. MABON. Yes, sir.

Mr. UNTERMYER. You do that because you regard that as adding to their value?

Mr. MABON. I do it as a matter of information.

Mr. UNTERMYER. As a matter of information for inducing people to buy the bonds?

Mr. MABON. That is not the purpose I have in mind.

Mr. UNTERMYER. When you send these circulars inviting people to buy the bonds, do you not do it for the purpose of inducing them to buy them?

Mr. MABON. Yes.

Mr. UNTERMYER. And you put in such information as you believe will induce their purchase, do you not?

Mr. MABON. I try to give them all the information regarding the bonds.

Mr. UNTERMYER. You try to give them all the information that will induce them to buy the bonds, do you not—truthful information?

Mr. MABON. Yes.

Mr. UNTERMYER. Who is it in the stock exchange who reads over these voluminous corporation mortgages given to secure issues of bonds and notes?

Mr. MABON. The members of the stock-list committee.

Mr. UNTERMYER. They do it personally, do they, or through the secretary?

Mr. MABON. They do it personally.

Mr. UNTERMYER. Do the secretary have any relations with that part of the business?

Mr. MABON. We have a special clerk who has charge of that part of the business.

Mr. UNTERMYER. Then he first goes over these documents, does he?

Mr. MABON. Yes.

Mr. UNTERMYER. And then he reports them to the stock-list committee?

Mr. MABON. He sends to the various members of the stock-list committee copies of the mortgages, of the application and all the papers relating to the application. There are usually seven copies of each paper that is presented to the committee.

Mr. UNTERMYER. Do you know of any instance in the history of the exchange when any of the great interstate corporations that have made large bond and note issues, secured by mortgage, have declined to comply with the conditions imposed by the exchange on listing their securities?

Mr. MABON. Within my own knowledge, you mean?

Mr. UNTERMYER. Within your personal knowledge. You have been all these years on the stock-list committee.

Mr. MABON. Eight years. I know of none; no. I do not remember any.

Mr. UNTERMYER. Mr. Chairman, I would like, if I may, to withdraw Mr. Mabon temporarily. I asked Mr. Cortelyou to come here, and he has arrived. I promised him that he might get away soon. He has come without subpoena.

The CHAIRMAN. Very well.

Mr. Mahon temporarily left the witness stand.

## TESTIMONY OF GEORGE B. CORTELYOU.

Mr. Cortelyou was sworn by the chairman.

Mr. UNTERMYER. You reside in the city of New York, Mr. Cortelyou?

Mr. CORTELYOU. I do; sir.

Mr. UNTERMYER. What is your present occupation?

Mr. CORTELYOU. I am president of the Consolidated Gas. Co. of New York.

Mr. UNTERMYER. Are you connected with any financial institutions in the city?

Mr. CORTELYOU. I am not.

Mr. UNTERMYER. You are not an officer in any of them?

Mr. CORTELYOU. No, sir.

Mr. UNTERMYER. Or in any life insurance companies?

Mr. CORTELYOU. No, sir.

Mr. UNTERMYER. You were formerly a member of President Roosevelt's Cabinet, were you not?

Mr. CORTELYOU. I was.

Mr. UNTERMYER. In what positions?

Mr. CORTELYOU. In the positions of Secretary of Commerce and Labor, Postmaster General, and Secretary of the Treasury.

Mr. UNTERMYER. In what years were you Secretary of the Treasury of the United States?

Mr. CORTELYOU. From about March 5, 1907, until March 18, 1909.

Mr. UNTERMYER. Have you a very active recollection of the events connected with the panic of 1907?

Mr. CORTELYOU. I think I have a normal recollection of things that happened five years ago.

Mr. UNTERMYER. Have you a particularly active recollection of events of that time—of the panic of 1907?

Mr. CORTELYOU. I would have to say that I have. Many of the events of that time were indelibly fixed in my mind.

Mr. UNTERMYER. They were very exciting and very unusual?

Mr. CORTELYOU. They were.

Mr. UNTERMYER. Do you remember when the disturbance commenced?

Mr. CORTELYOU. In a general way, in the latter part of October.

Mr. UNTERMYER. In 1907?

Mr. CORTELYOU. 1907.

Mr. UNTERMYER. Did you come to New York in connection with the financial troubles at that time?

Mr. CORTELYOU. I did.

Mr. UNTERMYER. Did you come in response to an invitation?

Mr. CORTELYOU. I did not.

Mr. UNTERMYER. When did you reach here?

Mr. CORTELYOU. I reached here, I think, on the evening of October 22.

Mr. UNTERMYER. Where did you go to stop?

Mr. CORTELYOU. At the Hotel Manhattan.

Mr. UNTERMYER. Did you that evening have any conferences with respect to the situation?

Mr. CORTELYOU. I did.

Mr. UNTERMYER. Where?

Mr. CORTELYOU. At that hotel.

Mr. UNTERMYER. With whom?

Mr. CORTELYOU. With a number of gentlemen; Mr. Morgan, Mr. Stillman—

Mr. UNTERMYER. Mr. James Stillman?

Mr. CORTELYOU. Mr. James Stillman; Mr. Hepburn, Mr. Cannon, Mr. George F. Baker, Mr. Vanderlip, Mr. Perkins, and two or three others whose names I do not recall.

Mr. UNTERMYER. Mr. Perkins was then a member of the firm of J. P. Morgan & Co.?

Mr. CORTELYOU. He was.

Mr. UNTERMYER. Was this meeting by appointment?

Mr. CORTELYOU. When I reached Jersey City, as I recall it now, Mr. Fish, who was then Assistant Treasurer in this city, and whom I had either telephoned or wired to meet me upon my arrival at Jersey City, advised me that a number of gentlemen wanted to get into communication with me as soon as I reached the city, and asked if I would be willing to meet them. I told him that I was going to the Hotel Manhattan and that I should be there, of course, all the evening and all that night, and that I would meet any gentlemen who wished to see me, there.

Mr. UNTERMYER. How did they know you were going to be in the city?

Mr. CORTELYOU. It is a difficult matter, in a time of excitement, for a member of the Cabinet to leave Washington for New York and not have his movements known.

Mr. UNTERMYER. If you do not remember how these gentlemen knew you were to be here, be kind enough to say so, Mr. Cortelyou.

Mr. CORTELYOU. I have made a statement in answer to your question which fully answers it.

Mr. UNTERMYER. Had you notified them you were coming?

Mr. CORTELYOU. I had not.

Mr. UNTERMYER. Had you notified your assistant to tell them you were coming?

Mr. CORTELYOU. I had notified Mr. Fish that I was coming; not to tell anybody I was coming, as far as I know.

Mr. UNTERMYER. And he was in New York?

Mr. CORTELYOU. He was Assistant Treasurer here.

Mr. UNTERMYER. You told him when you were coming and when you would be here?

Mr. CORTELYOU. Naturally, if I expected him to meet me.

Mr. UNTERMYER. You had arranged to have him meet you on your arrival, had you?

Mr. CORTELYOU. I suggested that I was to be here at a certain time, and that I would like to see him, because I wanted to get some first-hand information.

Mr. UNTERMYER. Had you been in communication with him as to the situation?

Mr. CORTELYOU. Oh, yes; right along.

Mr. UNTERMYER. How long did that conference last that evening?

Mr. CORTELYOU. Several hours. I do not know just how long.

Mr. UNTERMYER. As the result of it, did you agree to help out the situation?

Mr. CORTELYOU. I asked those gentlemen, first, to give me their views individually on the situation. I wanted all the information I could get. I then said what I had said before leaving Washington, in a statement from the Treasury Department, that the department would help in every proper and feasible way the general situation. I repeated that to them when I talked with them at the hotel.

Mr. UNTERMYER. As a result of that conference, did you agree or consent to give any specific help in any specific form?

Mr. CORTELYOU. Not at that conference, I think. I think that was a matter that was determined later.

Mr. UNTERMYER. Did you then arrange for a further conference?

Mr. CORTELYOU. I do not recall whether a further conference was arranged or not.

Mr. UNTERMYER. Did you have a further conference?

Mr. CORTELYOU. I think that depended entirely upon the developments of the next day.

Mr. UNTERMYER. Did you have a further conference the next day?

Mr. CORTELYOU. We had several conferences; I do not recall at just what time.

Mr. UNTERMYER. During the next day?

Mr. CORTELYOU. I think more likely the next evening; because during the day we were all busy downtown.

Mr. UNTERMYER. Then your present recollection is that on the day of the 23d you had no conference with any of these gentlemen?

Mr. CORTELYOU. I do not recall any. It would all be set forth in the response that I made to the Senate resolution. I think every little detail is set forth there very fully.

Mr. UNTERMYER. You do not now recall any conferences that you had during the next day—the 23d of October?

Mr. CORTELYOU. I do not recall anything that you could call a conference, in the sense of a number of gentlemen seeing me at any one time. I was in the office in the subtreasury there, and I saw anybody who came in.

Mr. UNTERMYER. Did you see Mr. Morgan the next day?

Mr. CORTELYOU. I did not, so far as I recall. I may have seen him, if you mean by the next day the next evening.

Mr. UNTERMYER. No; I mean the next day—before the evening.

Mr. CORTELYOU. I do not recall that I did. I do not recall about that.

Mr. UNTERMYER. You had a conference the next evening, did you; the evening of the 23d?

Mr. CORTELYOU. I think so; but I would have to refer to the record in the case to know precisely. I am very sure we had a conference every evening.

Mr. UNTERMYER. Was the conference the next evening also at the Manhattan Hotel?

Mr. CORTELYOU. Yes, sir; the conferences in which I took part were all at the Manhattan Hotel.

Mr. UNTERMYER. You had other talks, meantime, down at the Subtreasury, with some of the gentlemen that came along and discussed the subject.

Mr. CORTELYOU. Yes; they came along with many hundreds of others.

Mr. UNTERMYER. Who was present at the conference on the evening of the 23d of October?

Mr. CORTELYOU. I do not recall, particularly. I imagine most of the gentlemen who took part in the first conference, with some additions. I do not recall, particularly, who was there at that time.

Mr. UNTERMYER. Were you told, then, of the very panicky condition of the stock market, particularly, and that money was ruling very high?

Mr. CORTELYOU. I kept advised of that through my own agencies. I was right at the Subtreasury all that day long.

Mr. UNTERMYER. What is your recollection as to the condition at the close of the market that day?

Mr. CORTELYOU. Just as you have described it—very unsettled and panicky—a condition of extreme stringency.

Mr. UNTERMYER. Do you remember what the call rate for money was at the close of that evening?

Mr. CORTELYOU. I do not know about that evening. My general recollection is that call money finally went to something about 100, or over; may be 120, or something like that. That was the information, as I recall.

Mr. UNTERMYER. Was all this discussed at the conference?

Mr. CORTELYOU. I can not say just what was discussed. I imagine the more important features of the disturbance were discussed.

Mr. UNTERMYER. As a result of that conference did you agree that the Government should aid the situation?

Mr. CORTELYOU. As a result of the information obtained from that meeting and from all other sources available to me, I felt that the Government should lend whatever assistance it could.

Mr. UNTERMYER. Yes. Did you then consent or agree to lend any specific assistance?

Mr. CORTELYOU. I do not recall doing that at the conference, particularly; but after the conference had adjourned, I issued a statement in which I spoke of several features of the disturbance and concluded with the statement that, as an evidence of the Government's determination to do everything in its power, it held itself ready to deposit \$25,000,000 in the national banks of the city.

Mr. UNTERMYER. Had that been discussed at the meeting?

Mr. CORTELYOU. I do not know whether that particular figure had been discussed, or what figure had been discussed. I think I outlined about the extent to which the Treasury Department could go in the matter of help; and that I would go as far as I could.

Mr. UNTERMYER. Mr. Morgan was present with these other gentlemen at this second interview, on the 23d of October?

Mr. CORTELYOU. I can not say positively whether he was or not. I think he was.

Mr. UNTERMYER. I am speaking of the conference on the night of the 23d.

Mr. CORTELYOU. I understand.

Mr. UNTERMYER. Was there any discussion there as to the particular form in which this \$25,000,000 should be used to assist the situation?

Mr. CORTELYOU. No, sir.

Mr. UNTERMYER. Was there anything said as to the banks in which it should be deposited at that interview that night?

Mr. CORTELYOU. I do not recall anything in particular, except that, at the first conference, I had stated that I would not deposit a dollar of the Treasury money except for the relief of the community generally, and for whatever relief it afforded the country.

Mr. UNTERMYER. What do you mean by the relief of the community generally? As distinguished from the relief of the stock market?

Mr. CORTELYOU. No; I do not differentiate the stock market from the community generally. I think it is a very integral part of the community.

Mr. UNTERMYER. You think that to relieve the brokers who were carrying margin stocks was just as important as to relieve the stringency on the part of the commercial community?

Mr. CORTELYOU. I do not undertake to answer that question particularly; but as to any relief afforded the commercial community, I want to have go in the record here, as it is in the record already submitted to Congress, that on the day I left Washington I deposited \$6,000,000 in what are strictly commercial banks in this city—\$1,000,000 in each of six banks doing entirely a commercial business.

Mr. UNTERMYER. That was on the 22d, was it?

Mr. CORTELYOU. I think that was on the 22d.

Mr. UNTERMYER. What banks were they?

Mr. CORTELYOU. I do not recall particularly, except I think you will find them in the record. I would not undertake to say from memory.

Mr. UNTERMYER. Was the bank of Commerce one of them?

Mr. CORTELYOU. I do not recall.

Mr. UNTERMYER. You do not recall any of them?

Mr. CORTELYOU. It would be largely guesswork, because it was done hurriedly before I left Washington, as I was taking the train. I felt that the commercial banks here needed the first assistance that could be given.

Mr. UNTERMYER. Will you get that information for us from this book, so that we can put it into the record here?

Mr. CORTELYOU. Yes.

Mr. UNTERMYER (continuing). Showing what banks were helped with \$1,000,000 each?

Mr. CORTELYOU. I might possibly have to refer to the records of the Treasury Department in order to do that. I think it is in there. I think practically everything that occurred is in that book which you have in your hand.

Mr. UNTERMYER. If it is, let me find it so that we may not have to guess about it [handing book to witness].

Mr. CORTELYOU. It would be rather unfair to have to include two or three of these banks and not include the others. I may have difficulty in doing that.

Mr. UNTERMYER. If it is not in that record, you could probably furnish it at the recess?

Mr. CORTELYOU. If it is not there I would be very glad to secure it for you. [After examining the book.] I do not find it here in any statement issued, but it is probably in the statistical tables. It would take a lot of time, however, to find it there. I shall be glad to furnish it for you.

Mr. UNTERMYER. We do not find it there, Mr. Cortelyou; but if you will produce it and put it in the record, that is all we care about.

Mr. CORTELYOU. I will produce it if it is available, and I think it is.

In line with what I have just testified in regard to the efforts of purely commercial institutions—

Mr. UNTERMYER. Mr. Cortelyou, we must ask you to answer our questions, if you will do so. We were inquiring as to the events of the evening of the 23d of October. I would like to know whether there was anything said at that conference as to the banks in which this \$25,000,000 was to be deposited?

Mr. CORTELYOU. I do not recall anything particularly said.

Mr. UNTERMYER. Was there anything generally said as to where it was to go?

Mr. CORTELYOU. It would naturally have to go, Mr. Untermeyer, to the national banks that could the most quickly put up proper collateral.

Mr. UNTERMYER. That is not what I asked.

Mr. CORTELYOU. No; but that is the answer to the question.

Mr. UNTERMYER. Please read the question, Mr. Stenographer.

The reporter repeated the question as follows:

Was there anything generally said as to where it was to go?

Mr. CORTELYOU. I have already answered that I did not recall.

Mr. UNTERMYER. Was anything said by anybody as to the condition of the stock market, and if so, what was said?

Mr. CORTELYOU. I do not recall anything said about the stock market.

Mr. UNTERMYER. By anybody at that conference?

Mr. CORTELYOU. I do not recall a word; no.

Mr. UNTERMYER. There was no mention of the fact—no reference to the fact—that call-money rates had closed around 100 per cent, or 125?

Mr. CORTELYOU. Quite probably there was. I do not recall particularly about it. I would not recall it as being said at the conference, because I was informed through my own agencies as to just what the conditions were.

Mr. UNTERMYER. But do you not recall whether that was the subject of very earnest discussion there?

Mr. CORTELYOU. I do not recall it as being the subject of very earnest discussion.

Mr. UNTERMYER. Or any discussion?

Mr. CORTELYOU. I will not say that, because I do not recall particularly. It was a conference lasting several hours, a great variety of topics were taken up, and I do not recall any particular emphasis on any one feature.

Mr. UNTERMYER. Do you not recall any discussion as to what would be the effect of there being no call money the next morning?

Mr. CORTELYOU. Quite probably that was discussed.

Mr. UNTERMYER. Have you no recollection about that?

Mr. CORTELYOU. I have no particular recollection of its occurring in this conference, because I was virtually in conference with hundreds of people all day long.

Mr. UNTERMYER. Did you have any discussion with any of the gentlemen who were at that conference during that day on the subject of the effect on the stock market of not getting any relief?

Mr. CORTELYOU. I may have done so.

Mr. UNTERMYER. Do you remember?

Mr. CORTELYOU. No: I will not say I remember, because I do not.

Mr. UNTERMYER. Then, as I understand, you can not give us the substance of anything that took place that day between you and any of the gentlemen whom you have named, either during that day or that evening, with respect to the effect on the stock market of the failure to get relief?

Mr. CORTELYOU. I have already stated that I saw a great many people. I do not know how many hundred people saw me in the Subtreasury; a great many people of prominence in the banking business, though; and I could not attach to any one particular individual any particular bit of information, or any particular suggestion.

Mr. UNTERMYER. Read the question.

The stenographer repeated the question, as follows:

Then, as I understand, you can not give us the substance of anything that took place that day between you and any of the gentlemen whom you have named, either during that day or that evening, with respect to the effect on the stock market of the failure to get relief?

Mr. UNTERMYER. And the answer "No"?

Mr. CORTELYOU. The answer is as I have already stated.

Mr. UNTERMYER. That is not quite an answer. Can you, or can you not, give us the substance of any talk with anybody that day, of the gentlemen you have named, concerning the question of the relief that the stock market needed?

Mr. CORTELYOU. Mr. Untermyer, there are many questions you will ask here that can not properly, in justice to me, be answered by "Yes" or "No."

You know perfectly well that there are many questions that can not be answered by mere "Yes" or "No." I have a right to make an explanation of my position, and I propose to exercise that right here. [Applause.]

The CHAIRMAN. We will have order in the room, gentlemen. This is not a theater.

Mr. Cortelyou, you have that right. The chairman is presiding over the committee, and any matters submitted to him will be determined by the committee strictly according to the rules governing congressional proceedings, applying legal rules in so far as they are applicable. Your rights, and the rights of any witness, will be protected before this committee, whenever they may be infringed upon. [Applause.]

Gentlemen, I request order. We are a committee from the Congress of the United States, and you are citizens of this Government. We are endeavoring to obtain facts. The gentlemen who are called to this stand are men of high prominence and experience and ability, and they can protect their rights without applause from the audience, and if it occurs again I will call upon the custodian of the building to eject those who interfere with these proceedings.

Mr. CORTELYOU. Mr. Chairman, in view of what you have said, may I ask just one word? I am very sorry that an innocent reply of mine should be the cause of any embarrassment to the committee. I already have had occasion, as Secretary of the Treasury, to make extremely voluminous responses to the Senate and House touching, I think, upon every phase of the Government's relation to the financial disturbance of 1907. If I ask the privilege of occasionally adding a word or two of explanation in answering a question, it is with the sole desire of giving the committee the facts as I saw them.

The CHAIRMAN. Mr. Cortelyou, under the rules adopted by the committee for the orderly and intelligent conduct of this inquiry, we have determined that a witness must answer a question "Yes" or "No"; or if he does not know, he can say so. Then, if he has an explanation to make which is germane to the question, he has a right to make that explanation. But he can not, under the guise of making an explanation, diverge and go into collateral matters, and bring up subjects that are not brought up for consideration.

Mr. CORTELYOU. May I ask, then, if the witness feels that in answer to a question he can not answer "Yes" or "No" without doing himself an injustice he may state "I can not answer that by 'Yes' or 'No.'" and immediately proceed to explain?

The CHAIRMAN. He may do so provided the explanation is germane to the question.

Mr. CORTELYOU. I have no other consideration to ask, of course.

Mr. UNTERMYER. Mr. Cortelyou, there is no disposition to do anything except conduct this investigation on the lines that are recognized in congressional investigations; but we can not wander outside into all sorts of explanations. Let the question be read again,

The stenographer repeated the question, as follows:

Mr. UNTERMYER. Can you or can you not give us the substance of any talk with anybody that day, of the gentlemen you have named, concerning the question of the relief that the stock market needed?

Mr. UNTERMYER. That would seem to be a question you could answer by "Yes" or "No," without any explanation at all, Mr. Cortelyou.

Mr. CORTELYOU. I can not, because of the explanation I have already given.

Mr. UNTERMYER. Surely you can tell us whether or not you remember talking upon that subject with any of the people you have named, during that day?

Mr. CORTELYOU. Whom do you mean when you say people I have named? I have only named those who took part in the original conference—the first conference.

Mr. UNTERMYER. The question is whether you recall having talked with any of those same people the next day on any matter connected with the condition of the stock exchange or its protection?

Mr. CORTELYOU. I will answer that I quite probably did, but I can not recall which ones.

Mr. UNTERMYER. That is a perfectly satisfactory answer. During the conference, on the evening of the 23d, you say you do not recall that there was any discussion as to the banks in which this money was to be put?

Mr. CORTELYOU. No; I do not.

Mr. UNTERMYER. When was the money deposited in the banks?

Mr. CORTELYOC. I think my statement was issued that night about a quarter before 1—that is, a quarter before 1 on the morning of October 24—concluding with the—

Mr. UNTERMYER. The question was, When was the money deposited in the banks?

Mr. CORTELYOC. I am leading up to the answer to the question.

Mr. UNTERMYER. I object to your leading up to the answer. I think I am entitled to have you tell me when that money was deposited in the banks. That is all I asked you.

Mr. CORTELYOC. Mr. Untermeyer, do you recall the fact that you asked me to appear at this hearing less than two hours ago?

Mr. UNTERMYER. Yes; but if you do not know. Mr. Cortelyou, it is perfectly natural you should not know.

Mr. CORTELYOC. I am not going to undertake to state what I am forced to remember in the short space of a couple of hours.

Mr. UNTERMYER. Do you not remember when the money was deposited in the banks?

Mr. CORTELYOC. I am here, having disarranged plans, to my very serious inconvenience, in order to get here. I was notified less than two hours ago and I came here; and I must not be asked to remember too particularly, particularly if I do not remember.

Mr. UNTERMYER. Mr. Cortelyou, I am asking you questions and you are answering them or trying to, I hope. What I want to know is when this money was deposited in the banks. Was it on the 24th of October?

Mr. CORTELYOC. If I hesitate a little in answering your question it is only that I am trying to refresh my memory in the short time you have accorded me.

Mr. UNTERMYER. Take all the time you please, but answer me.

Mr. CORTELYOC. I think it certainly was on the 24th of October.

Mr. UNTERMYER. Have you any means of telling us at what time on the 24th of October it was deposited; about what time?

Mr. CORTELYOC. I should think as promptly as possible after the opening of business downtown.

Mr. UNTERMYER. You think, then, before noon, probably?

Mr. CORTELYOC. Oh, yes; I should say so.

Mr. UNTERMYER. Were the checks drawn by you at the subtreasury, or signed by you there?

Mr. CORTELYOC. As fast as the collateral was deposited in the subtreasury the banks which were able to put up the collateral received whatever deposits I felt justified in allotting to them.

Mr. UNTERMYER. Now, will you be good enough to tell us in what banks you deposited this money on the 24th of October, 1907, and in what amounts?

Mr. CORTELYOC. It would be impossible for me to do that. I would have to refer you to the record. It is all set out in detail.

Mr. UNTERMYER. I would like to see where it is set out in detail. Will you please show it to us? I am referring to the deposits on the 24th of October, 1907—the amount deposited in each bank. If you have it there, we will put that in the record.

Mr. CORTELYOC. I doubt very much whether it would show what was deposited on that particular day. I think we would have to go to the records in the Treasury Department.

Mr. UNTERMYER. That is what I supposed, and that is the reason I have been asking you. There is not any record there or in the Senate proceedings showing what amount of money was deposited in each of these banks on the 24th of October, 1907, is there?

Mr. CORTELYOU. I have an idea there is.

Mr. UNTERMYER. Where is it?

Mr. CORTELYOU. I would not undertake to go through a voluminous record of this kind after five years and put my hand on everything in it.

Mr. UNTERMYER. Take your time, Mr. Cortelyou.

Mr. CORTELYOU (after reference to book). I find this, which is not a precise answer to your question: For instance, on page 56 of the response of the Secretary of the Treasury to Senate resolution 33, statement No. 1, showing the balance of public moneys held by the several national banks in each State, designated as depositories of the United States on the date specified. The dates are September 30, October 5, October 12, October 19, October 31, November 9, and so on for several successive periods. Between October 19 and October 31, you take the various New York banks in which deposits were made, and you can see the difference in the amount of deposits. For the specific amounts, you will simply have to get them, I suppose, from the Treasury records.

Mr. UNTERMYER. Do you seriously think that is an answer?

Mr. CORTELYOU. It is certainly all the answer I can give you.

Mr. UNTERMYER. Is it any kind of an answer to the question as to where you deposited this \$25,000,000 on the 24th of October, 1907?

Mr. CORTELYOU. Certainly. It is the best answer I can give you.

Mr. UNTERMYER. Where did you deposit it, if you have it there?

Mr. CORTELYOU. I have answered that by saying I have not the statement here in my hand, but I refer you to the Treasury records, which is a pretty good place to find evidence.

Mr. UNTERMYER. You mean in the office of the Treasury here?

Mr. CORTELYOU. I mean the Treasury Department at Washington.

Mr. UNTERMYER. I do not want to be referred to the Treasury Department at Washington. I want the information from you as to where you deposited that money on that day; in what banks, and in what amounts, Mr. Cortelyou?

Mr. CORTELYOU. I would not undertake to answer that question, except by referring you to the records.

Mr. UNTERMYER. You mean to the deposit stub books of the department? How would I get access to those?

Mr. CORTELYOU. I suppose your committee has access to the records of the Treasury Department, or any other.

Mr. UNTERMYER. We are not calling witnesses for that purpose, exactly; we are calling them to know what they know.

Mr. CORTELYOU. I know you will find that record in the Treasury Department.

Mr. UNTERMYER. Is there no other way in which you can refresh your memory so you can give this committee any idea of how you distributed that \$25,000,000 on the 24th of October, 1907; in what banks in the city of New York?

Mr. CORTELYOU. I have already tried to answer that by saying that they were usually the national banks which could most quickly put up the collateral.

Mr. UNTERMYER. I do not want to know what was usually done; I want to know what you did in this particular case.

Mr. CORTELYOU. My answer is that undoubtedly I gave it to the national banks which could furnish the necessary collateral.

Mr. UNTERMYER. I do not care so much for conjecture as I want to know if you have no recollection whatever as to any bank, or any of the banks, in which you deposited that money that day; the name of the bank and the amount deposited?

Mr. CORTELYOU. I would not undertake to go into specific details of that kind.

Mr. UNTERMYER. Not as to any one of them?

Mr. CORTELYOU. Well, yes; I could say one; but I do not think it is fair to state one without mentioning the rest.

Mr. UNTERMYER. Please state one, if you remember one.

Mr. CORTELYOU. I have not any doubt I deposited it in banks of the character of the Hanover National, the First National, the Bank of Commerce, the National City—any of the prominent national banks that were then ready and had the collateral.

Mr. UNTERMYER. That will not do, either, Mr. Cortelyou. We must know, so far as you know, not what you have not any doubt about, but what you did. The question now is, in what banks did you deposit that money on that day? Either you know or you do not know, or you do not remember.

Mr. CORTELYOU. I would not undertake to remember all the banks.

Mr. UNTERMYER. Do you remember any of them?

Mr. CORTELYOU. I have given you the list of some of them.

Mr. UNTERMYER. You remember those, do you?

Mr. CORTELYOU. I say I undoubtedly did deposit in banks of that character.

Mr. UNTERMYER. Do you remember the fact that you did deposit on that day part of this \$25,000,000 in the National City Bank?

Mr. CORTELYOU. No, I do not.

Mr. UNTERMYER. Or how much, if anything, you deposited?

Mr. CORTELYOU. I do not.

Mr. UNTERMYER. Or whether you deposited any part of that money in the First National Bank?

Mr. CORTELYOU. I do not.

Mr. UNTERMYER. Or how much?

Mr. CORTELYOU. I do not.

Mr. UNTERMYER. Or how much you deposited in the Bank of Commerce?

Mr. CORTELYOU. I do not.

Mr. UNTERMYER. Your memory is an entire blank—

Mr. CORTELYOU. It is not a blank.

Mr. UNTERMYER (continuing). Upon all those facts?

Mr. CORTELYOU. It is not a blank; I have stated the extent to which it is not a blank.

Mr. UNTERMYER. If there is any extent to which it is not a blank, so far as concerns the name of the bank and the amount deposited that day, give us the name and the amount?

Mr. CORTELYOU. At that time, or shortly after?

Mr. UNTERMYER. On that day—on the 24th of October, 1907?

Mr. CORTELYOU. At that time, or shortly thereafter, there was from two hundred and forty to two hundred and fifty millions of dollars of Government deposits in the national banks of the country, and I would not undertake to say what was in any one bank.

Mr. UNTERMYER. I am not asking you that, Mr. Cortelyou, and you know, I think, that I am not. We are trying to get down to the events of the 24th of October, 1907, and we will stay there until we have exhausted your recollection.

Mr. CORTELYOU. Go right ahead, sir.

Mr. UNTERMYER. I want to know whether you have any recollection—

Mr. CORTELYOU. I have given you some of my recollection.

Mr. UNTERMYER (continuing). As to any bank in which you deposited part of that \$25,000,000 on the 24th of October, 1907?

Mr. CORTELYOU. I would not undertake to specify any particular bank as having received a deposit on that day.

Mr. UNTERMYER. But you do remember that on that day you did deposit \$25,000,000 in national banks in the city of New York?

Mr. CORTELYOU. I do.

Mr. UNTERMYER. But you can not specify one, or give the amount?

Mr. CORTELYOU. I would not undertake to.

Mr. UNTERMYER. By that you mean you can not do it?

Mr. CORTELYOU. Certainly, if I would not undertake it.

Mr. UNTERMYER. Have you the means at hand here of getting that information for us?

Mr. CORTELYOU. I have the same means that is open to your committee.

Mr. UNTERMYER. Have you any means, Mr. Cortelyou? That is a plain question.

Mr. CORTELYOU. Certainly I have.

Mr. UNTERMYER. Have you means of getting it in New York City?

Mr. CORTELYOU. I suppose so.

Mr. UNTERMYER. At the Subtreasury?

Mr. CORTELYOU. I should think so.

Mr. UNTERMYER. Might we ask you to do so during the recess?

Mr. CORTELYOU. If I may be allowed, Mr. Chairman, I should think the committee, with its authority, would be a better agency to obtain that than a private citizen.

Mr. UNTERMYER. We want you, Mr. Cortelyou, to refresh your recollection. We are examining you as to the events of that day, and your recollection seems to be indistinct. Can you not refresh it?

Mr. CORTELYOU. You want the facts, as I understand, not my recollection.

Mr. UNTERMYER. You have now given us, have you not, whatever recollection you have as to this transaction of the 24th of October, 1907?

Mr. CORTELYOU. All that I recall at the moment.

Mr. UNTERMYER. Were there more than \$25,000,000 deposited that day in the national banks of the city of New York?

Mr. CORTELYOU. I think there was something more than that; I do not recall just how much.

Mr. UNTERMYER. I think it says thirty-six millions.

Mr. CORTELYOU. Thirty-six millions were deposited during the entire four days.

Mr. UNTERMYER. I am referring to that one day.

Mr. CORTELYOU. You referred to thirty-six millions, and I thought you referred to those days.

Mr. UNTERMYER. How were these deposits made, Mr. Cortelyou? Were the checks sent from the Subtreasury to the various banks?

Mr. CORTELYOU. I imagine that was the process in some cases—in the majority of cases—because in the time of panic what the banks wanted at once was money.

Mr. UNTERMYER. I mean on this particular occasion.

Mr. CORTELYOU. I do not recall just how that transaction was carried out.

Mr. UNTERMYER. Was there any discussion, before these checks were deposited, with any of the gentlemen connected with the banks in which they were deposited, as to this money being put into their banks?

Mr. CORTELYOU. Not that I recall.

Mr. UNTERMYER. You do not remember any at all?

Mr. CORTELYOU. I do not.

Mr. UNTERMYER. Did you have any discussion with Mr. Hepburn as to the amount that would go to the Chase Bank?

Mr. CORTELYOU. I do not recall having a word with him on the subject.

Mr. UNTERMYER. Did part of this money go to the Chase Bank on the 24th?

Mr. CORTELYOU. I have not any doubt some part of it went there.

Mr. UNTERMYER. Do you not recall it did?

Mr. CORTELYOU. I can not go any further than to say I have no doubt it did.

Mr. UNTERMYER. Did some of it go to the First National?

Mr. CORTELYOU. I do not recall the amount that went to the First National.

Mr. UNTERMYER. Did you have any talk with anybody connected with the First National as to the amount that was to go there?

Mr. CORTELYOU. I do not recall, particularly, at this time.

Mr. UNTERMYER. You do not remember?

Mr. CORTELYOU. No.

Mr. UNTERMYER. Then, you can give us no information as to whether or not there was any understanding with any of these gentlemen as to the amounts their respective banks would get?

Mr. CORTELYOU. I know appeals were made to me from all sides.

Mr. UNTERMYER. That is not the question.

Mr. CORTELYOU. It is in order to answer properly what you have asked.

Mr. UNTERMYER. The question is whether, so far as you recollect, there was any understanding with any of these gentlemen who got the money as to whether they would get it that day and the amount they would get?

Mr. CORTELYOU. So far as I recollect, I discussed it with a number of gentlemen, who undoubtedly later got the money in the banks.

Mr. UNTERMYER. And you told them how much you were going to give them?

Mr. CORTELYOU. Very likely.

Mr. UNTERMYER. As to each bank?

Mr. CORTELYOU. As to the banks concerning which the individuals saw me.

Mr. UNTERMYER. Was there any talk with any of the gentlemen in whose banks this money was deposited as to how it was to be used?

Mr. CORTELYOU. Not particularly; no, sir.

Mr. UNTERMYER. What is that?

Mr. CORTELYOU. I do not recall any particular conversation.

Mr. UNTERMYER. Was there any talk as to its being used to relieve the stock market?

Mr. CORTELYOU. No; I recall nothing of that.

Mr. UNTERMYER. You do not recall whether that took place or not?

Mr. CORTELYOU. No, sir.

Mr. UNTERMYER. You considered it important to relieve the stock market, did you not?

Mr. CORTELYOU. Yes; I felt it was important that the stock market should be relieved.

Mr. UNTERMYER. Do you not know, Mr. Cortelyou, that this money was used to lend out that afternoon to brokers in order to relieve the stock market?

Mr. CORTELYOU. I have understood since that time that considerable of the money was so used.

Mr. UNTERMYER. Was it not all so used by Mr. Morgan?

Mr. CORTELYOU. I do not understand so.

Mr. UNTERMYER. By whom was it used?

Mr. CORTELYOU. I have not any idea.

Mr. UNTERMYER. You do not know by whom it was used?

Mr. CORTELYOU. I only know I dealt with the national banks, and I suppose the money found its way from the national banks into other channels.

Mr. UNTERMYER. What was Mr. Morgan's relation to this transaction? Was he the president of any national bank?

Mr. CORTELYOU. Mr. Morgan's relation to it was that, by the consensus of opinion, he was regarded as the leading spirit, I think, among the business men who joined themselves together to try to meet the emergency.

Mr. UNTERMYER. He was the representative of the banks, was he, in a sense?

Mr. CORTELYOU. He was the representative of the general business of the community.

Mr. UNTERMYER. But his relation to it, then, was that of a representative of other interests than his own?

Mr. CORTELYOU. I imagine he also represented some of his own interests.

Mr. UNTERMYER. What interest did he have in the banks?

Mr. CORTELYOU. He had a very great interest in the general financial and business situation.

Mr. UNTERMYER. Just as every merchant has and every banker has, I suppose?

Mr. CORTELYOU. To a greater or less extent.

Mr. UNTERMYER. That is the only interest you have in mind, is it not?

Mr. CORTELYOU. That is all I have.

Mr. UNTERMYER. You know, do you not, that this \$25,000,000 that was deposited, and was afterwards distributed or loaned to help out the stock-exchange situation, was so loaned under his direction?

Mr. CORTELYOU. I do not understand, and did not at the time, that the twenty-five or more millions deposited by the Treasury Department was the twenty-five millions loaned to the stock exchange, or to help out the stock exchange.

Mr. UNTERMYER. Was not the money that was loaned to help out the stock exchange loaned out by the banks with which you had deposited?

Mr. CORTELYOU. I do not know what the banks—I do not know to whom they loaned their money, except on the general understanding with me that it should be loaned to relieve the general situation.

Mr. UNTERMYER. And was not that understanding kept?

Mr. CORTELYOU. It was, so far as I have ever ascertained.

Mr. UNTERMYER. In what way was it kept?

Mr. CORTELYOU. It was kept to the extent that the panic was stayed.

Mr. UNTERMYER. In what way was the promise kept, so far as it concerned the use of that particular money by lending it out on the stock exchange at stated times?

Mr. CORTELYOU. Would you permit me to answer that question at considerable length?

Mr. UNTERMYER. Certainly; any way you please.

Mr. CORTELYOU. At the first conference at the Hotel Manhattan, among the subjects discussed was the necessity of some organization among the trust companies similar to the organization that existed among the national banks, so that in rendering assistance those who were in a position to assist might deal with a responsible agency. The trust companies had nothing in the nature of a clearing house, nor had they any organization among themselves whereby they could get together for conference, and with which organization others in a position to help could deal. It was determined then, and I strongly urged, that such an organization be completed as soon as possible.

I believe the very next morning a meeting was called of certain of the representatives of the trust companies. When that organization was perfected the national banks were in a position to deal with a responsible agency, whose business it should be to relieve the trust companies generally. I believe Mr. Edward King, president of the Union Trust Co., was president of that temporary organization. He has since died—a representative trust company president. I believe I stipulated that of the money deposited by the Treasury Department, \$10,000,000 should go to the immediate relief of the trust companies, to be distributed according to the best judgment of the gentlemen constituting this temporary trust company committee.

Mr. UNTERMYER. That is not part of this twenty-five million, is it?

Mr. CORTELYOU. But I am leading up to that.

Mr. UNTERMYER. That is another fund, is it not?

Mr. CORTELYOU. You have given me a little latitude in answering your question, and I can not answer it properly unless I lead up to it by this explanation.

Mr. UNTERMYER. Then, go on.

Mr. CORTELYOU. That was in line with a stipulation I made when I came here, that whatever funds the Government should deposit must be used for the relief of the general situation. And as evidence of my insistence upon that, the first funds so used were used for the relief of the trust companies.

Before I left Washington, as I have already stated, I deposited \$6,000,000 in certain commercial banks. Now, following the deposit of that \$6,000,000 upon leaving Washington, and \$10,000,000 to go to the relief of the trust companies, the understanding was, and that promise was kept so far as I have known, that whatever was deposited by the Treasury should be for the benefit of the general situation, used among the banks or the merchants or anybody else in business here or throughout the country, so far as the national or other banks here could relieve the situation.

Mr. UNTERMYER. Is that all you care to say on the subject?

Mr. CORTELYOU. No; I would like to say something more, Mr. Untermeyer.

Mr. UNTERMYER. Well, go on.

Mr. CORTELYOU. I would like to say this, as evidence of the position of the Treasury Department throughout this entire matter, that back as early as the latter part of August, 1907, I issued a statement, which you will find in this book here, from my home on Long Island, that beginning with the next week I would deposit weekly in banks throughout the country—not in the big cities, but throughout the country—such sums as would tend to relieve the probable fall stringency. Those funds were deposited in 46 States and Territories of the United States, to the extent of \$28,000,000, and those deposits must be taken into account to get any fair idea of the Treasury's relation to the handling of the panic here in October.

Mr. UNTERMYER. Do you understand that we are criticizing the action of the Government?

Mr. CORTELYOU. No; I do not understand that you are criticizing the action of the Government, but I understand that you want the facts and in order to give you the facts I am obliged to make certain explanations of matters that are not as familiar to you as they are to me.

Mr. UNTERMYER. We have wandered from the subject.

Mr. CORTELYOU. Not very much.

Mr. UNTERMYER. I think we have wandered very much.

Mr. CORTELYOU. Not very much, because you have asked me a question, and in order to answer it I want to show that the understanding with me that the general business situation should be relieved was kept.

Mr. UNTERMYER. Mr. Cortelyou, let us see. This money of which we are now talking, this twenty-five millions—

Mr. CORTELYOU. Approximately that; it may have been a little more. I do not recall.

Mr. UNTERMYER. This twenty-five millions you have said was deposited about, on the 24th of October, 1907, in certain banks which you can not name, in amounts that you can not give, on a promise that it would be used to relieve the situation?

Mr. CORTELYOU. On an understanding with me.

Mr. UNTERMYER. Yes. Now, that included the stock exchange situation, did it not?

Mr. CORTELYOU. It included anything.

Mr. UNTERMYER. Will you not answer my question?

Mr. CORTELYOU. Yes. Any sore spot in the situation, I presume.

Mr. UNTERMYER. I would like to get an occasional answer.

Mr. CORTELYOU. You have gotten several.

Mr. UNTERMYER. You understood, then, did you, that when that money was deposited, all of it would be used to relieve the stock exchange situation, or only part of it?

Mr. CORTELYOU. No such inference is to be drawn from anything I said, and I certainly did not.

Mr. UNTERMYER. I asked you the question, did you understand that all or part of it was to be used in that way?

Mr. CORTELYOU. I did not understand that any part of it was to be used for any specific purpose other than the relief of the general situation.

Mr. UNTERMYER. You know how it was used, do you not?

Mr. CORTELYOU. I know pretty well; yes.

Mr. UNTERMYER. Was not all the twenty-five millions used by being loaned to brokers that afternoon to relieve the impending panic?

Mr. CORTELYOU. I do not understand so at all.

Mr. UNTERMYER. How much of it was so used?

Mr. CORTELYOU. I do not know, and do not pretend to say.

Mr. UNTERMYER. Do you not know that the banks which, under Mr. Morgan's guidance, that afternoon loaned this money out on the stock exchange through brokers, loaned it in the proportion in which you had deposited it with them that day?

Mr. CORTELYOU. I do not know; I have never known anything of the sort.

Mr. UNTERMYER. You never have inquired about it, have you?

Mr. CORTELYOU. I never have; no.

Mr. UNTERMYER. Do you not know that it was the agreement that they were to make that use of the money, and that they did therefore make that use of it?

Mr. CORTELYOU. Whose agreement?

Mr. UNTERMYER. The agreement between the banks that received it?

Mr. CORTELYOU. And whom?

Mr. UNTERMYER. Between them, with Mr. Morgan.

Mr. CORTELYOU. I was getting at the other end of the agreement.

Mr. UNTERMYER. Do you not know anything about it?

Mr. CORTELYOU. I do not.

Mr. UNTERMYER. And you never inquired?

Mr. CORTELYOU. I do not recall—

Mr. UNTERMYER. Were you not interested in knowing, as Secretary of the Treasury, Mr. Cortelyou, what use was actually made of the money deposited under those conditions?

Mr. CORTELYOU. Oh, yes.

Mr. UNTERMYER. But had you sufficient interest in knowing that to investigate to ascertain what use actually was made of the money?

Mr. CORTELYOU. Yes.

Mr. UNTERMYER. Did you investigate it?

Mr. CORTELYOU. I did. I made inquiries from time to time.

Mr. UNTERMYER. How soon after the 24th of October, 1907, did you make inquiries, and from whom did you make them?

Mr. CORTELYOU. I was making inquiries at that time—

Mr. UNTERMYER. How soon after?

Mr. CORTELYOU. I do not remember how soon.

Mr. UNTERMYER. Did you remain here until the next day?

Mr. CORTELYOU. I remained here until the 26th, I think it was; I am not sure. Saturday night, I think it was.

Mr. UNTERMYER. You noticed the next day that the market became easier, did you not?

Mr. CORTELYOU. I did.

Mr. UNTERMYER. Do you know at what rates these banks loaned out in the stock exchange this money that the Treasury had deposited with them?

Mr. CORTELYOU. I can answer that very definitely. I understand the National City Bank loaned at 6 per cent, and I also understand that several of the other banks did the same thing. I do not know anything beyond that.

Mr. UNTERMYER. How much were they paying the Government for the money?

Mr. CORTELYOU. They did not pay the Government anything at that time.

Mr. UNTERMYER. No interest?

Mr. CORTELYOU. Not at that time.

Mr. UNTERMYER. So that whatever interest was earned on that money was earned by them?

Mr. CORTELYOU. The Government was not—

Mr. UNTERMYER. I say they earned whatever interest there was?

Mr. CORTELYOU. Yes. The Government could not charge any interest at that time.

Mr. UNTERMYER. Do you know whether Mr. Morgan, or the firm of J. P. Morgan & Co., loaned any of their own money on the stock exchange on the 24th of October, 1907?

Mr. CORTELYOU. I do not know anything about it.

Mr. UNTERMYER. There was another measure adopted by the Treasury Department for the relief of the panic situation, was there not?

Mr. CORTELYOU. There were several others; yes, sir.

Mr. UNTERMYER. Was this the first of the series of measures, or was this later than the others?

Mr. CORTELYOU. What do you mean?

Mr. UNTERMYER. The \$25,000,000 transaction?

Mr. CORTELYOU. I have already stated that I deposited \$6,000,000 before leaving Washington; I think, the day I left Washington. And this must be remember, that of the \$28,000,000 deposited during the previous week, a small amount came into New York banks; a small fraction, only a very small fraction—a negligible fraction of it.

Mr. UNTERMYER. I think you said you would furnish us with a list of the names of the companies or banks with which you deposited that \$6,000,000.

Mr. CORTELYOU. I will try to do that, certainly.

Mr. UNTERMYER. That was on the 22d of October?

Mr. CORTELYOU. I think it was. It was either that day or the day before. My recollection is it was on that day.

Mr. UNTERMYER. Then, there was another deposit of \$10,000,000, was there not, in aid of the trust-company situation?

Mr. CORTELYOU. I do not recall just what amount was deposited. My stipulation was that the first \$10,000,000 deposited after I arrived here should go to the trust companies.

Mr. UNTERMYER. But was there not another deposit made in connection with that situation to relieve the trust companies?

Mr. CORTELYOU. Well, the deposits were made from time to time as they were needed.

Mr. UNTERMYER. Do you not remember the situation of the Trust Co. of America?

Mr. CORTELYOU. I do; distinctly.

Mr. UNTERMYER. Do you remember when that broke loose?

Mr. CORTELYOU. Yes, sir.

Mr. UNTERMYER. Was it before this trouble on the stock exchange, the 24th of October, 1907?

Mr. CORTELYOU. Yes, sir.

Mr. UNTERMYER. About how long before?

Mr. CORTELYOU. I do not recall just how many days. It was a short time—a comparatively short time.

Mr. UNTERMYER. A few days, was it not?

Mr. CORTELYOU. A few days, I should say. I do not remember particularly.

Mr. UNTERMYER. Were you over here in connection with that trouble?

Mr. CORTELYOU. I was over here in connection with the general financial disturbance here.

Mr. UNTERMYER. When had you last been to New York, preceding the 22d of October?

Mr. CORTELYOU. I had been over here a considerable part of the summer, on Long Island.

Mr. UNTERMYER. I do not mean that. I mean after this financial difficulty arose in 1907, when had you been here next before your visit of October 22?

Mr. CORTELYOU. I was trying to explain to you, Mr. Untermyer. I spent most of that summer on Long Island, and came in two or three times a week to my office in this building.

Mr. UNTERMYER. From the early part of October you were mostly in New York, were you, prior to the 22d?

Mr. CORTELYOU. I was here frequently. I do not remember how frequently. I would have to look that up.

Mr. UNTERMYER. Do you not remember having had conferences with Mr. Morgan and others on the difficulties arising out of the closing of the Knickerbocker Trust Co. and the run on the Trust Co. of America?

Mr. CORTELYOU. I think those conferences were on the evening of the 22d. I had none before that.

Mr. UNTERMYER. There had been a run prior to that, had there not?

Mr. CORTELYOU. Yes; but I did not get here until the 22d.

Mr. UNTERMYER. Did you deposit an additional sum of ten millions, besides these twenty-five millions, within those three or four days?

Mr. CORTELYOU. I deposited altogether, I think, about \$36,000,000 here during the disturbance.

Mr. UNTERMYER. That was during three or four days, was it not?

Mr. CORTELYOU. That was during three or four days; yes.

Mr. UNTERMYER. And that was between the 22d of October and the 26th of October?

Mr. CORTELYOU. I think it was; yes.

Mr. UNTERMYER. And of that \$36,000,000 there was \$10,000,000 applicable to the relief of the trust companies, was there not?

Mr. CORTELYOU. I believe so; yes.

Mr. UNTERMYER. How was it figured that \$10,000,000 might be needed to relieve the trust situation?

Mr. CORTELYOU. I believe in discussing the matter with the committee they organized, they felt they must have approximately that sum. I have said ten millions. It may be it was eight or ten; approximately eight or ten million dollars.

Mr. UNTERMYER. Was there any arrangement between the trust companies as organized that Mr. Morgan was to direct the disposition of that money?

Mr. CORTELYOU. I do not recal what arrangement they had among themselves.

Mr. UNTERMYER. Did you not know of that arrangement?

Mr. CORTELYOU. I knew of an understanding whereby the responsible national banks dealt with this trust-company committee.

Mr. UNTERMYER. Which were those responsible national banks that dealt with this trust company committee?

Mr. CORTELYOU. Practically all the national banks in the city, I believe.

Mr. UNTERMYER. Is that your understanding, or was it your understanding that the clearing-house committee—

Mr. CORTELYOU. I think probably the clearing-house committee had quite a little to do with it.

Mr. UNTERMYER. They had charge of it?

Mr. CORTELYOU. I do not know whether they had charge of it.

Mr. UNTERMYER. Under Mr. Morgan's directions?

Mr. CORTELYOU. I will not say the clearing house acted under Mr. Morgan's directions.

Mr. UNTERMYER. He was the general in charge of the situation, was he not?

Mr. CORTELYOU. He was generally looked to for guidance and leadership.

Mr. UNTERMYER. And the banks acted under his directions and took his instructions?

Mr. CORTELYOU. For the time being, I suppose that is true.

Mr. UNTERMYER. Where was this \$10,000,000 deposited?

Mr. CORTELYOU. I would not undertake to say, at this late date, just what banks received that.

Mr. UNTERMYER. The entire \$36,000,000 went into the national banks, did it not?

Mr. CORTELYOU. I could only deal with the national banks.

Mr. UNTERMYER. I know. It all went into the national banks?

Mr. CORTELYOU. Oh, yes.

Mr. UNTERMYER. That thirty-six millions added to the six millions that had been previously deposited by the Treasury on the

22d of October made a total of forty-two millions that were deposited by you in certain national banks within four or five days?

Mr. CORTELYOU. I think so; yes, sir.

Mr. UNTERMYER. The money that was used to help out the Trust Co. of America, then, was part of the money that you had put here for that purpose—the purpose of helping out the trust companies?

Mr. CORTELYOU. I should think so.

Mr. UNTERMYER. So far as you know, none of it was Mr. Morgan's money, or the money of J. P. Morgan & Co., was it?

Mr. CORTELYOU. I would not attempt to segregate it.

Mr. UNTERMYER. In so far as you know, was it?

Mr. CORTELYOU. In so far as I know; no. I do not know what these other gentlemen did with their money, or what the banks did with theirs. I imagine a great deal—

Mr. UNTERMYER. You know what you put the money here for, though?

Mr. CORTELYOU. Yes; but I also know a great deal more money was used than I put here.

Mr. UNTERMYER. Let us see how that is. Do you know how much money was used to help through the Trust Co. of America?

Mr. CORTELYOU. I know they paid out over their counter about \$34,000,000.

Mr. UNTERMYER. Do you not know they had assets of more than 100 cents on the dollar of their debts?

Mr. CORTELYOU. I do not know, particularly.

Mr. UNTERMYER. Do you not know their stock was at 375; and sold at that?

Mr. CORTELYOU. I would not undertake to go into those matters.

Mr. UNTERMYER. Do you not know the stock of the Trust Co. of America has been absorbed by the Bankers' Trust Co. at the price of 375?

Mr. CORTELYOU. I read that the trust company had been absorbed; I did not follow the price at which one took over the other.

Mr. UNTERMYER. Were you not told by these bankers that the Trust Co. of America was entirely solvent?

Mr. CORTELYOU. I do not recall being told particularly as to its solvency. I know it was in dire straits.

Mr. UNTERMYER. You were not ready to help out a bank or trust company that was not solvent?

Mr. CORTELYOU. I suppose not. A bank may be solvent and yet have a run on it that threatens to ruin it.

Mr. UNTERMYER. We understand that. But having a run on it, you would help it out if it was a solvent bank; and if it was an insolvent bank you would not?

Mr. CORTELYOU. Well, I would not have deposited the Government's money in any dangerous place.

Mr. UNTERMYER. You would not deposit the Government's money on the understanding it would be used to help out an insolvent institution?

Mr. CORTELYOU. Certainly I would not.

Mr. UNTERMYER. So there was no question, when the Trust Co. of America was being helped out, as to its entire solvency?

Mr. CORTELYOU. I did not go into that matter, except to the extent that I believed it to be solvent, of course.

Mr. UNTERMYER. Otherwise you would not permit the money to be used in that way?

Mr. CORTELYOU. I did not undertake to dictate where the money should go after it was deposited in the national banks. I dealt solely with the national banks.

Mr. UNTERMYER. You say the Trust Co. of America paid out thirty-four millions to depositors. Do you know how much of that it paid out of its own assets?

Mr. CORTELYOU. I do not.

Mr. UNTERMYER. Do you know whether it ever received a single penny of help except where it deposited collateral fully covering the amount advanced to it?

Mr. CORTELYOU. I should imagine not.

Mr. UNTERMYER. It was the Equitable Trust Co. that absorbed the Trust Co. of America, was it not; and not the Bankers' Trust Co.?

Mr. CORTELYOU. I do not recall particularly. I remember reading at the time.

Mr. UNTERMYER. You have no recollection of the amount or the extent of the assistance that was given to the Trust Co. of America, have you?

Mr. CORTELYOU. No; I have not.

Mr. UNTERMYER. Out of this \$10,000,000? Was any of the money used to help out other trust companies during this stringency?

Mr. CORTELYOU. Yes; I believe so.

Mr. UNTERMYER. What others were helped out with those funds?

Mr. CORTELYOU. There were several.

Mr. UNTERMYER. Was the Lincoln Trust Co. one?

Mr. CORTELYOU. I believe there was some help there. I do not recall, particularly. I know several were thought to be in need of help at the time.

Mr. UNTERMYER. And that was your purpose in putting the money here?

Mr. CORTELYOU. Yes, sir.

Mr. UNTERMYER. Have you stated now, Mr. Cortelyou, as fully as you remember at this time, all you know about the banks in which this money was deposited during those four days—the amounts, and the manner in which it was disposed of, and the arrangements on which it was deposited?

Mr. CORTELYOU. I could not say that.

Mr. UNTERMYER. If you have not, go on and state anything else that you know on the subject. We want all of the transactions of that particular period with respect to this particular fund of \$42,000,000.

Mr. CORTELYOU. I do not want to unduly take your time or seem to pad out an answer, or give you anything but as direct an answer as I can to your question. I have already replied, while in the Treasury Department, to resolutions of the Senate, a resolution of the House, and two or three other minor resolutions, in which replies I spread before Congress in minute detail the transactions of the Treasury Department during that entire period—every deposit made

in every national bank, the amount of deposits, the relation of the department to the banks and of the comptroller's office to the banks, even to the extent of publishing the correspondence we had with the national banks. That is all set forth in detail. Now, in going into it in such minute detail, I naturally at the time dismissed a great many of those facts and circumstances from my mind, because subsequent to the panic I had to deal with the ordinary routine of the Treasury Department in large transactions, and many of them; and so when you ask me to be specific about some of these matters to-day, I do not undertake to remember in detail what I tried to dismiss from my mind at the time they occurred—a process of dealing with business which I think would appeal to the average business man.

Mr. UNTERMYER. Is that all you care to say? I have been asking you concerning the events of those four or five days, and I would like you to tell this committee where you have made any reports to the Senate or the House, any published report or other report, to which you can point, that will show the specific amounts of money you deposited in specific banks between those dates. That is what we want. The rest of it, Mr. Cortelyou, does not interest us. You never did any such thing, did you?

Mr. CORTELYOU. As I recall—

Mr. UNTERMYER. Now, did you do any such thing?

Mr. CORTELYOU. Yes; I think I did.

Mr. UNTERMYER. Where? In what report?

Mr. CORTELYOU. It would take quite a length of time to point it out, because if you take a book of several hundred pages to find any isolated items may take quite a little time.

Mr. UNTERMYER. May we have this understanding, that if you can find anywhere in any record of any department, or in any published record of Congress, any statement of or reference to the amounts you put in these different banks in New York City on those five days, separating this \$42,000,000—days and dates and banks and amounts—that you will furnish us with that?

Mr. CORTELYOU. Why do you limit it to a report to Congress?

Mr. UNTERMYER. You have been telling us here repeatedly that you have made specific and detailed reports to the Senate, and also of the particular things that we have been asking you about, and I am asking you to point to any report that you have made—any published report—as to the disposition of these \$42,000,000. that specifies the banks in which it was put, the amounts, and the dates, either to the Senate, or anywhere else?

Mr. CORTELYOU. That is there now [indicating book].

Mr. UNTERMYER. You never did, did you?

Mr. CORTELYOU. Yes.

Mr. UNTERMYER. Where?

Mr. CORTELYOU. In the report.

Mr. UNTERMYER. What report?

Mr. CORTELYOU. In the reports I made—voluminous.

Mr. UNTERMYER. What report?

Mr. CORTELYOU. Reports in this book. If you will study it a little more carefully you will find it.

Mr. UNTERMYER. Oh, no; that sounds, well, but it will not do.

Mr. CORTELYOU. Just like some of your questions to me, Mr. Untermyer.

Mr. UNTERMYER. I want to be shown in that book, or any other book, or any publication, any reference to what you did with those particular \$42,000,000, giving the names of the banks in which you put them, the dates, and the amounts. That is all I want.

Mr. CORTELYOU. Now you are not limiting me. Before, you limited me to what I reported to Congress. What I reported to Congress was full and complete. There were complete replies given by me as Secretary of the Treasury. You ask if I can find this information in any book. Of course I could find it in the books of record in the Treasury?

Mr. UNTERMYER. Do you mean your private records?

Mr. CORTELYOU. Oh, no; the public, official records of the Treasury Department.

Mr. UNTERMYER. But I have referred to a published report.

Mr. CORTELYOU. Why do you limit me to that? You want the facts. If you can find the facts as to what was done, whether they are in an official report or my report or anything else, I would not think would make any difference.

Mr. UNTERMYER. I am asking you simply to fortify and prove your statement that what we have asked you for here is in any published report. Now, Mr. Cortelyou, we may as well be perfectly frank with one another. Is there any published statement anywhere showing the disposition of those \$42,000,000, separately stated as to the banks in which it was deposited, the dates, and the amounts?

Mr. CORTELYOU. There are many official records of the Treasury Department that are not published. Why do you say published? Why do you not say "any record"?

Mr. UNTERMYER. Are they not published?

Mr. CORTELYOU. Why do you say "published"?

Mr. UNTERMYER. Because I want an answer. Is there or not?

Mr. CORTELYOU. I understand that much of the information you are seeking is published in this book here [indicating].

Mr. UNTERMYER. If there is any such information as I have asked for—giving the dates and the amounts of this specific \$42,000,000 and the banks in which it was deposited—please produce it and we will put it in the record.

Mr. CORTELYOU. Well, I will have to produce the whole answer to the resolutions. Most of it is there in very extensive detail.

Mr. UNTERMYER. I would like you to point it out.

Mr. CORTELYOU. I have already pointed it out.

Mr. UNTERMYER. Is that what you mean? Do you mean the sum totals of deposits in a month?

Mr. CORTELYOU. That is some information on the subject. You have asked for some.

Mr. UNTERMYER. No; that is not what I want. I want to find out the specific institutions in which this \$42,000,000 was deposited and the dates of deposit. Now, that is not there, is it?

Mr. CORTELYOU. Am I at liberty to make a suggestion in that connection? You are asking me as a private citizen now to go to a Government department and get information which your committee can easily get.

Mr. UNTERMYER. No. Is it there? That is what we are asking.

The CHAIRMAN. We have conferred on this matter and we would waive the question of sending you as a private citizen. It seems to me that you can answer the counsel's question whether or not there are published reports.

Mr. CORTELYOU. My recollection is that much of the information Mr. Untermeyer asks is contained here [indicating]. It would take too much of the time of the committee to point out every individual item. I think much of it is there.

Mr. UNTERMYER. I will ask the reporter to repeat the question.

The reporter read as follows:

I want to find out the specific institutions in which this \$42,000,000 was deposited, and the dates of deposit. Now, that is not there, is it?

Mr. CORTELYOU. I would not undertake to answer that until I had examined the entire response that I made.

Mr. UNTERMYER. Will you not please look at the book and point out the information, if it is there?

Mr. CORTELYOU. If the committee will relieve me of the responsibility of unduly taking its time.

Mr. UNTERMYER. Certainly.

Mr. CORTELYOU. I feel that I have answered the question once. I will not undertake to answer your question any further than to allude to the reference I have made, where a statement is made showing deposits in New York City national banks as of October 19 and as of October 21. Certainly some comparison can be made as to the increase in individual banks during the period between those two dates. As to the precise information as to when and what deposits were made in individual New York banks, the official records of the Treasury Department, and probably the subtreasury here, will undoubtedly show.

Mr. UNTERMYER. That is not the question. The question is whether or not there is any published report showing the amounts in which these \$42,000,000 were deposited in different banks in New York City, the names of the banks, and the dates of the deposits of those specific funds. You can say yes, no, or that you do not know whether there is any such published report.

Mr. CORTELYOU. If I answer that by saying that I do not recall, will you regard it as an answer?

Mr. UNTERMYER. Certainly. Is that your answer?

Mr. CORTELYOU. I think it is.

Mr. UNTERMYER. That is all, Mr. Cortelyou. We thank you.

Witness excused.

Thereupon, at 1.50 o'clock p. m., the subcommittee took a recess until 2 o'clock p. m.

#### AFTERNOON SESSION.

The subcommittee reconvened at 2 o'clock p. m., Hon. A. P. Pujo (chairman) presiding.

## TESTIMONY OF MR. CHARLES STEELE.

The witness was sworn by the chairman.

Mr. UNTERMYER. You are a partner in the firm of J. P. Morgan & Co., are you not?

Mr. STEELE. I am.

Mr. UNTERMYER. And have been for how many years?

Mr. STEELE. Upward of 10 years.

Mr. UNTERMYER. You understand, Mr. Steele, that the committee is not now taking testimony upon what we call the main branch of the inquiry, but upon certain collateral branches, so that we will examine you at this time only upon this one question, as to the events of the 24th of October, 1907, the panic. You remember those events, do you not?

Mr. STEELE. I have a very general recollection of them; yes, sir.

Mr. UNTERMYER. You remember the occasion of the distribution of the moneys on the afternoon of that day with which to relieve the stringency on the stock exchange?

Mr. STEELE. I recollect such a thing was done; yes, sir.

Mr. UNTERMYER. Will you be good enough to tell us how it was done; in what way the money was loaned to the brokers?

Mr. STEELE. As nearly as I can recollect, after the arrangement had been made—as to just how it was made I really do not know—several of the loan brokers on the floor of the exchange were instructed that they might loan certain amounts of money.

Mr. UNTERMYER. Instructed by whom?

Mr. STEELE. The instructions probably came from our office, but by whom they were given I do not know. You are probably familiar with the methods of loaning money on the exchange. As I understand it—I have never been there myself, but I am told this is the way they do it—the borrower and the broker are both there, and either the broker offers money or the borrower bids for money. At any rate, the loan is there made, the name of the lender is supplied later, and the borrower then sends to the lender his note with the collateral which he is to put up for the loan, and the loan is completed in that way. On this occasion, as nearly as I can recollect, a number of loan brokers were authorized to go on the exchange and lend money.

Mr. UNTERMYER. Authorized through J. P. Morgan & Co.?

Mr. STEELE. I am not sure of that, but I presume that is so, as the arrangements started there. They went on the exchange, and in the ordinary course of business different brokers borrowed money from them. When the loans were completed in that way these brokers who borrowed the money were instructed where to go to get the money.

Mr. UNTERMYER. Instructed from where?

Mr. STEELE. That I am not sure of, but I imagine it was through our office. Either through our office, or through the banks, possibly; I am not sure about that. At any rate, they were informed where they could get the money—that is to say, what bank would make the loans which they had already negotiated on the exchange. Then, as I understand it, each man went to the bank which was to lend him the money, got his money and gave his notes and his collateral. That is the way the transaction was completed.

Mr. UNTERMYER. Is the paper I show you a list you have made up of the banks to which these various brokers were referred as the banks that would loan them the money [handing witness paper]?

Mr. STEELE. That is correct; yes, sir.

Mr. UNTERMYER. There are no amounts there, Mr. Steele. Will you furnish the amounts to the committee during the afternoon, if you can?

Mr. STEELE. I do not know whether I can or not. If I can, and there seems to be no objection to it from the point of view that it is a confidential transaction, I shall be glad to do so, as far as we are concerned.

Mr. UNTERMYER. Is there any objection on the part of counsel for Mr. Steele to his furnishing the amounts that were loanable by each of the banks?

Mr. STETSON. Your letter did not ask for that—your letter that you sent me.

Mr. UNTERMYER. Impliedly, it did.

Mr. STETSON. I think not. The letter will speak for itself. At all events, it does not clearly and explicitly ask, and I did not so understand.

Mr. UNTERMYER. Is there any objection to furnishing it?

Mr. STETSON. That I want to consider. I do not think there is. I am not prepared to say there is; but I want to consider it.

Mr. UNTERMYER. Will you consider it, then, and let us know before you leave?

Mr. STETSON. Probably.

Mr. UNTERMYER. I offer that list in evidence.

The paper referred to was marked "Exhibit No. 31, June 13, 1912," and is printed in the record, as follows:

EXHIBIT No. 31, JUNE 13, 1912.

*Loans, October 24, 1907.*

First National Bank.	Manhattan Co.
Hanover National Bank.	National City Bank.
National Bank of Commerce.	Fourth National Bank.
American Exchange National Bank.	Bank of America.
Corn Exchange Bank.	Importers & Traders National Bank.
Chase National Bank.	Mechanics National Bank.
National Park Bank.	Chemical National Bank.

Mr. UNTERMYER. That is all, except that we would like to have the amounts loaned by each bank, and that it was arranged the bank should loan.

Mr. STETSON. Supposing they did not loan all they agreed to?

Mr. STEELE. I think that would be very difficult. It is possible, if the banks do not object to it, that we could get from the banks the amounts that they loaned; but I do not think there was any—there is no use my saying I do not think; I do not know whether there was any agreement or not.

The statement above referred to was furnished later and was marked "Exhibit No. 34, June 13, 1912," and is printed in the record following the testimony of this witness.

Mr. UNTERMYER. Do you not know, Mr. Steele, on that day there were certain amounts of money deposited in each of these banks by the Treasury Department?

Mr. STEELE. No; I do not.

Mr. UNTERMYER. Then you do not know how the loanable amount of each of these banks was fixed?

Mr. STEELE. I do not.

Mr. UNTERMYER. You were not personally a party to that transaction?

Mr. STEELE. I was not.

Mr. UNTERMYER. Who had more particular charge of that, in your firm?

Mr. STEELE. My recollection is, Mr. Perkins.

Mr. UNTERMYER. In conjunction with Mr. Morgan?

Mr. STEELE. I do not think Mr. Morgan had anything to do with the details of a thing like that. I think Mr. Perkins probably arranged that.

Mr. UNTERMYER. But under the direction of Mr. Morgan, I suppose?

Mr. STEELE. Generally; yes.

Mr. UNTERMYER. It appears here in evidence, by Mr. Thomas's testimony, that Mr. Morgan did direct Mr. Perkins as to the distribution of this money, in a general way?

Mr. STEELE. As to that I have no definite knowledge.

Mr. UNTERMYER. I think that is all.

Witness excused.

EXHIBIT No. 34, JUNE 13, 1912.

Loans, Oct. 24, 1907.

	Agreed to loan if necessary.	Loaned.
First National Bank.....	\$4,000,000	\$2,680,000
Hanover National Bank.....	1,500,000	1,355,000
National Bank of Commerce.....	2,500,000	1,730,000
American Exchange National Bank.....	1,000,000	910,000
Corn Exchange Bank.....	1,500,000	1,340,000
Chase National Bank.....	1,000,000	1,000,000
National Park Bank.....	1,000,000	1,000,000
Manhattan Co.....	500,000	350,000
National City Bank.....	8,000,000	6,330,000
Fourth National Bank.....	1,000,000	900,000
Bank of America.....	500,000	400,000
Importers & Traders National Bank.....	500,000	450,000
Mechanics National Bank.....	300,000	200,000
Chemical National Bank.....	250,000	300,000
Total.....	23,550,000	13,945,000

TESTIMONY OF MR. CHARLES A. HANNA.

The witness was sworn by the chairman.

Mr. UNTERMYER. You have been called a little out of order, Mr. Hanna, because we wanted your testimony in connection with the clearing-house branch of this subject, which we have passed for the moment. You are now employed where?

Mr. HANNA. By the New York Clearing House.

Mr. UNTERMYER. In what capacity?

Mr. HANNA. As examiner.

Mr. UNTERMYER. How long have you been in the employ of the New York Clearing House as examiner?

Mr. HANNA. Since the 1st of August, 1911.

Mr. UNTERMYER. Prior to that what was your employment?

Mr. HANNA. National-bank examiner.

Mr. UNTERMYER. How long had you been in the employ of the Government as a bank examiner up to the time you went into the employ of the New York Clearing House Association?

Mr. HANNA. Since 1899.

Mr. UNTERMYER. You were a bank examiner during the panic of 1907, were you not?

Mr. HANNA. Yes, sir.

Mr. UNTERMYER. And your duties during that panic were in connection with the New York banks, were they not?

Mr. HANNA. Yes, sir.

Mr. UNTERMYER. You were very actively concerned with the Bank of North America and the New Amsterdam Bank, were you not?

Mr. HANNA. I acted as receiver for both banks after they were closed.

Mr. UNTERMYER. Prior to your appointment as receiver you had examined the banks on behalf of the Government, had you not?

Mr. HANNA. Yes, sir.

Mr. UNTERMYER. The Bank of North America paid all of its depositors in full, did it not?

Mr. HANNA. It has, I believe; or has funds to pay them.

Mr. UNTERMYER. Do you not know it has paid its depositors and paid a dividend on its stock?

Mr. HANNA. All the claims that have been presented have been paid.

Mr. UNTERMYER. The claims have been advertised for in due course, have they not?

Mr. HANNA. Have been advertised for?

Mr. UNTERMYER. Yes; advertisements have been inserted for claims?

Mr. HANNA. Yes.

Mr. UNTERMYER. And every claim that has been presented has been paid, has it not?

Mr. HANNA. And they have money in the hands of the controller to pay any other deposits that have not been presented.

Mr. UNTERMYER. So that the debts have been cleared up long ago?

Mr. HANNA. The debts have been cleared up.

Mr. UNTERMYER. How much was paid to the stockholders?

Mr. HANNA. That I do not know.

Mr. UNTERMYER. The bank still has a large amount of assets on hand, has it not?

Mr. HANNA. It has, yes.

Mr. UNTERMYER. Is it not the fact that it has more than 100 cents on the dollar on the stock in assets still remaining, in addition to the dividend it has paid on the stock?

Mr. HANNA. That is a matter of opinion. It all depends on the values.

Mr. UNTERMYER. You had it appraised, did you not, as receiver?

Mr. HANNA. I do not remember whether I had or not.

Mr. UNTERMYER. Do you remember when the Bank of North America closed its doors?

Mr. HANNA. January 25, 1908.

Mr. UNTERMYER. January 25 or 26?

Mr. HANNA. The 25th. It closed them on Saturday at noon, and it never opened them after that.

Mr. UNTERMYER. All the banks close on Saturday at noon, do they not?

Mr. HANNA. Yes.

Mr. UNTERMYER. And it closed with the other banks, and in no other way than the other banks?

Mr. HANNA. Yes; it closed in a different way from the other banks.

Mr. UNTERMYER. Did it? Did it announce its failure on the 25th.

Mr. HANNA. It was in my charge, when it closed, as examiner.

Mr. UNTERMYER. Yes; but that is frequently so as to a solvent bank that is being examined, is it not?

Mr. HANNA. I would not say that that bank was not solvent.

Mr. UNTERMYER. Did not Mr. Morse, shortly after the closing of the bank, offer to pay all the depositors in full?

Mr. HANNA. I do not know.

Mr. UNTERMYER. You do not know, or do not remember? Did he not offer you?

Mr. HANNA. I have no recollection of that.

Mr. UNTERMYER. Did he not ask you for a list of depositors and the amounts of their claims, and present to you a form of letter that he proposed to send to the depositors announcing that they would be paid in full?

Mr. HANNA. I do not remember about the announcement that they would be paid in full.

Mr. UNTERMYER. Did he not tell you where he had raised the money?

Mr. HANNA. Not at that time.

Mr. UNTERMYER. Who is Mr. J. F. Kane?

Mr. HANNA. I do not know him. Thomas P. Kane, I think, you mean.

Mr. UNTERMYER. Yes.

Mr. HANNA. He is the Deputy Comptroller of the Currency.

Mr. UNTERMYER. He was your superior, was he not?

Mr. HANNA. Yes.

Mr. UNTERMYER. Just look at this copy of correspondence and see if that refreshes your memory as to the occurrences at that time, one letter being written by Mr. Morse and the other being a copy of a letter from the comptroller, in June, 1908.

Mr. HANNA. I understood you said shortly after it closed.

Mr. UNTERMYER. That was only a few months after it closed.

Mr. HANNA. In June.

Mr. UNTERMYER. Prior to that Mr. Morse had been discussing with you—

Mr. HANNA. Mr. Morse asked me for a list of the depositors, I think in February or March, 1908, with a view to—I do not really know what he wanted it for; I have forgotten just what he did want it for; and a list of the assets, I think with a view to seeing if he could get anybody to advance money on them.

Mr. UNTERMYER. You did not give him a list of the depositors, did you?

Mr. HANNA. That I do not know.

Mr. UNTERMYER. Do you not see from the correspondence that you referred it to the comptroller and he refused to give him a list?

Mr. HANNA (referring to letters). Yes; the deputy comptroller says:

You are advised that this office declines to furnish you with a list of depositors, nor can the receiver lend you any assistance.

Mr. UNTERMYER. Yes; I am going to put the letters in, Mr. Hanna, so that you need not read them. But that refreshes your memory, does it, so that you are able to say that the list was refused him?

Mr. HANNA. Yes.

Mr. UNTERMYER. I offer these two letters in evidence, one from Mr. Morse to the Deputy Comptroller of the Currency, June 15, 1908, and the reply of June 16, 1908, from the Deputy Comptroller of the Currency to Mr Morse.

The letters referred to, marked "Exhibits Nos. 32 and 33," were offered in evidence and were read by Mr. Untermeyer in full, as follows:

EXHIBIT No. 32. JUNE 13, 1912.

CHARLES W. MORSE,  
1 Nassau Street, New York, June 15, 1908.

Hon. J. P. KANE,

*Deputy Comptroller of the Currency, Washington, D. C.*

DEAR SIR: Having made the proper arrangement, I propose to send to the depositors of the National Bank of North America a notice, of which the following is a copy:

"JUNE 15, 1908.

"DEAR SIR: I am pleased to inform you that I have arranged matters so that you can get the amount of your deposit in the National Bank of North America if you will call at this office and see me, bringing with you your receiver's receipt or certificate.

"I remain, yours, very truly,

—————."

Mr. Hanna, the receiver of the bank, has been requested to allow me to use his mailing list. He has no objection to doing so, but thinks he should receive the consent of the comptroller's department.

Will you kindly instruct him at once, so that each one of the depositors can promptly receive the amount of the deposit due him?

Yours, very truly,

C. W. MORSE.

EXHIBIT No. 33, JUNE 13, 1912.

TREASURY DEPARTMENT,  
*Washington, June 16, 1908.*

Mr. CHARLES W. MORSE,  
1 Nassau Street, New York, N. Y.

SIR: Your letter of the 15th instant, requesting that Mr. Charles A. Hanna, receiver of the National Bank of North America, be instructed to allow you to use his mailing list of depositors, for the purpose of sending notice to each of them that he can get the amount of his deposit by calling at your office with the receiver's receipt, or certificate, is received.

You are advised that this office declines to furnish you with a list of depositors, nor can the receiver lend you any assistance in your effort to settle with the depositors. Should you be willing at any time to place with the receiver sufficient money to pay the depositors, their claims can be settled by that method.

Respectfully,

J. P. KANE,  
*Deputy and Acting Comptroller.*

Mr. UNTERMYER. How much of the stock of the bank did Mr. Morse own?

Mr. HANNA. I do not recall; quite a substantial block of it.

Mr. UNTERMYER. About 60 per cent, was it not?

Mr. HANNA. Possibly. I could tell you definitely later.

Mr. UNTERMYER. You are familiar with the affairs of the Bank of North America, are you not?

Mr. HANNA. I was at the time.

Mr. UNTERMYER. It has not all gone out of your memory, has it?

Mr. HANNA. The amount of his stock owning has.

Mr. UNTERMYER. You were active in the prosecution of Mr. Morse, were you not?

Mr. HANNA. No.

Mr. UNTERMYER. You were a witness, were you not?

Mr. HANNA. I identified the books.

Mr. UNTERMYER. Were you not a witness on that stand?

Mr. HANNA. No; that was all in the hands of another examiner.

Mr. UNTERMYER. Do you not know that Mr. Morse had a clear control of the stock of the bank?

Mr. HANNA. I did not ascertain that.

Mr. UNTERMYER. Your impression is that he did, is it not?

Mr. HANNA. Not as to control; and yet he may have owned the control.

Mr. UNTERMYER. Did you ask Mr. Kane for any explanation as to why he would not allow a man who owned control or substantial control of a bank, and wanted to pay its depositors in full, to see a list of who the depositors were, so that he could pay them?

Mr. HANNA. No; I do not recall that I did.

Mr. UNTERMYER. When were the depositors paid in full?

Mr. HANNA. I think about the 28th of October or the 31st of October.

Mr. UNTERMYER. 1908?

Mr. HANNA. Yes. That is, the receivers' certificates had nearly all been bought up by the Assets Realization Co. and by Mr. Morse during the summer.

Mr. UNTERMYER. Do you not know that after the comptroller refused to allow Mr. Morse to see a list of the depositors so he could pay the creditors, Mr. Morse went to work with the Assets Realization Co. to get them to go around and buy up the claims of the depositors as best they could be found?

Mr. HANNA. Yes.

Mr. UNTERMYER. Do you know why the Government official should have taken any such course of duty when somebody came forward with a responsible company like the Assets Realization Co. back of them, and wanted to pay every depositor, and thus made them wait four months for their money?

Mr. HANNA. I presume that was the precedent of the office.

Mr. UNTERMYER. You do not know the reason?

Mr. HANNA. No.

Mr. UNTERMYER. You know Mr. Kane has been asked to appear here?

Mr. HANNA. Yes.

Mr. UNTERMYER. He is not here?

Mr. HANNA. No.

Mr. UNTERMYER. He telephoned that he could not come. He is an official of the Government, is he not?

Mr. HANNA. He is in the same position he was in then.

Mr. UNTERMYER. You have never heard any explanation of this action of his, have you?

Mr. HANNA. If I have I have forgotten it.

Mr. UNTERMYER. You had been how many years in the employ of the department?

Mr. HANNA. Since 1899.

Mr. UNTERMYER. And all that time as an examiner, had you?

Mr. HANNA. Yes.

Mr. UNTERMYER. You saw no objection to a man interested in the bank knowing who its depositors were, did you?

Mr. HANNA. I believe it is the rule of the department to give out no information to anyone when a bank is in the hands of a receiver.

Mr. UNTERMYER. Do they not have to make public reports of their doings?

Mr. HANNA. I think not.

Mr. UNTERMYER. As receiver?

Mr. HANNA. I think not.

Mr. UNTERMYER. Do you understand that there is any such rule applicable to a man who owns the control of the stock and therefore is interested in the depositors being paid?

Mr. HANNA. I do not know. You would have to get that from the department.

Mr. UNTERMYER. Do you not see that in this letter it is stated that you see no objection to his getting the list.

Mr. HANNA. I saw no objection.

Mr. UNTERMYER. Then, you did not know of any rule that prevented it?

Mr. HANNA. No. That was my first receivership, I think.

Mr. UNTERMYER. Was that the first time you had examined a bank that was closed?

Mr. HANNA. You mean was that the first bank I had examined that had closed?

Mr. UNTERMYER. Yes.

Mr. HANNA. No.

Mr. UNTERMYER. Did you have close association with the New Amsterdam Bank at that time?

Mr. HANNA. Yes.

Mr. UNTERMYER. When did that close?

Mr. HANNA. Following the announcement of the closing of the North America. That started a run on the New Amsterdam National Bank.

Mr. UNTERMYER. That was also a so-called Morse bank?

Mr. HANNA. Yes.

Mr. UNTERMYER. Has that paid its depositors in full?

Mr. HANNA. It has.

Mr. UNTERMYER. When did it pay its depositors in full?

Mr. HANNA. I think the latter part of 1908 or the early part of 1909.

Mr. UNTERMYER. Do you know how much it has paid on the stock?

Mr. HANNA. Something around 40 to 45, I think.

Mr. UNTERMYER. \$45 on the stock. How much assets has it left?

Mr. HANNA. I understood that the assets had been sold to the Assets Realization Co.

Mr. UNTERMYER. Do you not know that the Assets Realization Co. still has an equity that is distributable?

Mr. HANNA. Possibly; yes.

Mr. UNTERMYER. How much it is you do not know?

Mr. HANNA. No.

Mr. UNTERMYER. You were in New York on the 25th of January, 1908, were you not?

Mr. HANNA. Yes.

Mr. UNTERMYER. Do you remember the occasion of the publication in the newspapers on that day of the fact that the clearing-house committee had called in the certificates of four banks?

Mr. HANNA. No; I had forgotten that until it was brought out in the papers in an account of the evidence given here.

Mr. UNTERMYER. On January 25, 1908, the panic was over, was it not?

Mr. HANNA. Yes.

Mr. UNTERMYER. And things were mending?

Mr. HANNA. Yes.

Mr. UNTERMYER. Do you know what precipitated the closing of those three solvent banks, the Oriental, the Bank of North America, and the New Amsterdam Bank?

Mr. HANNA. I do not think anybody knows, but I have an idea.

Mr. UNTERMYER. Do you not know that it was the publication in the papers of the fact that their certificates had been called and not paid?

Mr. HANNA. I knew that had not anything to do with it. I know that was not the cause.

Mr. UNTERMYER. You had to do with the Oriental Bank, too, had you not?

Mr. HANNA. No, sir.

Mr. UNTERMYER. Do you know that there was such a publication in the papers?

Mr. HANNA. I do not.

Mr. UNTERMYER. You do not know whether there was or not?

Mr. HANNA. I do not.

Mr. UNTERMYER. Do you know that there was a run on the Oriental Bank?

Mr. HANNA. Following the closing of the Bank of North America?

Mr. UNTERMYER. No; following the announcement on the 25th of January, do you know that there was a run on the Oriental Bank?

Mr. HANNA. No; I did not know that.

Mr. UNTERMYER. You do not know anything about these facts?

Mr. HANNA. I know what caused the closing of the Bank of North America, now.

Mr. UNTERMYER. I am asking you about the Oriental Bank now.

Mr. HANNA. No. I know nothing about the Oriental Bank.

Mr. UNTERMYER. From whom do you know what caused the closing of the Bank of North America?

Mr. HANNA. Mr. Havemeyer, the president, asked me to take charge of it about the 22d or 23d of January.

Mr. UNTERMYER. Mr. Havermyer had been put in by the clearing-house committee instead of the former president, had he not?

Mr. HANNA. I do not know.

Mr. UNTERMYER. Were you not in communication with the clearing-house committee?

Mr. HANNA. Just casually. While I was in sympathy with them, I had not any particular communication with them.

Mr. UNTERMYER. Do you know of what bank Mr. Havemeyer was a director before he became the president of the Bank of North America?

Mr. HANNA. The National Bank of North America.

Mr. UNTERMYER. No; of what other bank.

Mr. HANNA. No; I do not.

Mr. UNTERMYER. Which Mr. Havemeyer was it?

Mr. HANNA. William F.

Mr. UNTERMYER. Who nominated him for that place, if you know.

Mr. HANNA. I do not know.

Mr. UNTERMYER. Do you not know that he was picked out by the clearing-house committee?

Mr. HANNA. No.

Mr. UNTERMYER. Mr. Hanna, you know something about that, do you not?

Mr. HANNA. I have forgotten. I have looked at the minute book of the Bank of North America, and that would show; but I have forgotten just what it does show.

Mr. UNTERMYER. Was he not a director in the City Bank?

Mr. HANNA. I do not think he was. I never knew it.

Mr. UNTERMYER. Do you not know that he was a director in one of the large banks represented on the clearing-house committee? I forget which one it was now.

Mr. HANNA. I am quite sure he was not a director in the City Bank.

Mr. UNTERMYER. You have how many examiners under you, now, in the employ of the clearing-house committee?

Mr. HANNA. About a dozen.

Mr. UNTERMYER. Are you sworn officers? Do you take an oath?

Mr. HANNA. I have taken a pledge of secrecy.

Mr. UNTERMYER. Have you taken any oath?

Mr. HANNA. To the clearing house?

Mr. UNTERMYER. Yes.

Mr. HANNA. No.

Mr. UNTERMYER. Nor your subordinates?

Mr. HANNA. They have taken a pledge of secrecy.

Mr. UNTERMYER. A pledge given to whom?

Mr. HANNA. To me.

Mr. UNTERMYER. And your pledge is given to whom?

Mr. HANNA. To the chairman of the clearing-house committee.

Mr. UNTERMYER. To which individual did you give your pledge?

Mr. HANNA. Mr. Nash.

Mr. UNTERMYER. You take your employment from that committee, do you not?

Mr. HANNA. Yes, sir.

Mr. UNTERMYER. And are responsible to that committee for the performance of your duty?

Mr. HANNA. Yes.

Mr. UNTERMYER. At the time when you were employed by the clearing-house committee you were then with the Government, were you not?

Mr. HANNA. Yes, sir.

Mr. UNTERMYER. You received an offer from the committee and went out of the Government employ and accepted that offer?

Mr. HANNA. Yes.

Mr. UNTERMYER. With whom did you have negotiations for your employment?

Mr. HANNA. Mr. Nash and Mr. Hine.

Mr. UNTERMYER. Mr. Hine is the president of the First National Bank, is he not?

Mr. HANNA. Yes, sir.

Mr. UNTERMYER. You and your 12 assistants are constantly engaged in examining banks and trust companies in the clearing house, are you?

Mr. HANNA. Yes.

Mr. UNTERMYER. It takes all your time?

Mr. HANNA. Yes.

Mr. UNTERMYER. Does not the Government make examinations of the national banks that are in the clearing house?

Mr. HANNA. Yes.

Mr. UNTERMYER. How often?

Mr. HANNA. Twice a year.

Mr. UNTERMYER. Do you make them any more frequently?

The CHAIRMAN. My recollection is that the statute requires them four times a year.

Mr. HANNA. No; they can not get around oftener than twice a year.

The CHAIRMAN. But my recollection is that that is the requirement under the statute—four times a year.

Mr. HANNA. I think not.

Mr. UNTERMYER. Do you and your assistants get around among the banks of the clearing house any more frequently than the Government officials do?

Mr. HANNA. Not as frequently.

Mr. UNTERMYER. Do you think your examination is any more thorough than the Government examination?

Mr. HANNA. We spend more time at a bank, I think, than the Government examiner can, and we have a larger force.

Mr. UNTERMYER. Do you see the Government examinations?

Mr. HANNA. No.

Mr. UNTERMYER. You have no access to them?

Mr. HANNA. No.

Mr. UNTERMYER. You are in communication with the Government examiners, are you not?

Mr. HANNA. I confer with the Government examiners, both State and national.

Mr. UNTERMYER. You confer with them in respect to their examination of banks, and your examination of the same banks?

Mr. HANNA. Yes. We act in cooperation so far as we can, consistently with the law.

Mr. UNTERMYER. You compare notes, to some extent?

Mr. HANNA. As to values.

Mr. UNTERMYER. Then, as to the State banks that are in the clearing-house association, how often are they examined by the State banking department?

Mr. HANNA. Most of them, I think, are examined twice a year. Some of the larger ones perhaps do not get to be examined more than once a year. I think the savings banks——

Mr. UNTERMYER. I am speaking of members of the clearing-house association. That is twice a year?

Mr. HANNA. I think it is.

Mr. UNTERMYER. And you compare notes with them, do you? Do you examine the State institutions that are members of the clearing house any more frequently than the State banking department?

Mr. HANNA. No.

Mr. UNTERMYER. Your examination is also more thorough and more in detail than is theirs.

Mr. HANNA. I would not say that. They have a larger force than the national examiners, and perhaps more time than the national examiners do. They have very thorough examinations.

Mr. UNTERMYER. Do you think they are as thorough as yours?

Mr. HANNA. In some respects they may be, and in some respects they are not.

Mr. UNTERMYER. In what respects are they not as thorough as yours?

Mr. HANNA. I do not think they spend as much time in looking up values as we do.

Mr. UNTERMYER. You mean values of collateral to loans?

Mr. HANNA. Values of collateral, and credit.

Mr. UNTERMYER. You do not think they go into as much detail in checking collateral as do your examiners?

Mr. HANNA. I think they check collateral just the same as we do.

Mr. UNTERMYER. I mean in checking values?

Mr. HANNA. Yes.

Mr. UNTERMYER. They do not make the same thorough investigation into values; is that what you mean?

Mr. HANNA. I would not make any invidious comparisons at all.

Mr. UNTERMYER. I do not think it is assumed to be invidious.

Mr. HANNA. I do not think they take as much time as we do to arrive at the actual condition of the bank.

Mr. UNTERMYER. In addition to your examinations, do the members of the clearing house also make weekly reports to the clearing house committee?

Mr. HANNA. Yes.

Mr. UNTERMYER. These weekly reports are in rather general terms, are they not? They do not contain the details?

Mr. HANNA. Yes; they are just the totals.

Mr. UNTERMYER. The total loans and discounts and assets, grouped in that way?

Mr. HANNA. Yes.

Mr. UNTERMYER. Your examination is for the purpose of valuing and checking the details?

Mr. HANNA. No; the primary object of the examination is for the solvency of the bank, and the incidental object is for the benefit of the directors, to gather the details and present them to the directors.

Mr. UNTERMYER. Do you also examine nonmembers of the clearing house that clear through the clearing house? That is all under your jurisdiction, is it not?

Mr. HANNA. That is according to my discretion. If I have time to go around and examine all the members, then I presume I examine some of the nonmembers.

Mr. UNTERMYER. Have you not examined some of the nonmembers?

Mr. HANNA. Yes; I have.

Mr. UNTERMYER. Have you examined practically all of them?

Mr. HANNA. Very few of them. I find it takes so long a time to get around to the members that I have not time to examine the nonmembers.

Mr. UNTERMYER. Have you a list of the banks that you have examined?

Mr. HANNA. Yes.

Mr. UNTERMYER. Will you let me look at it? I think you prefer that it should not be made public. Is that right?

Mr. HANNA. Yes.

Mr. UNTERMYER. And you object also to your reports being made public, do you not?

Mr. HANNA. I do, because of their confidential nature.

Mr. UNTERMYER. Very well. We shall not press that.

I see from this list that you have examined 30 member banks, 10 member trust companies, and 6 nonmembers. Some of these examinations, however, I see are yet incomplete.

Mr. HANNA. Two are still in progress.

Mr. UNTERMYER. Have you examined some of these more than once?

Mr. HANNA. No.

Mr. UNTERMYER. And you have been in office how long?

Mr. HANNA. As a clearing-house examiner?

Mr. UNTERMYER. Yes.

Mr. HANNA. Since August 1, 1911.

Mr. UNTERMYER. Ten months; and you have not got around to all the members yet?

Mr. HANNA. No.

Mr. UNTERMYER. And inasmuch as the Federal department and the State department succeed in making two examinations a year, how is that going to help the clearing-house banks, to have a department that can not get around once a year?

Mr. HANNA. Well, that is for the clearing house to say.

Mr. UNTERMYER. That is for them? It is only for us to say in trying to find out what the purpose of this department is. I think that is all, Mr. Hanna.

Mr. HANNA. Would you permit me to make a statement?

Mr. UNTERMYER. If it bears on anything I have asked you.

Mr. HANNA. In regard to the Bank of North America.

Mr. UNTERMYER. Why, certainly.

Mr. HANNA. Mr. Havemeyer called me up on the telephone about the night of January 22 and asked me to come to his house.

Mr. UNTERMYER. No; I do not think that the talk you had with Mr. Havemeyer would be very material or very proper.

Mr. HANNA. Mr. Flagler and the other directors of the Bank of North America were there.

Mr. UNTERMYER. Mr. Havemeyer was put in there, was he not, by the clearing-house committee?

Mr. HANNA. I do not know.

Mr. UNTERMYER. Mr. Morse had been the vice president of the bank?

Mr. HANNA. Yes.

Mr. UNTERMYER. Was not Mr. Morse's resignation demanded at the time when the Bank of North America took out clearing-house certificates in the same way that other banks took out clearing-house certificates?

Mr. HANNA. I do not know about that, except the newspaper reports at the time said that that was so.

Mr. UNTERMYER. He did resign? You were in the bank as examiner, and do you not know that his resignation was demanded?

Mr. HANNA. The minute book states that he resigned.

Mr. UNTERMYER. Did you not advise that he should resign?

Mr. HANNA. I did not have anything to do with his resignation.

Mr. UNTERMYER. You had been reporting to the directors the result of your examination?

Mr. HANNA. No. I reported to the comptroller.

Mr. UNTERMYER. Did you not give the comptroller information?

Mr. HANNA. The comptroller gave the directors information from my reports.

Mr. UNTERMYER. Were you not in constant communication with them?

Mr. HANNA. You mean after the panic?

Mr. UNTERMYER. I mean before the bank closed?

Mr. HANNA. I was in there between the panic and the time the bank closed.

Mr. UNTERMYER. And during that time you were in communication with the directors, were you not?

Mr. HANNA. Yes.

Mr. UNTERMYER. So that you knew, did you not, that Mr. Morse's resignation was being demanded?

Mr. HANNA. My impression is that he resigned shortly after the panic—that is, in October, or the 1st of November.

Mr. UNTERMYER. Do you not know that when the Bank of North America applied, in common with other banks in the clearing house, for the issue of clearing-house certificates, the clearing-house committee demanded Mr. Morse's resignation as vice president, and that he then resigned in October, 1907?

Mr. HANNA. I do not know the details of it, because I had nothing to do with the clearing house at that time.

Mr. UNTERMYER. Were you not in communication with the clearing-house committee before it closed the doors of the Bank of North America.

Mr. HANNA. Yes.

Mr. UNTERMYER. And you were advising them as to its affairs; as to the affairs of the bank; as to what you had found?

Mr. HANNA. No; I do not know that I was. I do not recall that.

Mr. UNTERMYER. What were you in communication with them about? I am speaking of the clearing-house committee.

Mr. HANNA. Just about general conditions.

Mr. UNTERMYER. The general conditions of what?

Mr. HANNA. With the banks, and of the bank of North America.

Mr. UNTERMYER. Were you not in communication and conference with the directors of the Bank of North America before it closed, as to the results of your examination of that bank?

Mr. HANNA. I made the examination of that bank in December.

Mr. UNTERMYER. I am not speaking of December; I am speaking of the time of the panic, in October, 1907.

Mr. HANNA. Yes, I was in almost every day at the time of the panic.

Mr. UNTERMYER. And before they closed?

Mr. HANNA. Yes.

Mr. UNTERMYER. Were you not advising the directors in respect of the affairs of that bank before it closed, and after advising the clearing-house committee?

Mr. HANNA. I advised the directors to collect their money and get their reserve up.

Mr. UNTERMYER. Were you not telling them what you had ascertained?

Mr. HANNA. What I had ascertained?

Mr. UNTERMYER. Yes.

Mr. HANNA. I presume if I ascertained anything that was of importance to them, I told them about it.

Mr. UNTERMYER. And were you not telling the clearing-house committee what you had ascertained as to the bank?

Mr. HANNA. The clearing house examined the bank itself.

Mr. UNTERMYER. Did you not tell the clearing-house committee the result of your examination before the bank closed?

Mr. HANNA. I do not remember of it. It is possible.

Mr. UNTERMYER. Did you not tell them it was entirely solvent?

Mr. HANNA. I think I told them that, because I considered it so.

Mr. UNTERMYER. I understand. I think that is all.

Mr. HANNA. Then you do not want the statement?

Mr. UNTERMYER. That is all.

Mr. HANNA. You do not care for the statement?

Mr. UNTERMYER. No.

Witness excused.

Mr. UNTERMYER. We will state that the list in question consists of 13 national banks, 15 State banks, 10 trust companies, and 6 non-members examined between August 6, 1911, and May 29, 1912, with 2 examinations still uncompleted.

Is anyone here from the Treasury Department or the subtreasury?

There was no response.

Now, Mr. Mabon, will you be good enough to resume?

## TESTIMONY OF JAMES B. MABON—Resumed.

Mr. UNTERMYER. I think you were describing the process of listing securities and the requirements at adjournment.

Mr. MABON. Yes, sir.

Mr. UNTERMYER. Did you get some data that you want to submit on that subject?

Mr. MABON. No; this is the same paper that you have.

Mr. UNTERMYER. You remember the panic period in 1907, do you not, Mr. Mabon?

Mr. MABON. I do; yes, sir.

Mr. UNTERMYER. Do you remember whether or not the beginning of the panic had been preceded by a period of very wild speculation and inflation; very high prices of securities?

Mr. MABON. You mean the panic of October, 1907?

Mr. UNTERMYER. Yes; just before that.

Mr. MABON. That was not my impression. I thought there had been a preceding small panic in the spring of that year; that was my impression.

Mr. UNTERMYER. Do not remember in August, 1907, securities were very high?

Mr. MABON. I do not remember.

Mr. UNTERMYER. You do not remember that?

Mr. MABON. No, sir.

Mr. UNTERMYER. I want to call your attention to your testimony of yesterday concerning the produce exchange, and in that connection to call your attention to Article XXVII, and ask you whether you care to correct your testimony on that subject after having your attention called to Article XVII. Section 4 of Article XVII of the constitution of the New York Stock Exchange reads as follows:

Any member who shall be connected directly, or by a partner, or otherwise, with any organization in the city of New York which permits dealings in any securities or other property, admitted to dealing in any department of this exchange, shall be liable to suspension for a period not exceeding one year, or to expulsion, as the governing committee may determine.

Mr. MABON. What was my testimony, Mr. Untermyer? I have not read it over.

Mr. UNTERMYER. I may not have correctly understood it, but I understood you to say that the stock exchange had taken no action inimical to the attempt of the produce exchange to deal in securities that are dealt in on the stock exchange.

Mr. MABON. The effort of the produce exchange, as I remember it, was distinctly to trade in securities that are not admitted in the list on the New York Stock Exchange, and it was on that basis I made my reply.

Mr. UNTERMYER. Do you not know that any member of your exchange who remained a member of the produce exchange, if he undertook to deal in any security that is dealt in on your exchange, would be liable to expulsion from your exchange?

Mr. MABON. Yes; but they did not attempt to deal in securities that are dealt in on our exchange.

Mr. UNTERMYER. Are you not mistaken about that?

Mr. MABON. That is my impression, Mr. Untermyer. If I am mistaken, I certainly will change it.

Mr. UNTERMYER. At any rate, it would not be possible for the produce exchange to deal in any security dealt in on your exchange without your requiring every member of your exchange to resign from the produce exchange?

Mr. MABON. Yes.

Mr. UNTERMYER. That is so, is it not?

Mr. MABON. That is true, yes, sir.

Mr. UNTERMYER. And how many members of your exchange are also members of the produce exchange?

Mr. MABON. I think a very small number, compared with the membership of the produce exchange.

Mr. UNTERMYER. What proportion would you say? Twenty-five per cent or more?

Mr. MABON. I should say, without knowing at all and without having any means of knowing, that there probably were not more than 60 or 70 members of the produce exchange, if as many as that, who are members of the New York Stock Exchange; and I understand the membership of the New York Produce Exchange is a very large one.

Mr. UNTERMYER. You never have made any investigation of the subject?

Mr. MABON. I have not.

Mr. UNTERMYER. All the bankers and brokers who deal in cotton are members of the produce exchange, are they not?

Mr. MABON. I should say all the bankers and brokers who deal in cotton are members of the cotton exchange.

Mr. UNTERMYER. And are they not nearly all members of the produce exchange also?

Mr. MABON. I should say not, although I do not know.

Mr. UNTERMYER. You know what the curb is, do you not?

Mr. MABON. In a general way.

Mr. UNTERMYER. Have you never dealt on the curb?

Mr. MABON. Personally, no.

Mr. UNTERMYER. You have given plenty of orders for securities dealt in on the curb, have you not?

Mr. MABON. I have given some orders; yes, sir.

Mr. UNTERMYER. And that is part of your regular business, is it not?

Mr. MABON. A very small part of it.

Mr. UNTERMYER. What?

Mr. MABON. A very small part. I presume you are asking about my personal business?

Mr. UNTERMYER. The business of your firm.

Mr. MABON. My firm almost wholly deals in bonds that are listed on the New York Stock Exchange.

Mr. UNTERMYER. But you deal in new bonds, too, do you not?

Mr. MABON. Very rarely.

Mr. UNTERMYER. You mean you do not deal in any new issues at all?

Mr. MABON. New issues occasionally, but not to any large extent.

Mr. UNTERMYER. New issues are dealt in on the curb before they can be listed on the stock exchange, are they not?

Mr. MABON. Yes.

Mr. UNTERMYER. So that you are familiar with the business of the curb?

Mr. MABON. Oh, yes; in that respect.

Mr. UNTERMYER. There is nothing to prevent a stock-exchange member from dealing on the curb, is there?

Mr. MABON. No.

Mr. UNTERMYER. And many of them do, do they not?

Mr. MABON. Yes; I imagine so.

Mr. UNTERMYER. But the curb is not allowed, is it, to deal in any security that is dealt in on the exchange?

Mr. MABON. No.

Mr. UNTERMYER. And the curb is not allowed to get under roof, is it?

Mr. MABON. I can not answer that question.

Mr. UNTERMYER. You are a member of the governing committee, Mr. Mabon, and you can tell us whether or not the stock exchange does not prohibit the curb from taking shelter under roof?

Mr. MABON. I can not.

Mr. UNTERMYER. Do you not know that the subject has been up for discussion?

Mr. MABON. I know it has been up for discussion.

Mr. UNTERMYER. Do you not know the curb has organized into an association?

Mr. MABON. I understand so from the papers.

Mr. UNTERMYER. Do you not know the subject of discussion has been whether the stock exchange shall allow the curb brokers to go in out of the rain, and have a roof over their heads?

Mr. MABON. Not for some time.

Mr. UNTERMYER. When was that discussed?

Mr. MABON. I should say two years ago.

Mr. UNTERMYER. What did the stock exchange then decide?

Mr. MABON. I think they made no decision.

Mr. UNTERMYER. Do you not know they told them they could not do it?

Mr. MABON. I do not.

Mr. UNTERMYER. Do you not know that is the reason they do not do it?

Mr. MABON. I do not.

Mr. UNTERMYER. What other reason is there for their dealing in the rain?

Mr. MABON. I do not know.

Mr. UNTERMYER. What is the point of the objection to the curb getting into a building, provided it observed the rule not to deal in securities that are dealt in on the exchange?

Mr. MABON. I do not know, Mr. Untermeyer.

Mr. UNTERMYER. You are a member of the governing committee, are you not?

Mr. MABON. I am.

Mr. UNTERMYER. And you know the subject has been under discussion?

Mr. MABON. Yes.

Mr. UNTERMYER. You know there has been an application by a committee of the curb, do you not?

Mr. MABON. No; I do not know that there has been.

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

Mr. MABON. No.

Mr. UNTERMYER. Nothing of the kind?

Mr. MABON. No.

Mr. UNTERMYER. How did it come up for discussion?

Mr. MABON. I do not remember how it did come up for discussion.

Mr. UNTERMYER. Did it not come up through a committee of the curb calling on the committee of the stock exchange for the purpose of procuring such permission?

Mr. MABON. I do not know.

Mr. UNTERMYER. Do you know anything about it?

Mr. MABON. I do not.

Mr. UNTERMYER. Who would know?

Mr. MABON. I suppose the records of the exchange would tell.

Mr. UNTERMYER. Is there anybody here with them?

Mr. MABON. Mr. Martin, have you any records bearing on that subject?

Mr. MARTIN. I have the governing committee minutes.

Mr. UNTERMYER. Will you get them, please? What is the membership of the curb?

Mr. MABON. I do not know.

Mr. UNTERMYER. What would be the effect of an attempt on the part of the curb brokers to deal in a security that was dealt in on the exchange?

Mr. MABON. What would be the effect on the stock exchange of the action?

Mr. UNTERMYER. Yes.

Mr. MABON. I suppose the exchange would act under the provisions of the constitution, and I do not know how they would apply in that particular instance.

Mr. UNTERMYER. Do you not know they would apply so that the man who continued to have anything to do with a curb broker would be suspended or expelled from the exchange?

Mr. MABON. I assume so.

Mr. UNTERMYER. Are any of the members of the stock exchange members of the curb?

Mr. MABON. I do not know. Presumably, yes.

Mr. UNTERMYER. The curb is a regular organization, is it not?

Mr. MABON. I understand so, Mr. Untermyer, from the papers. That is all I know.

Mr. UNTERMYER. It has been incorporated, has it not?

Mr. MABON. I doubt it very much.

Mr. UNTERMYER. It has a membership, and has initiation fees and yearly dues, has it not?

Mr. MABON. I do not know.

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

Mr. MABON. I do not know anything about it. The only thing I have seen has been the newspaper statements some time ago.

Mr. UNTERMYER. And you see it before your eyes in operation every day, do you not?

Mr. MABON. I do not.

Mr. UNTERMYER. Where is your office?

Mr. MABON. No. 45 Wall Street.

Mr. UNTERMYER. And where is the curb?

Mr. MABON. It is in lower Broad Street.

Mr. UNTERMYER. Right around the corner from you, is it not?

Mr. MABON. It is in lower Broad Street.

Mr. UNTERMYER. You say you do not see it in operation?

Mr. MABON. I do not.

Mr. UNTERMYER. You never do?

Mr. MABON. I do not think I have ever seen it in operation.

Mr. UNTERMYER. How can you go from your office in Wall Street to Broadway without seeing it in operation?

Mr. MABON. Mr. Untermeyer, I would like you to describe how you can see it in operation from Wall Street to lower Broad Street. If you can see it from that distance——

Mr. UNTERMYER. I say how can you go from your office in Wall Street to Broadway, through Wall Street, without seeing the curb in operation on Broad and Wall Street.

Mr. MABON. The curb is not on Broad and Wall Streets. It is on lower Broad Street.

Mr. UNTERMYER. It is on Broad Street between Wall Street and Exchange Place, is it not?

Mr. MABON. It is not.

Mr. UNTERMYER. Where is it?

Mr. MABON. Lower Broad Street.

Mr. UNTERMYER. Between what streets?

Mr. MABON. Between Beaver Street and Exchange Place.

Mr. UNTERMYER. I thought it was opposite the Mills Building. Is it not?

Mr. MABON. I have just said where it was, Mr. Untermeyer.

Mr. UNTERMYER. It used to be opposite the Mills Building, did it not?

Mr. MABON. Yes, sir.

Mr. UNTERMYER. It is a railed-in space; that is, it is a space that is simply confined by ropes and posts, is it not?

Mr. MABON. I do not know whether there are any ropes or posts there.

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

Mr. MABON. No, sir.

Mr. UNTERMYER. How often do you have dealings on the curb?

Mr. MABON. I do not know how often my office has, but very rarely.

Mr. UNTERMYER. Have you those references there?

Mr. MARTIN. I have several of them; yes, sir.

Mr. UNTERMYER. I would like to have them. If you will just give us the numbers, we will read them as we go along.

Mr. MARTIN. Page 232 is the first.

Mr. UNTERMYER. We will read these references in evidence:

Mr. Sturgis offers the following: "*Resolved*, That the committee on unlisted securities consider the question of adding to the present list all the more important securities now dealt in upon the curb, with such regulations as they may deem for the best protection of the stock exchange, if any should be required, and that they report the result of their deliberation to the governing committee at the earliest possible date." Seconded.

Mr. Maury moved as an amendment that two members of the governing committee be added to the committee in the matter. Seconded.

Mr. Sturgis accepted the amendment, and it then became a part of the original resolution, which was put to vote and carried.

The president appointed Messrs. Sturgis and Thomas as the additional members.

That resolution is dated March 21, 1906.

That resolution, if carried, would have wiped out the curb and the curb brokers, would it not?

Mr. MABON. Not necessarily.

Mr. UNTERMYER. What if the stock exchange undertook to establish—

Mr. MABON. You read the resolution.

Mr. UNTERMYER (continuing). All the more important securities now dealt in on the curb in a department of its own, would it not have wiped out the curb?

Mr. MABON. I would say not.

Mr. UNTERMYER. What would have been left?

Mr. MABON. There would have been others left, as I take it from that resolution.

Mr. UNTERMYER. Other what?

Mr. MABON. Securities.

Mr. UNTERMYER. The curb could have dealt in any that the stock exchange did not want to put on its list, is that it?

Mr. MABON. Presumably.

Mr. UNTERMYER. And you think they could have lived on that?

Mr. MABON. There would be new things come on.

Mr. UNTERMYER. And would not the stock exchange take the same jurisdiction over the new things that it considered important?

Mr. MABON. That is a matter that I—

Mr. UNTERMYER. You know perfectly well, do you not, the adoption of that resolution would have wiped out the curb?

Mr. MABON. I do not agree with you.

Mr. UNTERMYER. And you do not think so?

Mr. MABON. I do not think so.

Mr. UNTERMYER. If you took over onto the stock exchange the more important securities that are dealt in on the curb, it would not wipe out the curb?

Mr. MABON. I should say not.

Mr. UNTERMYER. You would not have allowed them to deal in those you took yourself, would you?

Mr. MABON. No.

Mr. UNTERMYER. I now read this in evidence:

MAY 12, 1909.

Mr. Sturgis for the law committee also presented the following resolution, which was unanimously adopted: "That the matter of adopting a quotation in this exchange of securities traded in on the curb be referred to a special committee composed of the law committee and the committee on unlisted securities with instructions to consider the subject and to make prompt report thereon to the governing committee."

Mr. UNTERMYER. I read from the minutes of meeting of May 19, 1909:

Special committee composed of the law committee and the committee on unlisted securities make the following report:

"Resolved, That the governing committee refer back to special committee the following questions for examination and report on or before October 15, 1909:

"Shall the members of the New York Stock Exchange be prohibited, after a certain date, say December 31, 1909, from dealing, directly or indirectly, in the market known as the curb? And further, shall said special committee consider and report upon any and all matters connected with this subject?"

Mr. Sturgis moved that the report be received and the resolution adopted.

Seconded and carried unanimously.

Meeting of June 27, 1909:

The secretary submitted a communication from E. S. Mendel regarding meetings on curb, and, on motion of Mr. Groesbeck, said communication was referred to special committee consisting of the law committee and the committee on unlisted securities.

I offer in evidence from the book of minutes of the governing committee the meetings of January 19, 1910, resolutions and recommendations with respect to the curb.

I will read the last recommendation:

That the committee on stock list be requested and empowered to examine into and report upon the desirability of placing upon the floor of the stock exchange, for dealings under the restrictions provided in section 2 of this report, of any bonds or shares of stock, either of mining companies or otherwise, that they may deem advisable to recommend, even if such corporations have not made application for listing to the stock list committee of their own accord, the object of this recommendation being to bring before the governing committee from time to time the possible advantage of dealing in certain securities now dealt in upon the curb, but which, for some specific reason, have never applied for or been eligible to the regular list. It is thought if this course be pursued a gradual system of elimination, in so far as the curb market is concerned, will be put in process, and that it will result in transferring to the exchange from time to time all the real or desirable securities dealt in permanently on the Street. Your committee realize that an open curb market in some form will always exist, but they think the course which they have recommended will gradually minimize the evil and convince the community that the governing committee of the stock exchange are determined to give at all securities as open a market as may be permissible, or consistent with proper precaution and due security. The committee believe that there are many securities, both of mining and other nature, that, by a modification of the commission law in so far as they are concerned, will seek the exchange floor of their own accord for the transaction of business.

You will note that this last was the recommendation of the special committee, not acted upon; but it was acted upon to some extent, was it not, Mr. Mabon? Mining shares were put upon the stock exchange, and the commission rate was changed as to them, was it not?

Mr. MABON. I do not know whether the action of the governing committee was based upon that particular—

Mr. UNTERMYER. Mining shares that had been listed and dealt in exclusively on the curb were placed upon the exchange list, were they not?

Mr. MABON. I do not remember whether mining stocks which were traded in on the curb—

Mr. UNTERMYER. Let us see. You remember the Utah Copper Co.?

Mr. MABON. Yes.

Mr. UNTERMYER. Was not that traded in on the curb until it was put on the list; and was not the Reno, and the Miami Copper Co.? Were they not all traded in on the curb until they were put on the exchange list on the basis of one-sixteenth of 1 per cent commission where they sold under \$10 a share?

Mr. MABON. Yes.

Mr. UNTERMYER. And they sold for a long time under \$10 a share, did they not?

Mr. MABON. Some of them.

Mr. UNTERMYER. All of them, did they not?

Mr. MABON. I do not know whether the Utah sold under \$5.

Mr. UNTERMYER. Was not that a \$5 per share par value security?

Mr. MABON. Yes; but the basis of commission is not on the par value of mining stocks.

Mr. UNTERMYER. I know.

Mr. MABON. That is what I wanted to bring out.

Mr. UNTERMYER. That had been dealt in on the curb, as had these other mining stocks, until the governing committee changed its policy and took them in on the stock exchange and allowed members to deal in them on the basis of one-sixteenth when they were selling under \$10 a share?

Mr. MABON. Yes.

Mr. UNTERMYER. And in that way they took all that business away from the curb, did they not?

Mr. MABON. Not all the business; no.

Mr. UNTERMYER. All that business, that particular business that they took unto themselves by listing them on the stock exchange?

Mr. MABON. Very likely a great deal of that business that was done on the curb was done by the stock-exchange houses, so that it is quite unfair to say that stock-exchange houses took business away from themselves.

Mr. UNTERMYER. The stock exchange as a stock exchange took that business away, did it not?

Mr. MABON. The stock exchange as a stock exchange listed these securities.

Mr. UNTERMYER. And took that business away from the curb, did it not?

Mr. MABON. I can not say.

Mr. UNTERMYER. Was the curb ever thereafter allowed to deal in them?

Mr. MABON. No.

Mr. UNTERMYER. Do you not know whilst the curb was allowed to deal in them anybody could deal in them on the curb; but he did not have to pay \$70,000 to \$90,000 for a seat in order to do it, did he?

Mr. MABON. No.

Mr. UNTERMYER. When that rule was changed, that business all disappeared from the men who had previously been permitted to do it, did it not?

Mr. MABON. To that extent.

Mr. UNTERMYER. From time to time you are taking mining stocks as they apply for admission and for listing and putting them on the list of the stock exchange, are you not?

Mr. MABON. Yes, sir.

Mr. UNTERMYER. And all new issues of mining securities that apply for admission and are respectable you are putting on the stock exchange?

Mr. MABON. No, Mr. Untermyer; that is not quite true.

Mr. UNTERMYER. Are you not? What are you refusing? Will you give us the name of one you are refusing?

Mr. MABON. We have not had any applications, because the requirements—

Mr. UNTERMYER. I am asking you what you are refusing. I want my question answered.

Mr. MABON. I do not think we have refused any.

Mr. UNTERMYER. I guess not. Every one you take lessens the importance of the business of the curb, does it not?

Mr. MABON. In that respect.

Mr. UNTERMYER. It lessens it, does it not?

Mr. MABON. It lessens it to that extent; yes; but the curb may lose one to-day and the business increase by something new coming in to-morrow.

Mr. UNTERMYER. Until they put that on the exchange, and then it loses that, does it not?

Mr. MABON. Oh, yes.

Mr. UNTERMYER. I have not had those resolutions bearing on the application of the curb for permission to get a place. What was the date of that application to which you referred in your testimony a while ago?

Mr. MABON. I did not say there was any application.

Mr. UNTERMYER. Did you not?

Mr. MABON. I said I thought there was not an application.

Mr. UNTERMYER. I thought you said there had been, about two years ago.

Mr. MABON. There had been a discussion, I said. This was what I had in mind.

Mr. UNTERMYER. Discussion with whom?

Mr. MABON. With this very committee whose resolutions you have just read.

Mr. UNTERMYER. And a discussion of that committee and any committee of the curb?

Mr. MABON. I think not.

Mr. UNTERMYER. Or anybody representing the curb?

Mr. MABON. I think Mr. Mendel did voluntarily appear before the committee.

Mr. UNTERMYER. I did not mean to assume you dragged him there. Of course he voluntarily appeared; but he appeared on behalf of the curb, did he not?

Mr. MABON. I do not remember that he did.

Mr. UNTERMYER. For whom did he appear?

Mr. MABON. Personally, I believe.

Mr. UNTERMYER. He was a curb broker, was he not?

Mr. MABON. Yes.

Mr. UNTERMYER. And he appeared personally; for what purpose?

Mr. MABON. To discuss the matter of the curb; but I do not remember the details at all.

Mr. UNTERMYER. To discuss what matters of the curb; the idea of allowing it to get a place at which to do business?

Mr. MABON. I do not remember.

Mr. UNTERMYER. And he did not say he appeared for himself and his associates, did he?

Mr. MABON. That I do not remember.

Mr. UNTERMYER. What is the idea of fining a member \$50 every time he deals in any securities on the exchange before 10 in the morning or after 3 in the afternoon?

Mr. MABON. The object is to have the dealings begin at a specific time and end at a specific time.

Mr. UNTERMYER. What harm does he do if he wants to work over-time, beyond 3 o'clock?

Mr. MABON. There has to be a definite time for opening and closing the exchange.

Mr. UNTERMYER. Yes; but this is not a question of opening and closing the exchange; it is dealing on the exchange.

Mr. MABON. There are no dealings on the exchange until the hours fixed by the committee for dealing in securities.

Mr. UNTERMYER. That refers to making a transaction in the exchange outside these hours, does it?

Mr. MABON. I do not understand it so. What is your question?

Mr. UNTERMYER. It only refers to transactions that are made in the exchange in those hours?

Mr. MABON. Yes, sir.

Mr. UNTERMYER. It does not prevent transactions outside?

Mr. MABON. Oh, no.

Mr. UNTERMYER. All the obligations of one member of the exchange to other members of the exchange, in case of insolvency, take precedence over everybody else's claims against the insolvent member, do they not?

Mr. MABON. Yes.

Mr. UNTERMYER. If a member of the exchange converts stocks belonging to his customer or practices a fraud upon his customer the damage to that customer has to wait and be deferred until after that member has paid his debts to all the other members, does it not?

Mr. MABON. I never had any personal knowledge of that.

Mr. UNTERMYER. But that is the rule, and the seat of the member is sold, and all the proceeds are first applied to the debts to other members before any outside creditor can get a cent—is not that so?

Mr. MABON. That is the rule.

Mr. UNTERMYER. No matter whether it is a claim for fraud or anything else? Is that right.

Mr. MABON. That is the rule.

Mr. UNTERMYER. So that, in that respect, the law of your exchange is contrary to the law of the land, is it not?

Mr. MABON. I should say not.

Mr. UNTERMYER. You think not?

Mr. MABON. I do not think there is anything in that constitution that is against the law of the land.

Mr. UNTERMYER. I think there are a great many things. That is where we may differ. There is a clearing house for securities in the exchange, is there not?

Mr. MABON. There is a clearing house; yes.

Mr. UNTERMYER. Are you familiar with the mechanism of that department?

Mr. MABON. I am not.

Mr. UNTERMYER. Who would know of that?

Mr. MABON. Mr. Doremus, who is the chairman of the committee, and Mr. Geddes.

Mr. UNTERMYER. You know in a general way, though, what is required?

Mr. MABON. In a general way, yes.

Mr. UNTERMYER. What is the machinery, so far as you know?

Mr. MABON. So far as I know, the buyer exchanges his ticket with the seller. Those tickets are delivered to the clearing house—

Mr. UNTERMYER. You mean at the time of a transaction?

Mr. MABON. No; at the time of the transaction there is nothing.

Mr. UNTERMYER. At the time of a transaction between two members of the exchange, is anything exchanged between them?

Mr. MABON. No, sir.

Mr. UNTERMYER. At the end of the day is there anything exchanged between the buyer and seller?

Mr. MABON. No; it is done through the offices.

Mr. UNTERMYER. Through the exchange?

Mr. MABON. Through the offices of the brokers who make the transaction.

Mr. UNTERMYER. What is done between the offices of those two brokers?

Mr. MABON. A ticket is exchanged between the buyer and the seller.

Mr. UNTERMYER. That ticket shows what; that one has sold and the other has bought?

Mr. MABON. Yes.

Mr. UNTERMYER. A given stock through a given broker?

Mr. MABON. Yes.

Mr. UNTERMYER. What else is done with that ticket? Is there any record made of it in the exchange?

Mr. MABON. There are no records made in the exchange of any transactions.

Mr. UNTERMYER. How is that transaction cleared, and when?

Mr. MABON. Through the broker's offices.

Mr. UNTERMYER. I understood there was a clearing house.

Mr. MABON. Oh, yes.

Mr. UNTERMYER. That transaction has to be closed through the clearing house, does it not?

Mr. MABON. Yes; on all stocks that are in the clearing house. Bonds are not in the clearing house.

Mr. UNTERMYER. Bonds are exchanged directly over the counter between the members, are they?

Mr. MABON. Yes.

Mr. UNTERMYER. And many stocks that are listed?

Mr. MABON. And many stocks that are listed are not cleared.

Mr. UNTERMYER. Then there is a list of stocks that have to be cleared through the clearing house, is there not?

Mr. MABON. Yes.

Mr. UNTERMYER. Have you that list?

Mr. MAHON. I have not it here.

Mr. UNTERMYER. How is that transaction dealt with, with respect to listed stock that has to be cleared through the clearing house? What is the machinery of that?

Mr. MAHON. Just as I have described, the tickets are exchanged and sheets are made up of the various brokers, and the stocks are cleared in that way.

Mr. UNTERMYER. Mr. Mahon, I want to take up this very important subject of the removal of stock from the list. There is a regulation in the exchange, is there not, under which a stock that has been upon the regular list can be removed from that list, and further dealings in it on the exchange prevented?

Mr. MAHON. Yes.

Mr. UNTERMYER. Upon the direction of the committee on stock list?

Mr. MABON. The tock list has the right to remove securities, the volume of which is so—

Mr. UNTERMYER [interposing]. Will you not answer my question?

Mr. MABON. I am answering it, because there are two methods.

Mr. UNTERMYER. I will ask the stenographer to read the question.

The stenographer repeated the question as above recorded.

Mr. UNTERMYER. Is there such a regulation?

Mr. MABON. I can not answer that yes or no.

Mr. UNTERMYER. I will read it to you. Maybe you will recognize it then. Do you remember the number of the rule?

Mr. MABON. I can explain it—

Mr. UNTERMYER. You know whether there is such a rule, do you not?

Mr. MABON. There is a rule, but I can not answer the question yes or no the way you put it.

Mr. UNTERMYER. You will recognize the rule when it is read to you, will you not?

Mr. MABON. Yes. Mr. Martin, can you give me that?

Mr. MARTIN. One is in regard to suspension by the governing committee, and the other by the stock-list committee.

Mr. MABON. That is what I was pointing out, that one was by the governing committee, and one as to the stock-list committee.

Mr. UNTERMYER. I call your attention first to page 17 of the constitution, where it says, referring to the committee on stock list:

It shall have power to direct that any such securities or temporary receipts be taken from the list, and further dealings therein prohibited.

Then, again, at page 64, Article XXXIII, section 4 is as follows:

Sec. 4. The governing committee may suspend dealings in the securities of any corporation previously admitted to quotation upon the exchange, or it may summarily remove any securities from the list.

That is part of the constitution, is it not?

Mr. MABON. Yes.

Mr. UNTERMYER. Giving the governing committee the power summarily to remove any security from the list. There is a regulation at page 91, under the head of "Stock list," dated March 27, 1895, as follows:

MARCH 27, 1895. Whenever it shall appear to the committee on stock list that the outstanding amount of any security listed upon the stock exchange has become so reduced as to make inadvisable further dealings therein upon the exchange, the said committee may direct that such security shall be taken from the list and further dealings therein prohibited.

That is quite independent of the provision at page 64, that gives the governing committee the absolute power to summarily remove any security from the list, is it not?

Mr. MABON. Yes; that is what I was trying to bring out in answering the question.

Mr. UNTERMYER. We have brought it out now. The stock-list committee, then, may remove a security from the list under the regulation of March, 27, 1895, and the governing committee may summarily remove under Article XXXIII of the constitution. Is that right?

Mr. MABON. Yes. "Suspend dealings" or "summarily remove."

Mr. UNTERMYER. We have already discussed the privilege of having the stock on the list, have we not?

Mr. MABON. Yes.

Mr. UNTERMYER. And there is no question about its great value and advantage in the ordinary run of cases. When a security is once upon the regular list and is an active security, and is being taken as collateral in the banks, and is therefore readily the subject of loans,

it is a severe loss to the investor to have it taken from the list, is it not?

Mr. MABON. I should say so.

Mr. UNTERMYER. The stock exchange has in a great many cases removed securities from the list, has it not?

Mr. MABON. Yes.

Mr. UNTERMYER. Does it do that always upon written application or has it done so without any application?

Mr. MABON. I do not think that—

Mr. UNTERMYER. Tell us, if you know, because it is important. If you do not know, say so, and we will get somebody else who does know.

Mr. MABON. What was the question?

Mr. UNTERMYER. I will ask the stenographer to repeat the question. The stenographer repeated the question as above recorded.

Mr. MABON. It does it on written information.

Mr. UNTERMYER. Written information from whom?

Mr. MABON. Usually, in the case of reorganization certificates, from the depository of those certificates.

Mr. UNTERMYER. We are not at the moment talking about reorganization certificates. Suppose it is a powerful company like the United States Steel Co., the American Tobacco Co., or the Southern Railroad Co., does the stock exchange require an application stating the fact, before it removes that stock from the list?

Mr. MABON. Not always. It gets the information.

Mr. UNTERMYER. Will you not answer my question?

Mr. MABON. I thought I had answered it.

Mr. UNTERMYER. I simply asked you this: Does it require a formal application from the company?

Mr. MABON. No, it does not.

Mr. UNTERMYER. That is an answer to my question. Now, we will take up some of these cases in which you have removed certain stocks from the list. You remember the formation of the United States Steel Corporation, do you not?

Mr. MABON. Yes.

Mr. UNTERMYER. You remember that prior to its formation there were a number of constituent companies whose stocks were advertised in exchange for stock of the United States Steel Corporation that were listed on the stock exchange, were there not?

Mr. MABON. Yes.

Mr. UNTERMYER. Among them was the American Steel & Wire Co. of New Jersey, was it not?

Mr. MABON. Yes.

Mr. UNTERMYER. The American Tin Plate Co.; was that another one?

Mr. MABON. On the regular list?

Mr. UNTERMYER. The American Steel Hoop Co., the American Sheet Steel Co.—

Mr. MABON. The American Tin Plate Co.'s stock, I think, was never on the regular list.

Mr. UNTERMYER. Oh, yes; it was.

Mr. MABON. I think not. You may be right.

Mr. UNTERMYER. The trust-company receipts for preferred and common stock were on the list, were they not? I am referring to the American Tin Plate Co.

Mr. MABON. Yes.

Mr. UNTERMYER. Well, that is the same thing.

Mr. MABON. I want to be correct, and there is a difference.

Mr. UNTERMYER. And the American Steel Hoop Co.'s receipts for preferred and common stock were on the list?

Mr. MABON. Yes.

Mr. UNTERMYER. And also the American Sheet Steel Co.'s receipts for preferred and common?

Mr. MABON. Yes, sir.

Mr. UNTERMYER. And, practically, the constituent companies that afterwards went into the United States Steel Co. were they not on the list, or a number of them?

Mr. MABON. A number of them; yes.

Mr. UNTERMYER. That answers our purpose. Now, you remember that the United States Steel Corporation upon its organization advertised in the newspapers that the holders of the constituents of these different companies, like the American Tin Plate, the American Steel & Wire, the Steel Hoop, the National Tube Co., and a number of other companies, could exchange their securities for United States Steel Co. stock on a certain basis which was prescribed?

Mr. MABON. Yes.

Mr. UNTERMYER. You remember that?

Mr. MABON. Yes.

Mr. UNTERMYER. And those who chose to take the basis of exchange that was laid down by the United States Steel Corporation could make the exchange?

Mr. MABON. Yes.

Mr. UNTERMYER. And those who did not could leave it alone?

Mr. MABON. That is my impression. It is a long while ago.

Mr. UNTERMYER. Then the time came, did it not, when the stock exchange removed from the list all the securities that had been listed, of these constituent companies? Answer my question, Mr. Mabon. They did remove those stocks from the list.

Mr. MABON. The stocks were not on the list at that time. The trust certificates for the stocks, for instance, of the American Steel & Wire—

Mr. UNTERMYER. That is not so at all, as to some of them, is it?

Mr. MABON. I think it is true of all of them.

Mr. UNTERMYER. Whether they were the trust certificates for the preferred and common stocks, or whether they were the stocks, makes no difference?

Mr. MABON. I think it does.

Mr. UNTERMYER. They removed the trust certificates from the list, did they not?

Mr. MABON. They removed certain of the stocks from the list.

Mr. UNTERMYER. Did they not remove all of them from the list?

Mr. MABON. There was an amount that was not on the list.

Mr. UNTERMYER. You will have to answer my question. Did they not remove every single security represented by those constituent companies from the list and take the entire company and all its dealings in shares from that list?

Mr. MABON. There was 99 per cent in some cases—

Mr. UNTERMYER. No; there was not. Never mind about that, Mr. Mabon. You can answer my question, and that is all I want you

to do. Is it not a fact that those securities were removed from the list?

Mr. MABON. I can not answer it that way.

Mr. UNTERMYER. You can answer it.

Mr. MABON. I can not answer it that way.

Mr. UNTERMYER. There were upon the list the American Tin Plate Co. preferred and the common stock represented by trust receipts, were there not?

Mr. MABON. Yes.

Mr. UNTERMYER. A time came when you removed that security from the list, did it not? What was that time?

Mr. MABON. The date that was removed from the list, American Tin Plate Co. trust certificates for common and preferred stock, May 26, 1901.

Mr. UNTERMYER. Did the time come when the same was done with the other constituent companies?

Mr. MABON. Yes; the date of removal from the list; yes.

Mr. UNTERMYER. Do you remember the fact that the Southern Railway Co., when it was reorganized, had a voting trust to J. P. Morgan and two other gentlemen as trustees?

Mr. MABON. Yes, sir.

Mr. UNTERMYER. By which all the stockholders were required for five years to put their securities in that voting trust, and those three gentlemen voted the stock of that company. Do you remember that?

Mr. MABON. I do; yes.

Mr. UNTERMYER. Do you remember what happened at the time that five-year limitation of the voting trust expired?

Mr. MABON. 1902?

Mr. UNTERMYER. Yes.

Mr. MABON. I was not a member of the stock-list committee, but I do remember.

Mr. UNTERMYER. Do you remember that in 1902 these three voting trustees wanted an extension of the voting trust which gave them control of the property as against the stockholders, and that they advertised inviting or requesting stockholders to allow this extension?

Mr. MABON. May I have the memorandum of the Southern Railway to refresh my recollection?

Mr. UNTERMYER. Yes; get the memorandum of the Southern Railway.

Whilst we are waiting for this data Messrs. Morgan & Co. have sent us these figures, which we will have to have put in the record, and from which it appears that of this twenty-five millions there was agreed to be loaned, if necessary, by the banks that received the twenty-five millions on the 24th of October, 1907, \$23,550,000, but there was only actually loaned of it \$18,945,000.

Before we read the names of the banks, we will get the representative of the Treasury Department, who I believe is here, to show how much was deposited in these banks.

We will ask to have marked at the end of Mr. Steele's testimony the list of the banks, the amount agreed to be loaned if necessary, and the amount loaned.

The paper referred to was marked "Exhibit No. 34, June 13, 1912," and is here printed in the record as follows:

## EXHIBIT No. 34, JUNE 13, 1912.

Loans, Oct. 24, 1907.

	Agreed to loan if necessary.	Loaned.
First National Bank.....	\$4,000,000	\$2,680,000
Hanover National Bank.....	1,500,000	1,355,000
National Bank of Commerce.....	2,500,000	1,730,000
American Exchange National Bank.....	1,000,000	910,000
Corn Exchange Bank.....	1,500,000	1,340,000
Chase National Bank.....	1,000,000	1,000,000
National Park Bank.....	1,000,000	1,000,000
Manhattan Co.....	500,000	350,000
National City Bank.....	8,000,000	6,330,000
Fourth National Bank.....	1,000,000	900,000
Bank of America.....	500,000	400,000
Importers & Traders National Bank.....	500,000	450,000
Mechanics National Bank.....	300,000	200,000
Chemical National Bank.....	250,000	300,000
<b>Total.....</b>	<b>23,550,000</b>	<b>18,945,000</b>

Mr. UNTERMYER. Then we will offer in evidence from the sub-treasury a list of the deposits made by the Treasury Department with the national banks in New York City between October 22, 1907, and October 30 1907. of \$37 697 000.

On October 22, 1907. there was deposited a total of \$3 210 000, of which \$1 000 000 was deposited with the First National Bank, \$1,000 000 with the Chase National Bank \$210,000 with the Hanover National Bank and \$1,000,000 with the National City Bank.

The next day, October 23, there was deposited by the Treasury Department \$10 017 000. as follows: \$3,500 000 with the First National, \$1 000,000 with the Fourth National, \$135 000 with the Hanover National Bank, \$4 000 000 with the National City Bank, and another \$382 000 that day with the Hanover Bank, and \$1 000 000 with the Chemical National Bank.

On October 24, 1907, there was deposited \$5,708 000 of which \$4,750 000 was deposited with the First National Bank. \$100 000 with the First National Bank of Brooklyn, \$500 000 with the Chase National Bank, \$860 000 with the Park Bank, \$4 000 000 with the National City Bank, \$1 000 000 with the Merchants' National Bank, \$4,098 000 with the Hanover National Bank, \$100 000 with the Citizens' Central National Bank of New York, \$100 000 with the Consolidated National Bank of New York \$100 000 with the Liberty National Bank of New York, and \$100 000 with the Merchants' National Bank of New York.

On October 25, 1907, there was deposited \$3,367,000—\$2,000,000 with the Mechanics' National Bank of New York, \$68,000 with the Hanover National Bank, \$100,000 with the Merchants' Exchange National Bank, \$100,000 with the Irving National Bank, \$100,000 with the Seaboard Bank, \$150,000 with the First National Bank of Brooklyn, \$249,000 with the Chase Bank, \$100,000 with the National Copper Bank, and \$500,000 with the National Bank of Commerce of New York.

On October 26, 1907, there was a total of \$1,440,000 deposited, as follows: American Exchange National Bank, \$500,000; Hanover National Bank, \$300,000; Merchants' Exchange National Bank, \$300,000; Mechanics' National Bank, \$100,000; Garfield National Bank, \$100,000.

On October 28, 1907, there was deposited \$3,050,000, as follows: To the Chase National Bank, \$1,000,000; to the Mechanics' National Bank, \$1,050,000; and to the National Bank of Commerce, \$1,000,000.

On October 29, 1907, there was deposited \$630,000, of which \$130,000 was deposited with the Hanover National Bank and \$500,000 with the Chase National Bank.

On October 30, 1907, there was deposited \$275,000, of which \$135,000 was with the Mechanics' National Bank and \$140,000 with the Park National Bank.

Of the amount agreed to be loaned of this \$25,000,000, the First National Bank agreed to loan \$4,000,000 and loaned \$2,680,000, it having received, as I figure it at the moment, \$9,250,000 on October 22, 23, and 24.

The Hanover National Bank agreed to lend, if necessary, \$1,500,000, and it lent \$1,355,000, having received something over \$4,000,000—between \$4,000,000 and \$4,500,000.

I do not find in this list that up to October 24 the Bank of Commerce had received any of this money. It had agreed to loan \$2,500,000, and had loaned \$1,730,000. It received \$500,000 on the 25th of October and \$1,000,000 on the 28th of October. I do not find any other amounts.

The Chase National Bank had agreed to lend \$1,000,000, and had loaned \$1,000,000; but it had received, between October 22 and October 24, \$1,500,000.

The National City Bank had agreed to loan \$8,000,000, and had loaned \$6,330,000. It had received \$9,000,000.

I do not think we can go all over this list; it is rather long. That is the general analysis in an impartial and imperfect way, as far as I gather the figures, figuring them out at the moment as I read them.

I offer this statement in evidence as having been produced from the subtreasury from the official books, as I assume.

The paper referred to was marked "Exhibit No. 35, June 13, 1912," and is here printed in full in the record, as follows:

EXHIBIT No. 35, JUNE 13, 1912.

October 22, 1907:

First National Bank, New York, N. Y.....	\$1,000,000	
Chase National Bank, New York, N. Y.....	1,000,000	
Hanover National Bank, New York, N. Y.....	210,000	
National City Bank, New York, N. Y.....	1,000,000	
		\$3,210,000

October 23, 1907:

First National Bank, New York, N. Y.....	2,500,000	
First National Bank, New York, N. Y.....	1,000,000	
Fourth National Bank, New York, N. Y.....	500,000	
Fourth National Bank, New York, N. Y.....	500,000	
Hanover National Bank, New York, N. Y.....	135,000	
National City Bank, New York, N. Y.....	1,500,000	
National City Bank, New York, N. Y.....	2,500,000	
Hanover National Bank, New York, N. Y.....	382,000	
Chemical National Bank, New York, N. Y.....	1,000,000	
		10,017,000

October 24, 1907:

First National Bank, New York, N. Y.....	\$1,500,000	
First National Bank, New York, N. Y.....	750,000	
First National Bank, New York, N. Y.....	2,500,000	
First National Bank, Brooklyn, N. Y.....	100,000	
Chase National Bank, New York, N. Y.....	500,000	
National Park Bank, New York, N. Y.....	860,000	
National City Bank, New York, N. Y.....	2,500,000	
National City Bank, New York, N. Y.....	1,500,000	
Merchants' National Bank, New York, N. Y.....	1,000,000	
Hanover National Bank, New York, N. Y.....	3,383,000	
Hanover National Bank, New York, N. Y.....	715,000	
Citizens' Central National Bank, New York.....	100,000	
Consolidated National Bank, New York.....	100,000	
Liberty National Bank, New York, N. Y.....	100,000	
Merchants' National Bank, New York, N. Y.....	100,000	
		\$15,708,000

October 25, 1907:

Mechanics' National Bank, New York, N. Y.....	1,000,000	
Mechanics' National Bank, New York, N. Y.....	1,000,000	
Hanover National Bank, New York, N. Y.....	68,000	
Merchants' Exchange National Bank, New York, N. Y..	100,000	
Irving National Exchange Bank, New York, N. Y.....	100,000	
Seaboard National Bank, New York, N. Y.....	100,000	
First National Bank, Brooklyn, N. Y.....	150,000	
Chase National Bank, New York, N. Y.....	249,000	
National Copper Bank, New York, N. Y.....	100,000	
National Bank of Commerce, New York, N. Y.....	500,000	
		3,367,000

October 26, 1907:

American Exchange National Bank, New York, N. Y... ..	500,000	
Hanover National Bank, New York, N. Y.....	360,000	
Merchants' Exchange National Bank, New York, N. Y..	300,000	
Mechanics' National Bank, New York, N. Y.....	180,000	
Garfield National Bank, New York, N. Y.....	100,000	
		1,440,000

October 28, 1907:

Chase National Bank, New York, N. Y.....	1,000,000	
Mechanics' National Bank, New York, N. Y.....	1,050,000	
National Bank of Commerce, New York, N. Y.....	1,000,000	
		3,050,000

October 29, 1907:

Hanover National Bank, New York, N. Y.....	130,000	
Chase National Bank, New York, N. Y.....	500,000	
		630,000

October 30, 1907:

Mechanics' National Bank, New York, N. Y.....	135,000	
National Park Bank, New York, N. Y.....	140,000	
		275,000
		37,697,000

Mr. UNTERMYER. Will you read the last question to the witness?  
The last question was read by the stenographer, as follows:

Mr. UNTERMYER. Do you remember that in 1902 those three voting trustees wanted an extension of the voting trust which gave them control of the property as against the stockholders, and that they advertised inviting or requesting stockholders to allow this extension?

Mr. UNTERMYER. Do you recall that?

Mr. MABON. I do not recall that. Mr. Pomroy is here, and he was a member of the stock-list committee and knows more about it than I do. I was not a member of the stock-list committee.

Mr. UNTERMYER. You would rather have him testify on that subject?

Mr. MABON. I would very much rather

Mr. UNTERMYER. Very well, then; we will excuse you, Mr. Mabon, and ask Mr. Pomroy.

Witness excused.

### TESTIMONY OF HENRY K. POMROY.

The witness was sworn by the chairman.

Mr. UNTERMYER. You are a member of the New York Stock Exchange?

Mr. POMROY. I am.

Mr. UNTERMYER. And of a brokerage firm?

Mr. POMROY. Yes.

Mr. UNTERMYER. What is your firm?

Mr. POMROY. Pomroy Bros.

Mr. UNTERMYER. You have been president of the exchange, have you not?

Mr. POMROY. I have.

Mr. UNTERMYER. In what year were you president?

Mr. POMROY. From May, 1904, until May, 1907—three years.

Mr. UNTERMYER. You just missed the panic, did you not?

Mr. POMROY. No, sir; I got it.

Mr. UNTERMYER. You missed being president?

Mr. POMROY. Yes.

Mr. UNTERMYER. But you were there at the pa nic

Mr. POMROY. I certainly was.

Mr. UNTERMYER. How many years have you been a member of the exchange?

Mr. POMROY. Since January, 1878. You can figure it.

Mr. UNTERMYER. Were you a member of the committee on stock list?

Mr. POMROY. I was from May, 1896, to May, 1904, and from September 16, 1909, to date.

Mr. UNTERMYER. You are still a member of that committee?

Mr. POMROY. I am still.

Mr. UNTERMYER. The governing committee has frequently exercised its power to remove stocks from the list, has it not?

Mr. POMROY. Yes, sir; generally on recommendation from the stock-list committee.

Mr. UNTERMYER. We will get to that, Mr. Pomroy.

Mr. POMROY. I thought I would save you time.

Mr. UNTERMYER. That is very good of you, but time does not matter to me.

Mr. POMROY. It does to me.

Mr. UNTERMYER. I have just been asking Mr. Mabon about this transaction in Southern Railway certificates. You remember that occurrence, do you not?

Mr. POMROY. Oh, yes.

Mr. UNTERMYER. Were you a member of the committee on stock list at the time?

Mr. POMROY. What was the date?

Mr. UNTERMYER. 1902.

Mr. POMROY. Yes.

Mr. UNTERMYER. I am taking a few of these cases as illustrative.

Mr. POMROY. Yes, sir.

Mr. UNTERMYER. You do not question the great value of a listing of a stock on the exchange, do you?

Mr. POMROY. Oh, no, sir.

Mr. UNTERMYER. You know it makes it available as collateral?

Mr. POMROY. Certainly.

Mr. UNTERMYER. And that it gives it salability and a ready market?

Mr. POMROY. More salability and a more ready market than if it were not listed on the exchange; yes, sir.

Mr. UNTERMYER. It frequently gives it its only market?

Mr. POMROY. I should not say that that was correct. Very frequently—

Mr. UNTERMYER. How?

Mr. POMROY. No; I should not say that that was correct.

Mr. UNTERMYER. What market would a stock have except by private contract, as a rule, if it were not listed on the New York Stock Exchange?

Mr. POMROY. Oh, there are many stocks that are listed on the New York Stock Exchange that are listed on other exchanges; Philadelphia—

Mr. UNTERMYER. Not in New York.

Mr. POMROY. Yes; there are some.

Mr. UNTERMYER. This is the country's great market, is it not?

Mr. POMROY. Yes, sir; absolutely.

Mr. UNTERMYER. The New York Stock Exchange?

Mr. POMROY. Yes, sir.

Mr. UNTERMYER. And it is an international market, is it not?

Mr. POMROY. Yes, sir.

Mr. UNTERMYER. There are vast dealings between New York and London, for instance?

Mr. POMROY. Yes, sir.

Mr. UNTERMYER. And the New York Stock Exchange is to-day an integral part of the financial system of the country?

Mr. POMROY. Well, I do not—I want your definition of integral.

Mr. UNTERMYER. An essential part?

Mr. POMROY. An essential part; yes.

Mr. UNTERMYER. That is integral.

Mr. POMROY. Well, your knowledge of the dictionary is greater than mine.

Mr. UNTERMYER. Well, it is an essential part?

Mr. POMROY. Yes.

Mr. UNTERMYER. You know, do you not, that the banks in making loans on securities take stock-exchange quotations as a basis, where they are active stocks?

Mr. POMROY. For such securities as are there listed.

Mr. UNTERMYER. Yes; and the rule is to lend 20 per cent below the listed price of the stock?

Mr. POMROY. As a rule. Sometimes the percentage is greater.

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

Mr. POMROY. Yes; that is the rule.

Mr. UNTERMYER. You heard Mr. Cannon's testimony?

Mr. POMROY. Certainly.

Mr. UNTERMYER. You agree to that?

Mr. POMROY. Absolutely; so far as that goes, yes, sir.

Mr. UNTERMYER. And when the quotations change and the stock goes down on the exchange, why, the custom is for the banks holding the collateral to call for more margin?

Mr. POMROY. If the broker does not send it before they make the call.

Mr. UNTERMYER. The usual thing is for the broker, when he finds that a stock is lower, to voluntarily furnish the additional margin?

Mr. POMROY. Yes, sir.

Mr. UNTERMYER. If a stock is upon the list and has been an active stock on the list, you realize, do you not, that its removal from the list is a great hardship upon the owners of that stock?

Mr. POMROY. I do.

Mr. UNTERMYER. Reverting to this incident of the Southern Railway trust certificates, do you recall that in 1902 the voting trust under which the Southern Railway was reorganized expired?

Mr. POMROY. I am sure that was so.

Mr. UNTERMYER. It so appears.

Mr. POMROY. It so appears.

Mr. UNTERMYER. Do you remember who the members of the voting trust were who were mentioned in the reorganization plan?

Mr. POMROY. No; I do not.

Mr. UNTERMYER. Mr. Morgan was one?

Mr. POMROY. I do not know.

Mr. UNTERMYER. You know that J. P. Morgan & Co. control the road under a voting trust, and have for years?

Mr. POMROY. That is my impression.

Mr. UNTERMYER. Those voting trust certificates were listed on the exchange?

Mr. POMROY. Yes, sir; the only things that ever were listed up to that time.

Mr. UNTERMYER. It was the only thing that had ever been issued on the reorganization?

Mr. POMROY. That is right.

Mr. UNTERMYER. The stock had been put into the voting trust. The voting trustees held the stock, issued trust certificates, and those were the things that were listed?

Mr. POMROY. I do not know exactly the legal status of it. As I understand it, Mr. Untermyer, when the road was reorganized the old security holders who were entitled to stock received voting trust certificates in lieu thereof.

Mr. UNTERMYER. That is, the stock was put with these voting trustees, who issued certificates in lieu of the stock?

Mr. POMROY. I presume that would have been the method.

Mr. UNTERMYER. Do you remember that upon the termination of that five-year voting trust the trustees advertised and asked the stockholders to extend the voting trust for another five years?

Mr. POMROY. I remember that they asked for an extension of the voting trust, but I would not say as to the time. I did know that they asked the holders of the then voting trust certificates to assent to a further extension of the voting trust.

Mr. UNTERMYER. Do you not remember that when that voting trust expired what they asked from the stockholders was——

Mr. POMROY. No; not from the stockholders.

Mr. UNTERMYER. From the holders of the voting trust receipts, who were entitled to get stock for the receipts.

EXHIBIT NO. 1, MAY 16, 1912.

THE COFFEE EXCHANGE OF THE CITY OF NEW YORK.

[Supplement.]

July 1 to June 30.	Crops.		Arrivals of coffee.					Deliveries of coffee.			World's visible supply on 1st of July and January.	Highest and lowest price at which future contracts sold during corresponding years.	Quotations of Rio No. 7, spot coffee in New York, on 1st of July and January, together with highest and lowest prices during each crop year.			Rio exchange on London.		Highest and lowest for good second and No. 7 in Rio per 10 kilos, export duty unpaid.	July 1 to June 30
	All kinds. <sup>1</sup>	Rio and Santos.	United States.		Total United States all kinds.	Total Europe all kinds.	Total United States and Europe.	United States.	Europe.	Total.			Highest and lowest.	Corresponding.	Highest and lowest.	Corresponding.			
			Brazil.	Other kinds.															
1886	10,420,000	6,078,000	2,734,100	1,060,702	3,794,802	7,001,710	10,796,512	2,671,585	7,363,010	10,034,595	July, 3,985,639	Aug., 1886, sold at 7.55 in July, 1886	July 1, 1886, 8 1/2	Lowest, Aug., 1886, 8 1/2	July, 20 1/2	July, 20 1/2	July, 34550	1886	
1887											Jan., 4,323,332	Dec., 1887, sold at 22.25 in June, 1887	Jan. 1, 1887, 13 1/2	Highest, June, 1887, 21 1/2	Aug., 22 1/2	June, 22 1/2	June, 94650	1887	
1887	6,934,000	3,033,000	1,938,877	1,296,259	3,234,136	4,944,100	8,178,236	2,163,820	5,888,400	8,052,220	July, 4,133,854	Dec., 1887, sold at 19.60 in July, 1887	July 1, 1887, 16 1/2	Highest, July, 1887, 18 1/2	Aug., 22 1/2	July, 22 1/2	July, 93650	1887	
1888											Jan., 3,268,222	Dec., 1888, sold at 9.00 in Mar., 1888	Jan. 1, 1888, 17	Lowest, Mar., 1888, 10 1/2	Jan., 25 1/2	Mar., 24	Mar., 38900	1888	
1888	11,110,000	6,827,000	2,903,132	1,440,086	4,343,218	7,210,400	11,553,618	2,658,868	6,589,100	9,247,968	July, 2,329,611	Oct., 1888, sold at 9.50 in Aug., 1888	July 1, 1888, 13 1/2	Lowest, July, 1888, 12	July, 25 1/2	Aug., 26 1/2	Aug., 48000	1888	
1889											Jan., 2,868,714	Dec., 1889, sold at 18.00 in Mar., 1889	Jan. 1, 1889, 15 1/2	Highest, Mar., 1889, 17 1/2	Feb., 28 1/2	Mar., 28 1/2	Mar., 58850	1889	
1889	8,430,000	4,260,000	2,483,848	1,385,822	3,869,670	6,215,600	10,085,270	2,703,860	6,716,400	9,420,260	July, 3,579,175	Aug., 1889, sold at 13.00 in July, 1889	July 1, 1889, 14 1/2	Lowest, July, 1889, 14 1/2	Oct., 28	Oct., 28	Oct., 58500	1889	
1890											Jan., 2,764,590	Mar., 1890, sold at 18.30 in Mar., 1890	Jan. 1, 1890, 17	Highest, Mar., 1890, 19	Apr., 20	June, 20	June, 88500	1890	
1890	9,323,000	5,358,000	2,507,726	1,412,593	3,920,319	5,532,617	9,452,936	6,045,685	8,718,661	10,304,551	July, 2,384,563	Sept., 1890, sold at 18.30 in Sept., 1890	July 1, 1890, 17 1/2	Highest, Aug., 1890, 19 1/2	Nov., 24 1/2	Nov., 24 1/2	Nov., 68500	1890	
1891											Jan., 2,388,337	Dec., 1891, sold at 13.10 in Jan., 1891	Jan. 1, 1891, 17 1/2	Lowest, June, 1891, 17	May, 16 1/2	May, 16 1/2	May, 98500	1891	
1891	11,979,000	7,397,000	3,451,689	1,165,330	4,617,019	6,715,935	11,332,954	4,411,832	6,392,719	10,904,551	Jan., 1,909,120	July, 1891, sold at 17.25 in July, 1891	Jan. 1, 1891, 17 1/2	Highest, July, 1891, 17 1/2	Sept., 15 1/2	Sept., 15 1/2	Sept., 68600	1891	
1892											Jan., 2,701,610	Jan., 1892, sold at 10.35 in Oct., 1891	Jan. 1, 1892, 13 1/2	Lowest, May, 1892, 12 1/2	June, 10 1/2	Nov., 10 1/2	Nov., 118600	1892	
1892	11,284,000	6,202,000	3,327,498	955,741	4,283,239	6,987,189	11,270,428	4,398,549	6,547,679	10,946,228	Jan., 2,955,023	Oct., 1892, sold at 11.75 in July, 1892	Jan. 1, 1892, 12 1/2	Lowest, July, 1892, 12 1/2	July, 10 1/2	Oct., 10 1/2	Oct., 93300	1892	
1893											Jan., 3,106,271	Mar., 1893, sold at 17.70 in Feb., 1893	Jan. 1, 1893, 17	Highest, Feb., 1893, 18 1/2	Oct., 15 1/2	June, 10 1/2	June, 154500	1893	
1893	9,401,000	4,309,000	3,057,110	1,128,286	4,185,396	5,685,219	9,870,615	4,298,845	6,272,688	10,571,533	July, 3,100,618	Oct., 1893, sold at 17.75 in Oct., 1893	July 1, 1893, 16 1/2	Lowest, Aug., 1893, 15 1/2	Aug., 12 1/2	Aug., 12 1/2	Aug., 128250	1893	
1894											Jan., 2,433,248	Dec., 1894, sold at 12.80 in June, 1894	Jan. 1, 1894, 18 1/2	Highest, Jan., 1894, 18 1/2	Apr., 9 1/2	Apr., 9 1/2	Apr., 173500	1894	
1894	11,764,000	6,605,000	3,380,366	1,267,465	4,647,831	7,211,545	11,859,376	4,395,946	6,816,905	11,212,851	July, 2,146,423	July, 1894, sold at 15.75 in July, 1894	July 1, 1894, 16 1/2	Lowest, Oct., 1894, 15	Sept., 12 1/2	Oct., 12	Oct., 118200	1894	
1895											Jan., 2,678,207	May, 1895, sold at 10.45 in Oct., 1894	Jan. 1, 1895, 15 1/2	Highest, Mar., 1895, 16 1/2	May, 9 1/2	May, 9 1/2	May, 17200	1895	
1895	10,377,000	5,476,000	3,017,741	1,147,485	4,165,226	6,701,216	10,866,442	4,339,128	6,803,685	11,142,813	July, 3,115,600	Sept., 1895, sold at 15.60 in Aug., 1895	July 1, 1895, 15 1/2	Highest, Aug., 1895, 16 1/2	July, 11 1/2	July, 10 1/2	July, 158100	1895	
1896											Jan., 3,552,792	May, 1897, sold at 9.65 in June, 1896	Jan. 1, 1896, 14 1/2	Highest, Feb., 1896, 13	Mar., 8 1/2	May, 10 1/2	May, 108750	1896	
1896	13,918,000	8,680,000	4,200,405	1,189,932	5,390,337	7,918,554	13,308,891	5,088,594	7,155,610	12,244,204	July, 2,588,193	July, 1896, sold at 11.55 in July, 1896	July 1, 1896, 13 1/2	Lowest, July, 1896, 13	July, 9 1/2	Nov., 7 1/2	Nov., 128900	1896	
1897											Jan., 4,024,968	July, 1897, sold at 6.65 in June, 1897	Jan. 1, 1897, 10 1/2	Lowest, Apr., 1897, 7 1/2	May, 7 1/2	Apr., 7 1/2	Apr., 73000	1897	
1897	16,058,000	10,462,000	6,035,705	1,251,631	6,337,336	9,648,060	15,985,996	6,036,311	8,535,591	14,571,902	July, 3,975,880	June, 1898, sold at 7.80 in July, 1897	July 1, 1897, 7 1/2	Highest, Apr., 1897, 7 1/2	May, 7 1/2	Apr., 7 1/2	Apr., 108900	1897	
1898											Jan., 6,357,363	Nov., 1897, sold at 4.60 in Nov., 1897	Jan. 1, 1898, 6 1/2	Lowest, Mar., 1898, 5 1/2	Aug., 8 1/2	Nov., 7 1/2	Nov., 78300	1898	
1898	13,736,000	8,771,000	4,741,827	1,278,810	6,020,637	8,136,306	14,156,943	5,682,636	7,798,268	13,480,904	July, 5,435,974	July, 1898, sold at 15.60 in Aug., 1898	July 1, 1898, 6 1/2	Lowest, Oct., 1898, 5 1/2	May, 5 1/2	Apr., 5 1/2	Apr., 88175	1898	
1899											Jan., 6,200,763	July, 1899, sold at 4.55 in June, 1899	Jan. 1, 1899, 6 1/2	Highest, Dec., 1898, 7	Mar., 6 1/2	Nov., 6 1/2	Nov., 68000	1899	
1899	13,801,000	8,959,000	4,509,299	1,134,303	5,643,602	9,111,145	14,754,747	6,035,623	8,937,076	14,972,690	July, 6,200,013	Oct., 1899, sold at 4.10 in Sept., 1899	July 1, 1899, 6 1/2	Lowest, Sept., 1899, 5 1/2	Nov., 6 1/2	Sept., 7 1/2	Sept., 58513	1899	
1900											Jan., 7,036,093	May, 1901, sold at 8.05 in June, 1900	Jan. 1, 1900, 7 1/2	Highest, Feb., 1900, 8 1/2	Nov., 10 1/2	Feb., 7 1/2	Feb., 98310	1900	
1900	15,100,000	10,927,000	4,983,866	1,132,424	6,116,290	8,583,201	14,699,491	5,843,883	8,486,042	14,329,925	July, 5,840,561	Mar., 1901, sold at 9.20 in July, 1900	Jan. 1, 1900, 8 1/2	Highest, July, 1900, 9 1/2	July, 14 1/2	Aug., 10 1/2	Aug., 75713	1900	
1901											Jan., 7,560,345	Apr., 1901, sold at 5.00 in Apr., 1901	Jan. 1, 1901, 7 1/2	Lowest, Apr., 1901, 6	Sept., 9 1/2	Apr., 12 1/2	Apr., 38770	1901	
1901	19,735,000	15,439,000	6,738,656	1,167,139	7,905,815	11,107,552	19,013,367	6,663,569	8,853,094	15,516,663	July, 6,867,627	Sept., 1901, sold at 4.65 in Aug., 1901	Jan. 1, 1901, 6 1/2	Highest, Nov., 1901, 7 1/2	Dec., 9 1/2	Nov., 12 1/2	Nov., 38400	1901	
1902											Jan., 10,870,930	Sept., 1902, sold at 8.00 in Nov., 1901	Jan. 1, 1902, 7	Lowest, June, 1902, 5 1/2	July, 12 1/2	June, 11 1/2	June, 38668	1902	
1902	16,664,000	12,324,000	5,616,934	1,254,093	6,871,027	10,018,813	16,889,840	6,847,877	9,118,621	15,966,498	July, 11,261,331	July, 1903, sold at 6.10 in Aug., 1902	Jan. 1, 1902, 5 1/2	Highest, Aug., 1902, 6	Feb., 11 1/2	Aug., 12	Aug., 43550	1902	
1903											Jan., 13,212,775	Aug., 1903, sold at 3.55 in June, 1903	Jan. 1, 1903, 5 1/2	Lowest, June, 1903, 5 1/2	May, 12 1/2	May, 12 1/2	May, 38525	1903	
1903	15,953,000	10,408,000	5,819,609	1,610,784	7,430,393	9,622,435	17,052,828	6,853,056	9,280,651	16,133,707	July, 11,900,173	July, 1903, sold at 3.55 in Aug., 1903	Jan. 1, 1903, 5 1/2	Lowest, July, 1903, 5 1/2	Nov., 11 1/2	Aug., 12 1/2	Aug., 38443	1903	
1904											Jan., 13,757,746	Dec., 1904, sold at 9.40 in Feb., 1904	Jan. 1, 1904, 7 1/2	Highest, Feb., 1904, 9 1/2	July, 12 1/2	Jan., 12 1/2	Jan., 68795	1904	
1904	14,448,000	9,968,000	6,423,188	1,356,071	7,779,259	7,665,010	15,444,265	6,687,673	9,475,680	16,163,353	July, 12,361,464	July, 1904, sold at 5.80 in July, 1904	July 1, 1904, 7 1/2	Lowest, July, 1904, 7 1/2	Feb., 12 1/2	Aug., 12 1/2	Aug., 68255	1904	
1905											Jan., 13,918,399	Dec., 1905, sold at 8.80 in Jan., 1905	Jan. 1, 1905, 8 1/2	Highest, Jan., 1905, 8 1/2	Apr., 17	Apr., 16 1/2	Apr., 38825	1905	
1905	14,792,000	10,227,000	4,964,018	1,388,264	6,352,282	9,047,645	15,399,927	6,806,883	9,984,332	16,741,215	July, 11,265,510	July, 1906, sold at 8.10 in Aug., 1905	Jan. 1, 1905, 7 1/2	Highest, Aug., 1905, 8 1/2	Sept., 18 1/2	Dec., 16 1/2	Dec., 38870	1905	
1906											Jan., 12,647,595	June, 1906, sold at 5.90 in June, 1906	Jan. 1, 1906, 8 1/2	Lowest, May, 1906, 7 1/2	Apr., 14 1/2	Apr., 14 1/2	Apr., 48590	1906	
1906	23,814,000	19,651,000	5,961,931	1,324,750	7,286,681	13,385,000	20,671,681	7,042,720	10,502,030	17,544,750	July, 9,636,563	July, 1907, sold at 7.90 in Aug., 1906	Jan. 1, 1906, 7 1/2	Highest, Aug., 1906, 8 1/2	July, 17	Aug., 16 1/2	Aug., 48590	1906	
1907											Jan., 14,377,932	Jan., 1907, sold at 5.05 in Jan., 1907	Jan. 1, 1907, 7 1/2	Lowest, Jan., 1907, 6 1/2	Apr., 15 1/2	Jan., 15 1/2	Jan., 28903	1907	
1907	14,834,000	10,283,000	5,348,648	1,207,781	6,555,829	11,995,032	18,550,861	7,043,595	10,481,823	17,525,415	July, 16,399,954	Sept., 1907, sold at 5.20 in July, 1907	Jan. 1, 1907, 6 1/2	Highest, Aug., 1907, 6 1/2	Aug., 15 1/2	Sept., 15 1/2	Sept., 38375	1907	
1908											Jan., 16,758,279	Sept., 1908, sold at 6.60 in Oct., 1907	Jan. 1, 1908, 6	Lowest, Nov., 1907, 5 1/2	Feb., 15 1/2	Nov., 15 1/2	Nov., 28903	1908	
1908	16,918,000	12,419,000	6,202,972	1,529,755	7,822,727	9,735,763	17,558,490	7,519,659	11,129,943	18,649,602	July, 14,								

Mr. POMROY. They were not stockholders, because they had voting trust receipts.

Mr. UNTERMYER. They were entitled to stock?

Mr. POMROY. They were entitled to it; yes.

Mr. UNTERMYER. Do you not remember that those voting trustees, then, upon the expiration of that voting trust, asked these people who were entitled to their stock to extend the voting trust until the common stock should pay 5 per cent?

Mr. POMROY. I remember that they asked for an extension. That further detail I do not remember.

Mr. UNTERMYER. They advertised and requested it, did they not?

Mr. POMROY. They advertised and requested it by letter.

Mr. UNTERMYER. That was done through J. P. Morgan & Co.?

Mr. POMROY. My impression is that J. P. Morgan & Co. issued a circular to that effect, requesting the holders to do it, as they had been so successful in the management of the property.

Mr. UNTERMYER. If there is a circular we will get it, if you think it is of any importance. Mr. Morgan was one of the voting trustees, was he not?

Mr. POMROY. That I do not know.

Mr. UNTERMYER. Subsequent to the issuance of that circular asking these stockholders not to take their stock, but to leave it there and to extend the voting trust, the stock exchange removed those voting trust certificates, the old certificates that had expired, from the list, did it not?

Mr. POMROY. Let me get that.

Mr. UNTERMYER. The stock exchange removed those original voting trust certificates from the list at some time, did it not, in 1902? There is not any question about that.

Mr. POMROY. I just wanted to be sure.

Mr. UNTERMYER. This is not news to you, is it?

Mr. POMROY. No; I am pretty well familiar with the thing, and I am answering you pretty straight, I think.

Mr. UNTERMYER. Do not congratulate yourself until we get through. [Laughter.]

Mr. POMROY. Oh, no. I will answer you straight.

Mr. UNTERMYER. That is better.

Mr. POMROY. What was the question? I have lost it.

The stenographer repeated the question, as follows:

Mr. UNTERMYER. Subsequent to the issuance of that circular asking these stockholders not to take their stock, but to leave it there and to extend the voting trust, the stock exchange removed those voting trust certificates, the old certificates that had expired from the list, did it not?

Mr. POMROY. They did.

Mr. UNTERMYER. Did the stock exchange then list the new certificates?

Mr. POMROY. Yes; the committee on stock list listed them on October 8, 1902.

Mr. UNTERMYER. The point I make is this: The effect of that was, was it not, that a man who held the old certificate, which entitled him to his stock, had no longer any certificate on the list, but the man who exchanged had a listed certificate; is that right?

Mr. POMROY. That is quite true.

Mr. UNTERMYER. And the man who had the old certificate could go and get his stock, could he not?

Mr. POMROY. He could.

Mr. UNTERMYER. But when he got his stock that was not listed either, was it?

Mr. POMROY. It was not listed; no.

Mr. UNTERMYER. So that he could not borrow either on his old stock or his old certificate; that is, as a stock-exchange collateral?

Mr. POMROY. As a stock-exchange collateral he could not. He could borrow on it.

Mr. UNTERMYER. How do you know? Did you ever lend anybody anything on that class that were not listed?

Mr. POMROY. No, sir; but I lend a great deal of money on securities that are not listed on the stock exchange.

Mr. UNTERMYER. I am talking about this particular case. You do not mean to say that when the new certificates were listed and made marketable and good for loans, and the old certificates were taken from the list and the old stock not put on, you know of your own knowledge that a man who held the old certificates, or who had gotten the stock, could borrow in the ordinary course of business, do you?

Mr. POMROY. I know he could have borrowed.

Mr. UNTERMYER. Where?

Mr. POMROY. He could have borrowed of me if he wanted it, and at a great many banks.

Mr. UNTERMYER. Without having it listed?

Mr. POMROY. Without having it listed.

Mr. UNTERMYER. Then there was not any use in having it listed, was there?

Mr. POMROY. I did not say that. It was of great use to have it listed.

Mr. UNTERMYER. It had a value, had it not?

Mr. POMROY. It certainly had a value.

Mr. UNTERMYER. Let the record show that the new certificates were issued in October, 1902, and that the old certificates were taken off the list in March, 1903.

How is a man who has a security that is not listed, or that has been taken off the list because he has not seen fit to exchange his security for one that has been put in its place, to know where to get his market for his security?

Mr. POMROY. That would depend on what his security called for.

Mr. UNTERMYER. How is he to know where to get his market for it; go to the office of the company?

Mr. POMROY. I have answered that.

Mr. UNTERMYER. The best way you can?

Mr. POMROY. If the chairman will allow me, I will explain that. I will explain my answer. I claim the right, under what Mr. Cortelyou got here. I claim the same right as Mr. Cortelyou had to explain my answer.

Mr. UNTERMYER. I think he is sorry he explained. I do not know.

Mr. POMROY. We will see whether I am sorry.

Mr. UNTERMYER. He would not know where to get his market, would he?

Mr. POMROY. Certainly he would.

Mr. UNTERMYER. You think he would, do you?

Mr. POMROY. It would depend on the class of security that he had, Mr. Untermyer, and I wish to explain what I mean by that answer.

Mr. UNTERMYER. I am going to try to get from you—

Mr. POMROY. I request the privilege of stating that now, Mr. Untermyer.

Mr. UNTERMYER. I object, Mr. Chairman. We want to go on and finish this examination, and it is not proper that the witness should do anything but answer a question. Is there any ambiguity—

Mr. POMROY. I wish a ruling on my request.

The CHAIRMAN. I am going to make a ruling on this question. Of course you understand, Mr. Pomroy, that the investigation is an inquiry, not a trial, and in this investigation we have counsel and we are guided measurably, within our powers and rights, as to the nature of the examination, by advice of counsel. Under their instructions, with the approval of the committee, we have announced as a policy that a witness, when asked a question, must give a categorical answer, yes or no, or that he does not know, or he does not remember. Then he is entitled to make an explanation in so far as it is germane to the question and not any illustrations or matters of that kind.

Mr. POMROY. I claim that this is germane to the question.

Mr. UNTERMYER. You are not going to have any difficulty at all in having the fullest opportunity to explain anything that is germane to an inquiry put to you. The present inquiry is, How is a man who has a security that has been removed from the list and another put in its place to find his market for that security? You may explain anything you please about that.

Mr. POMROY. If he has a security calling for the exchange in place thereof of another security which is already listed on the exchange, he can exchange his security for the one already listed, and then, having a listed security, he can borrow as on other listed securities. You understand that?

Mr. UNTERMYER. Yes.

Mr. POMROY. That is the first part.

Mr. UNTERMYER. Let us take that first, then we will let you go on to the second. What you mean by that is, that if a man who was entitled to his stock in the Southern Railway Co. wanted his stock, he could not take his stock, but he could get a market for his security by allowing his stock to remain in a new voting trust and not exercising his rights of ownership; is that what you mean?

Mr. POMROY. No, sir; that is not what I said.

Mr. UNTERMYER. Yes; you said he could take new security.

Mr. POMROY. You misunderstood what I said. I did not make it plain.

Mr. UNTERMYER. Very well; go ahead and make it plain.

Mr. POMROY. Take the question of a certificate of any of the steel subsidiary companies.

Mr. UNTERMYER. No; take the Southern Railway voting trust.

Mr. POMROY. I am illustrating my point, Mr. Untermyer, and you must allow me to illustrate it.

Mr. UNTERMYER. Go on.

Mr. POMROY. Take the certificates of deposit for subsidiaries of the United States Steel Corporation, who are entitled to receive United States steel stock in exchange for those certificates. If those certificates were stricken from the list, the holder could exchange his cer-

tificates for stock of the United States Steel Corporation—he was entitled to nothing else for that certificate—and then he would be able to avail himself of the privileges of the stock exchange.

Mr. UNTERMYER. You mean he could take Steel Corporation stock on the terms they prescribed?

Mr. POMROY. On the terms his certificate prescribed.

Mr. UNTERMYER. I am speaking of the holder of, we will say, Tin Plate certificates, entitling your man to Tin Plate stock.

Mr. POMROY. There was no such certificate listed on the exchange.

Mr. UNTERMYER. Then, Mr. Pomroy, that is not the kind of an illustration we are talking about.

Mr. POMROY. No; I understand that.

Mr. UNTERMYER. And you know what I am talking about, because you and I talked it over.

Mr. POMROY. You interrupted me before I had finished.

Mr. UNTERMYER. Go on.

Mr. POMROY. I have answered your question as to what a man could do with a certain class of security.

Mr. UNTERMYER. I do not think you have.

Mr. POMROY. I am sorry that you think so.

Mr. UNTERMYER. Go on and say anything else you like.

Mr. POMROY. As to this particular instance, coming down to that, of the holder of certificate of the Southern Railway stock voting trust, who refused—I will put it as strong as I can—to accept Mr. Morgan's offer to accept new voting trust certificates, and exchanged it for stock of the Southern Railway Co. which was not listed on the exchange; your question, then, is where would a man go to borrow money on that collateral?

Mr. UNTERMYER. Or to sell it; to find a market?

Mr. POMROY. Or to sell it or to find a market. That is the idea. He would not have the same facilities of finding a market or of borrowing money that a man had whose security was listed on the exchange; there is no question about that. But he could go to a great many banks in Wall Street, and a great many banking houses in Wall Street, who would lend him money on that, on the value made by the voting trust certificates which were listed on the exchange.

Mr. UNTERMYER. How do you know that he could? How do you know that any banking house would lend him money on a security which they could not go to their bank and put in as stock-exchange collateral, so as to make that security—

Mr. POMROY. I do not know that.

Mr. UNTERMYER. You can not know it.

Mr. POMROY. I think your statement is wrong. How do I know it? I am only giving you my experiences in Wall Street. I think so. I do not know it, because I never tried to do it. That is legal knowledge.

Mr. UNTERMYER. The point I make is this: A man buys a security that is listed on the exchange.

Mr. POMROY. Yes.

Mr. UNTERMYER. And he wakes up one fine morning and finds it is removed from the list.

Mr. POMROY. Yes.

Mr. UNTERMYER. He may have it as collateral for a loan that will be thrown out.

Mr. POMROY. He may.

Mr. UNTERMYER. That action certainly affects its value, does it not?

Mr. POMROY. It does. If it is thrown out, it certainly does.

Mr. UNTERMYER. And that is what is likely to happen to it, is it not?

Mr. POMROY. Not necessarily.

Mr. UNTERMYER. It is in a stock-exchange loan, is it not?

Mr. POMROY. No, sir. It is possible, but not likely.

Mr. UNTERMYER. Did you hear Mr. Cannon's testimony on the subject?

Mr. POMROY. I did.

Mr. UNTERMYER. And have you not been around in Wall Street long enough to know that the banks take very limited amounts of nonlisted securities?

Mr. POMROY. I have not. Mr. Cannon testified that he was the president of a commercial bank; that he was not particularly informed on Wall Street.

Mr. UNTERMYER. You do not think Mr. Cannon knew what he was talking about?

Mr. POMROY. I certainly do think he knew what he was talking about.

Mr. UNTERMYER. He did testify as to the custom with respect to Wall Street loans, did he not?

Mr. POMROY. As practiced by his bank, which is a commercial bank.

Mr. UNTERMYER. I do not think we want to have a running argument. I wish you would simply try to answer my questions, and let us see if we can not get along.

Mr. POMROY. I will answer your questions to the best of my ability.

Mr. UNTERMYER. You will admit that the taking of the securities from the list injures their value?

Mr. POMROY. I will, to a certain extent.

Mr. UNTERMYER. And you have furnished us here with a long list of securities that were thus taken from the list?

Mr. POMROY. I have; that is, the stock exchange has.

Mr. UNTERMYER. You remember the case of the American Tobacco Co.?

Mr. POMROY. Yes.

Mr. UNTERMYER. Am I right that the facts were substantially as follows?

Mr. POMROY. The facts as stated in what we gave you?

Mr. UNTERMYER. No, no; I am trying to see whether I am right as to the facts. There was an American Tobacco Co. and there was a Continental Tobacco Co., was there not?

Mr. POMROY. There was.

Mr. UNTERMYER. And there came a time when Mr. Ryan and Mr. Payne and their associates formed a company called the Consolidated Tobacco Co.?

Mr. POMROY. I know there was a consolidated company formed.

Mr. UNTERMYER. And you remember that the Consolidated Tobacco Co. was formed by five or six gentlemen who subscribed the capital?

Mr. POMROY. No; I do not know anything about that.

Mr. UNTERMYER. You do not know about that?

Mr. POMROY. No, sir.

Mr. UNTERMYER. At any rate the Consolidated Tobacco Co. offered the American Tobacco Co. stockholders 4 per cent bonds, collateral trust bonds, of the Consolidated Tobacco Co. for their stock, at the rate of \$200 for the stock?

Mr. POMROY. I remember they made an offer. I take it that that is right.

Mr. UNTERMYER. And that they offered the holders of stock of the Continental Tobacco Co. par in 4 per cent bonds of the Consolidated Tobacco Co.?

Mr. POMROY. I presume that is right.

Mr. UNTERMYER. There came a time, did there not, when application was made to the stock exchange to remove the stocks of the American Tobacco Co. and the Continental Tobacco Co. from the list?

Mr. POMROY. No, sir; no application was made.

Mr. UNTERMYER. You did it of your own motion?

Mr. POMROY. We did it of our own motion.

Mr. UNTERMYER. Have you any documents on which you based your action?

Mr. POMROY. Where are they, Mr. Martin?

Mr. UNTERMYER. Let us have the documents on which you based that. The effect of that transaction of the Consolidated Tobacco Co., as to every American Tobacco Co. stockholder that went into it, was that that stockholder got 4 per cent bonds for his own stock at a rate of 200 for his stock.

Mr. POMROY. Yes; I presume those were the terms.

Mr. UNTERMYER. And the stock was paying 8 per cent then and was earning about 30 per cent?

Mr. POMROY. I do not know.

Mr. UNTERMYER. Do you not know the facts?

Mr. POMROY. No, sir.

Mr. UNTERMYER. Do you not know that the old American Tobacco Co. stock got to be worth a lot of money?

Mr. POMROY. Oh, yes; I saw the quotations in the papers.

Mr. UNTERMYER. It went to 500 or 600?

Mr. POMROY. It went to a good price, I know.

Mr. UNTERMYER. Do you not see that the man who did not choose to put in his stock for these bonds at 200 by the action of the stock exchange lost his listing value on his stock?

Mr. POMROY. What do you mean by his listing value?

Mr. UNTERMYER. His stock was taken from the list and he lost that value, did he not? Where could he sell his stock after that except to the company or to insiders?

Mr. POMROY. He could sell it——

Mr. UNTERMYER. Where could he go? What market could he have?

Mr. POMROY. He would have a market anywhere, and you know it.

Mr. UNTERMYER. I know exactly the contrary; that you drove every man into selling his stock.

Mr. POMROY. I do not agree with you.

Mr. UNTERMYER. Then where would he have a market?

Mr. POMROY. He could have gone to a great many banking houses.

Mr. UNTERMYER. Name one. That stock was taken off the list and had no loanable value.

Mr. POMROY. As to this particular stock, I can not say exactly where.

Mr. UNTERMYER. Of course you can not, and you are making assertions that you can not support.

Mr. POMROY. I am giving you my opinion about it.

Mr. UNTERMYER. Let us see on what your exchange acted?

Mr. POMROY. Now you are getting down to business.

Mr. UNTERMYER. Let us see on what your exchange acted. Have you those papers here?

Mr. POMROY. I have a letter here.

Mr. UNTERMYER. Let us see it.

The witness produced papers which were examined by Mr. Untermyer.

Mr. UNTERMYER. We would like to offer in evidence, Mr. Chairman, the correspondence that has been produced here with the Morton Trust Co., the assistant secretary of the Morton Trust Co., and perhaps you would be good enough, Mr. Pomroy, to let us have copies instead of the originals?

Mr. POMROY. Yes.

Mr. UNTERMYER. Letters of July 1, 1901, July 8, 1901, July 11, 1901; July 31, 1901, August 12, 1901, September 16, 1901, October 16, 1901, November 20, 1901, and January 20, 1902.

The letters referred to were marked respectively "Exhibits Nos. 36, 37, 38, 39, 40, 41, 42, 43, 44, June 13, 1912," and will be found printed at the end of this hearing.

Mr. UNTERMYER. Do you mean to tell us that was all you had upon which you based your action in excluding this stock from the list?

Mr. POMROY. I would not say that is all. It is all that I can recall at the present moment.

Mr. UNTERMYER. Nothing but assertions of the assistant secretary of the Morton Trust Co., and of the secretary, is that right?

Mr. POMROY. Yes.

Mr. UNTERMYER. Did you know who was in control of the Morton Trust Co.?

Mr. POMROY. No.

Mr. UNTERMYER. You never heard of that? You never heard that Mr. Thomas F. Ryan was in control?

Mr. POMROY. I saw by the letterhead that Thomas F. Ryan was vice president.

Mr. UNTERMYER. Did you not know that he was the controlling man?

Mr. POMROY. No.

Mr. UNTERMYER. You did not know anything about it? How long did you say you had been in Wall Street?

Mr. POMROY. Since 1878. And I did not know that.

Mr. UNTERMYER. You did not know that?

Mr. POMROY. No.

Mr. UNTERMYER. You did not know that Mr. Ryan was the dominating spirit in the Consolidated Tobacco Co. and in the American Tobacco Co. and the Continental Tobacco Co.?

Mr. POMROY. No.

Mr. UNTERMYER. Did you know he was one of them?

Mr. POMROY. I presume I did. That has been 10 years ago.

Mr. UNTERMYER. That is as much as you want to say, is it?

Mr. POMROY. That is as much as I say.

Mr. UNTERMYER. It is as much as you want to say?

Mr. POMROY. What I have said is the truth.

Mr. UNTERMYER. That is not the question. Is that as far as you want to go, that you presume you knew he had something to do with these tobacco companies?

Mr. POMROY. Yes, sir.

Mr. UNTERMYER. You find nothing upon the record except what you have produced, do you?

Mr. POMROY. This is all that we have been able to find, as far as I know. Is there anything more, Mr. Martin? I can not answer that.

Mr. MARTIN. The request, I think, was for the original letter from the company, and that is what I got out.

Mr. UNTERMYER. No; I want every record upon which you claim to justify the removal of that security from the exchange.

Mr. POMROY. Then I do not know; this may not be all the record, but you are in a hurry and so am I. I will grant that these papers here were the determining factors.

Mr. UNTERMYER. And you concede that it was a distinct injury to the outstanding stockholder to have his stock removed?

Mr. POMROY. I concede that it was an injury; yes.

Mr. UNTERMYER. I will read into the record a resolution of January 21, 1902, or, that is, the entry in the minutes of the meeting of that day.

Letter from the Morton Trust Co. states that there are only 11,357 shares of the common stock of the American Tobacco Co. actually outstanding.

The committee thereupon voted that the stock be stricken from the list on the 27th.

I want you to explain, Mr. Pomroy, as fully as you please, the way in which the stock exchange justifies itself for removing from the list a large number of stocks that have been upon the list. It is simply upon the ground, as I understand, that there is only a small amount of it outstanding, and that there might be a corner created in the stock. Is that the justification?

Mr. POMROY. Will you allow me to explain that?

Mr. UNTERMYER. Yes. I have asked you to explain it. Your explanation will apply to all these stocks that have been thus removed, will it?

Mr. POMROY. Well, generally, yes. There may have been special reasons in one or two cases, but generally this will apply, I think.

Mr. UNTERMYER. Go on, then.

Mr. POMROY. On the question of the removal of stocks from the list, the governing committee realizes that the question of removing a security from the list is a very serious one. As I have testified, we realize that it deprives a stock of a certain amount of its value, and of its borrowing power, and therefore they consider each case very carefully before the move takes place.

Mr. UNTERMYER. That does not answer the question as to how you justify it.

The CHAIRMAN. You may proceed and answer the question.

Mr. POMROY. I will justify it for the following reasons: That our experience of many years as governors of the exchange, and the experience of previous governing committees, is that a small amount of stock on the list leads to a condition that is dangerous to ourselves and to our customers, the public; and therefore, in order to obviate that danger, when in our opinion that condition has been reached we remove the stock from the list or suspend it from dealings.

Mr. UNTERMYER. You have not explained in what way it is dangerous; and so dangerous that a man who has bought his stock in good faith, when you have put it on the list for him, is to be deprived of his listing? Where is the danger?

Mr. POMROY. The danger may arise from two causes. A small quantity of stock is more easily subject to manipulation than a large quantity, and by means of manipulation people may be induced to buy stock at very much greater prices than it is worth. The other danger, which of course is the greatest one we fear, is the subject of a corner in the stock, which not only hurts the broker and his customers, but demoralizes the whole country, the Northern Pacific corner being a case in point.

Mr. UNTERMYER. Have you finished?

Mr. POMROY. I have finished; yes.

Mr. UNTERMYER. We will take up this question, because it is an important and serious question.

Mr. POMROY. Absolutely one of the most serious questions that confronts the exchange.

Mr. UNTERMYER. You know I have made complaint of it to the exchange many times?

Mr. POMROY. I only remember once.

Mr. UNTERMYER. In this case, for instance, with 11,000 shares out, assume that they were worth \$500 a share.

Mr. POMROY. You can assume it.

Mr. UNTERMYER. That would be five and one-half millions.

Mr. POMROY. You know that is \$50 par.

Mr. UNTERMYER. Well, assume that they were worth \$2,000,000?

Mr. POMROY. Yes.

Mr. UNTERMYER. That is as much in the total amount as the par value of some securities that are listed on the exchange?

Mr. POMROY. Yes.

Mr. UNTERMYER. So it would be as large as——

Mr. POMROY. We list down to half a million.

Mr. UNTERMYER. But it is as large as many that are listed?

Mr. POMROY. Oh, yes.

Mr. UNTERMYER. The outstanding stock, I mean?

Mr. POMROY. Certainly.

Mr. UNTERMYER. You say that there is danger that there may be a corner in the stock. That means there is danger that some man or men may sell the stock and not have it; men who have not the stock.

Mr. POMROY. That is one of the dangers.

Mr. UNTERMYER. A man may sell the stock and he may not have it?

Mr. POMROY. Yes.

Mr. UNTERMYER. He may not be able to buy it to deliver. Is that his danger?

Mr. POMROY. That is his danger.

Mr. UNTERMYER. That he may sell something he has not got and may not be able to get it?

Mr. POMROY. That is it.

Mr. UNTERMYER. That is a corner?

Mr. POMROY. Yes.

Mr. UNTERMYER. So, in order to protect a speculator or a gambler who sells something that he has not got and may not be able to buy, you think you are justified, do you, in taking from the list the securities of an honest investor who bought his stock when it was listed,

and paid for it, and had nothing to do with your taking it off from the list, and having him wake up one morning and find that it has lost its value?

Mr. POMROY. That was not my statement.

Mr. UNTERMYER. Does that justify it?

Mr. POMROY. My statement is correct as to what justifies it.

Mr. UNTERMYER. You can keep on saying that.

Mr. POMROY. I will; yes.

Mr. UNTERMYER. But the proposition is that the reasoning in regard to what you say about the importance of avoiding a corner is that you want to protect something that the speculator has not got and may not be able to get. Is not that right?

Mr. POMROY. I gave as a reason the danger of a corner, and what the danger of a corner would bring on the country.

Mr. UNTERMYER. We are not talking about the country now; we are talking about how a corner operates. It operates only against a man who sells something that he has not got and is not able to get.

Mr. POMROY. That I deny.

Mr. UNTERMYER. Against whom else does it operate?

Mr. POMROY. It operates against all persons who are interested in securities or otherwise that may be affected by the panic which may ensue.

Mr. UNTERMYER. You mean by the acts of this speculator?

Mr. POMROY. Certainly.

Mr. UNTERMYER. Well, can not the stock exchange prevent that by having a rule to the effect that the man who sells what he has not got shall be penalized by providing that his contract shall not be enforced in the exchange?

Mr. POMROY. I do not see how you could enforce any such thing.

Mr. UNTERMYER. Can not the stock exchange say that a man who sells what he has not got—that he can not hold the broker or the man who buys from him?

Mr. POMROY. He can.

Mr. UNTERMYER. Why do you not do that, and in that way protect the honest investor against having his property injured or destroyed or taken from the list?

Mr. POMROY. I will tell you.

Mr. UNTERMYER. Go ahead and tell me.

Mr. POMROY. Suppose I go into the market and buy a hundred shares of stock. Suppose I go in to buy that much stock. You offer that stock. How am I to know whether you have got it or not? I buy the stock. The next day it turns out to be worth 110 or 115, or whatever it may be. You come to me and say "I did not have that stock when I sold it, and therefore, under the rules of the exchange, I must not deliver it to you."

Mr. UNTERMYER. Why can you not, then, prescribe the same rule that you prescribed in the Northern Pacific case, that the governing committee in such a case shall fix the value that shall be paid for that stock? That is what you did there, did you not?

Mr. POMROY. I do not remember that we did.

Mr. UNTERMYER. Did you not fix it at 150?

Mr. POMROY. That was an agreement between the parties to the transaction. The exchange had no part in it.

Mr. UNTERMYER. Do you not know that all the holders did not agree; that every stock-exchange member had his differences settled that way? Do you not remember?

Mr. POMROY. I do not. I do not remember anything about that.

Mr. UNTERMYER. Well, I think we have argued the question quite enough.

Mr. POMROY. I think so.

Mr. UNTERMYER. You have said all you want to say about it?

Mr. POMROY. I think so.

Mr. UNTERMYER. That is all.

The CHAIRMAN. The presence of the Members is required in Washington for the work of the House. These sessions will accordingly be suspended for the present, and the committee will now adjourn sine die. Its future meetings will take place in Washington. The main line of the inquiry, relating to the concentration of the control of money and the use of our financial and industrial corporations to that end, has not yet been touched upon to any extent. That must await the removal of all questions of the power of the committee by the passing of the pending bill, and must be followed by months of preparation and investigation. The inquiries upon collateral branches relating to the clearing house and stock exchange are also uncompleted. That as to the stock exchange has barely begun. The committee hopes and expects, in the end, with the aid of further power, to secure the data on which to base permanent constructive legislation.

Thereupon, at 5 o'clock p. m., the subcommittee adjourned.

The letters referred to on page 497 are here printed in full, as follows:

EXHIBIT No. 36, JUNE 13, 1912.

MORTON TRUST Co.,  
New York, July 1, 1901.

WILLIAM McCLURE, Esq.,

*Secretary New York Stock Exchange, New York City.*

DEAR SIR: Complying with the request contained in your esteemed favor of even date, we beg to advise you that our trust receipts have been issued for the deposit of 969,743 shares of the common stock of the American Tobacco Co. and 478,735 shares of the common stock of the Continental Tobacco Co. We are holding for completion of proper legal and transfer papers a large number of deposits of the American Tobacco Co.'s stock, for which our receipts will be issued as soon as the papers and revenue stamps are received.

For your further information we beg to advise you that in addition to the above we have been notified by the holders of more than 65,000 shares of the common stock of the American Tobacco Co. of their intentions to deposit their stock under the terms of the exchange offered by the Consolidated Tobacco Co. as soon as they can arrange to send in their stock certificates, the majority of these people being at present absent from the city.

You will note from these figures that practically all of the common stock of the Continental Tobacco Co. has been deposited, and that of the total issue of 1,000,000 shares of the American Tobacco Co.'s stock less than 65,000 shares remain to be deposited.

Very truly, yours,

J. H. FRANCIS, *Secretary.*

EXHIBIT No. 37, JUNE 13, 1912.

MORTON TRUST Co.,  
*New York, July 3, 1901.*WILLIAM McCLURE, Esq.,  
*Secretary New York Stock Exchange, New York City.*

DEAR SIR: We beg to advise you that we have received for deposit under the offer of the Consolidated Tobacco Co. for exchange into its 4 per cent bonds 971,423 shares of the common stock of the American Tobacco Co. and 479,190 shares of the common stock of the Continental Tobacco Co.

In addition to these deposits we have been notified by the holders of more than 70,000 shares of the common stock of the American Tobacco Co. of their intention to deposit their stock certificates for exchange. This leaves less than 50,000 half shares unpledged for deposit out of a total issue of 1,090,000 shares.

We have also been notified by the holders of some 2,000 shares of Continental Tobacco Co.'s common stock of their intention to deposit, leaving practically none of this stock outstanding.

Very truly, yours,

H. M. FRANCIS, *Secretary.*

EXHIBIT No. 38, JUNE 13, 1912.

MORTON TRUST Co.,  
*New York, July 11, 1901.*WILLIAM McCLURE, Esq.,  
*Secretary New York Stock Exchange, New York City.*

DEAR SIR: We beg to advise you that at the close of business this day there have been deposited with us for exchange into 4 per cent gold bonds of the Consolidated Tobacco Co. the following shares: American Tobacco Co.'s common stock, 972,429 shares; Continental Tobacco Co.'s common stock, 479,245 shares.

For your information we beg to further advise you that, in addition to the amount of shares already notified to you as being pledged for deposit, but stock certificates for which have not yet been received by us on account of absence from town of the owners, we have to-day received advice from the holders of 14,000 shares of American Tobacco Co.'s stock of their intention to deposit the same on their return from Canada.

From the list of stockholders furnished us by the transfer agent of the American Tobacco Co. at the request of that company it appears that there is standing in the name of the New York Stock Exchange houses some 12,850 shares of American Tobacco Co.'s common stock, which has not been notified to us for exchange up to this date. The remaining stock stands in the names of individuals residing all over this country and Europe.

Very respectfully, yours,

H. M. FRANCIS, *Secretary.*

EXHIBIT No. 39, JUNE 13, 1912.

MORTON TRUST Co.,  
*New York, July 31, 1901.*WILLIAM McCLURE, Esq.,  
*Secretary New York Stock Exchange.*

DEAR SIR: At the close of business this day we have issued our certificates for the deposit of stocks as follows: American Tobacco Co.'s common stock, 977,169 shares; Continental Tobacco Co.'s common stock, 480,477 shares.

These figures do not include stock already deposited with us and held by us for revenue stamps, power of attorney, proper papers, etc., nor is there included in these figures any account of stock promised for deposit, the holders of which are, on account of absence from town and other reasons, unable to present their stock certificates at this time.

Very truly, yours,

H. M. FRANCIS, *Secretary.*

EXHIBIT No. 40, JUNE 13, 1912.

MORTON TRUST Co.,  
New York, August 12, 1901.

WILLIAM McCLURE, Esq.,  
Secretary New York Stock Exchange, New York City.

DEAR SIR: At the close of business this day we have issued our certificates of deposit for stocks of the American and Continental Tobacco Cos., as follows: American Tobacco Co.'s common stock, 978,819 shares; Continental Tobacco Co.'s common stock, 480,597 shares.

These figures do not include stock already deposited with us and held for irregularities, nor is there included in these figures any account of the stock promised for deposit, the holders of which are, on account of absence from town and other reasons, unable to present their stock certificates at this time.

Very truly, yours,

G. L. WILMERDING, Assistant Secretary.

EXHIBIT No. 41, JUNE 13, 1912.

MORTON TRUST Co.,  
New York, September 16, 1901.

WILLIAM McCLURE, Esq.,  
Secretary New York Stock Exchange,  
New York City.

DEAR SIR: According with your request, we beg to advise you of the following figures of the deposit of common stocks of the tobacco companies, up to the opening of business this morning:

	Total stock issued.	Total deposited.	Total outstanding.
American.....	Shares. 1,090,000	Shares. 991,116	Shares. 98,884
Continental.....	488,446	480,886	7,560

You will note from the above figures that there is outstanding of the American Tobacco Co.'s common stock not deposited with us, 98,884 shares, and of the Continental Tobacco Co.'s common stock, 7,560 shares.

For your information, we beg to advise you that about 70,000 shares of the American Tobacco Co.'s common stock outstanding is pledged for deposit whenever called for, and about 4,500 shares of the Continental Tobacco Co.'s common stock is likewise pledged for deposit whenever called for, leaving practically 28,000 shares of American Tobacco Co.'s common stock, and 3,000 shares of Continental Tobacco Co.'s common stock, which is in the hands of the public unpledged for deposit.

Much of this remaining 28,000 shares of American Tobacco Co.'s common stock and 3,000 shares of Continental Tobacco Co.'s common stock is owned by people still in Europe, and no doubt a large proportion of it will be forthcoming on their return to this country. You will thus see that there is but about \$1,400,000 of American Tobacco Co.'s common stock out of an authorized issue of \$54,500,000 unpledged for deposit, the par value of American Tobacco Co.'s common stock being \$50 per share.

Yours, very truly,

H. M. FRANCIS, Secretary.

## MONEY TRUST INVESTIGATION.

EXHIBIT No. 42, JUNE 13, 1912.

MORTON TRUST Co.,  
*New York, October 16, 1901.*WILLIAM MCCLURE, Esq.,  
*Secretary New York Stock Exchange, New York City.*

DEAR SIR: We beg to state that the total number of shares of common stock of the Continental Tobacco Co. deposited with us amounts to 486,621 shares, and of the American Tobacco Co. 1,005,283 shares.

Very truly, yours,

H. B. BERRY, *Trust Officer.*

EXHIBIT No. 43, JUNE 13, 1912.

MORTON TRUST Co.,  
*New York, November 20, 1901.*WILLIAM MCCLURE, Esq.,  
*Secretary New York Stock Exchange, New York City.*

DEAR SIR: We beg to state that the total number of shares of the common stock of the Continental Tobacco Co. deposited with us amounts to 487,588 shares and of the American Tobacco Co. 1,009,693 shares.

Very truly, yours,

G. L. WILMERDING, *Assistant Secretary.*

EXHIBIT No. 44, JUNE 13, 1912.

MORTON TRUST Co.,  
*New York, January 20, 1902.*COMMITTEE ON STOCK LIST,  
*New York Stock Exchange, New York City.*

GENTLEMEN: We beg to certify that there have been deposited with this company, against which there have been fifty-year 4 per cent gold bonds of the Consolidated Tobacco Co., or our certificates of deposit calling for such bonds, 487,632 shares common stock of the Continental Tobacco Co., 1,056,643 shares common stock of the American Tobacco Co.

In addition to the above there have been pledged for deposit some 22,000 shares common stock of the American Tobacco Co., which stock, we are informed, is in course of transmission to us, the parties holding same being out of town to-day.

Very truly, yours,

G. L. WILMERDING,  
*Assistant Secretary.*

P. S.—This leaves 11,357 shares common stock of the American Tobacco Co. outstanding.