61st Congress, 2d Session } SENATE { Document No. 405

Interviews

on the

Banking and Currency Systems

of

England, Scotland, France, Germany, Switzerland, and Italy

Under the direction of

HON. NELSON W. ALDRICH

Chairman

NATIONAL MONETARY COMMISSION

Washington : Government Printing Office : 1910

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THE BANK OF ENGLAND.

Report of answers to questions addressed to the Governor and Directors of the Bank of England.

Q. When was the Bank of England founded?

A. In July, 1694.

Q. When does your present charter expire?

A. The bank's exclusive privileges of banking continue subject to one year's notice and to repayment by the Government of the debt of £11,015,100 and of all other public debt held by the bank at the time.

Q. What is the par value and present selling price of your shares?

A. The bank's capital is in the form of stock, £100 of which is at present quoted at about £267.

Q. How many stockholders have you?

A. There are at present over 10,000 accounts.

Q. Is the stock fully paid?

A. Yes.

Q. Have your shareholders any liabilities in addition to the ownership of shares?

A. Legal opinion is to the effect that there is no further liability on bank stock.

Q. Is there any limit to the number of shares which may be held by any one person, and is your approval required before a transfer of your stock can be made?

A. There is no limit—the bank's approval is not required.

Q. How often do your shareholders meet?

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A. There are two half-yearly general courts for receiving half-yearly reports and for the declaration of a dividend. There is also an annual general court for the election of governors and directors.

Q. Does every share have a vote at shareholders' meetings?

A. To have a vote a proprietor must hold £500 of stock, but no matter how much additional stock a proprietor may hold he can not have more than one vote.

Q. What control have the shareholders over the management and conduct of the business?

A. The proprietors, i. e., the holders of bank stock, elect the governors and directors and may make what by-laws they please in general court for the conduct of the bank's business, provided that the "by-laws be not repugnant to the laws of this our Kingdom."

Q. Has the Government any voice in the management of the bank or any interest in it through the ownership of shares?

A. The Government has no voice in the management of the bank, nor does it own any stock. The members of a government may of course hold stock in their individual capacity.

Q. Describe the organization and management of the bank, stating the number of officers and directors with their respective functions, and for what periods and by whom are they elected?

A. The supreme control of the affairs of the bank rests with the governor, deputy governor, and court of 24 directors, who are elected annually by the stockholders. It is customary for a governor and deputy governor, at the close of their first year of office, to be reelected to the same positions for a further term of one year,

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and a deputy governor is usually elected to the office of governor immediately on vacating the former position after the completion of a two years' tenure of that appointment. The governor, whilst directing the general policy of the bank and supervising and controlling the whole of its affairs, devotes his attention more especially to the business of the head office, whilst the deputy governor concerns himself more particularly with the business of the branches and with the upkeep and maintenance of the bank's various premises.

The directors, in addition to attending the weekly meetings of the court, serve on various committees appointed by that body.

As regards organization, it will probably suffice to say that the bank is divided into two great departments:

1. That under the chief accountant, who is responsible for the management of the stocks forming the national debt and other registered stocks—home, indian, colonial, etc. He also keeps the bank's own accounts.

2. That under the chief cashier, who has charge of the issue and payment of notes and all banking business, such as drawing accounts, loans, discounts, and all other matters involving dealings in cash.

There are also the secretary's department and the audit department, the titles of which sufficiently indicate the duties respectively performed by them.

Q. Is it customary to reelect directors at the expiration of their terms?

A. It is customary for directors to be reelected.

Q. Is there any custom restricting the class from which the directors may be selected?

A. There is no legal restriction as to the class from which directors may be selected, except that they must be

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"natural-born subjects of England, or naturalized," but in actual practice the selection is confined to those who are, or have been, members of mercantile or financial houses, excluding bankers, brokers, bill discounters, or directors of other banks operating in the United Kingdom.

Q. How frequently do the directors meet?

A. The court of directors meets once a week. Subsidiary committees are held as required.

Q. How many branches have you?

A. There are 11 branches—2 in London and 9 in the provinces.

Q. How are your branches managed?

A. These branches are managed by "agents" and "subagents," corresponding to "managers" and "submanagers" in other banks.

Q. Who names the managers of branches?

A. The agents and subagents are appointed by the court of directors.

Q. Have the managers of the branches full control of the business in granting discounts, etc.; if not, what discretion is usually given them?

A. The agents have full control of the business at their respective branches, subject to regulations and to supervision from head office.

Q. Have you any system of distribution of profits among the managers of branches?

A. No.

Q. Are all your branches of the same class, or have you main and subsidiary branches?

A. All the branches are of the same class.

Q. Is the business conducted at your branches of the same class as at your main office in London?

A. Yes.

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Q. Do your branches have business relations with merchants, farmers, and all classes of people in their respective localities?

A. There are no restrictions of any kind as to the class of people with whom the bank has business relations.

Q. How frequently are you required by law to publish statements of condition?

A. By the act of 1844 statements must be published weekly.

Q. How frequently is it your custom to publish them?

A. Weekly.

Q. Is either your issue or your banking department at any time examined by the Government, or in any way under its supervision?

A. There is no actual inspection or supervision by the Government; but by act of Parliament the bank is required to furnish weekly statements of their position to the chancellor of the exchequer and to the commissioners of stamps and taxes.

Q. What local or general taxes are paid by the bank?

A. The bank is subject to the same local and general taxes as other banks and householders.

Q. Is the Bank of England a member of the London Clearing House?

A. Yes; but "on one side only," as it is termed. The Bank of England presents, through the clearing house, all drafts drawn on clearing bankers paid in to it by its customers; but the clearing bankers do not present, through the clearing house, drafts on the Bank of England paid in to them by their customers. Such drafts are paid direct to the credit of their accounts at the Bank of England.

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Q. In the statement of your issue department you show—

Liabilities.		*Assets.*	
Notes issued	£53, 364, 645	Government debt	£11, 015, 100
		Other securities	7, 434, 900
		Gold coin and bullion	34, 914, 645
	53, 364, 645		53, 364, 645

What is the law governing your note issues, and how are note issues limited and how secured?

A. The law governing the issue of Bank of England notes is 7 and 8 Vict., Cap. 32. Notes are issued against securities to the amount of £18,450,000. Beyond this sum notes may be issued to any amount against gold coin and gold and silver bullion; but at no time must the silver bullion held exceed one-fourth part of the gold coin and bullion at such time held in the issue department. (No silver bullion has been held for many years.) The act of 1844 fixed the amount of the fiduciary issue—i. e., the amount of notes issued against securities—at £14,000,000, but empowered the Government, in the event of any banker then issuing notes ceasing such issue, to authorize the Bank of England, upon making application, to increase the amount of its fiduciary issue to an extent not exceeding two-thirds of the amount of notes which the bank so ceasing may have been authorized to issue.

Q. Will you explain the items "government debts" and "other securities" in the statement and give the reasons for the changes in amount since 1844?

A. The government debt of £11,015,100, which appears as an asset in the issue department, is the balance which

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was outstanding in 1844 of amounts which had been advanced to the Government and which, by the act of that year, the bank is empowered to include in the securities against which notes are issued. The other securities are the securities required to make up the amount of the authorized fiduciary issue, which now stands at £18,450,000. The increase of £4,450,000 since 1844 represents two-thirds of lapsed issues of other banks taken up under the authority explained in answer to earlier question.

Q. To what extent are your notes legal tender in Great Britain?

A. In England and Wales for sums above £5. They are not legal tender in Scotland.

Q. What other banks have the right of issue in England?

A. Twenty-three provincial banks, the survivors of those to whom the right of note issue was preserved by the act of 1844, the total amount of their authorized issue being £1,204,490.

Q. Are the notes of your issuing banks secured; and if so, how?

A. On the general assets of the banks and on the estates of the shareholders, as under the companies act of 1879, there is no limited liability with regard to note issues.

Q. What is the total amount of their outstanding issues?

A. The aggregate of their average circulation for the week ending 8th May, 1909, was £312,886.

Q. Are the notes of other banks legal tender?

A. No.

Q. Is there any discrimination between the notes of other banks and your notes in the public estimation, or do all circulate freely throughout the country?

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A. In some outlying rural portions of the limited districts where the 23 provincial banks do business the local note may perhaps be more frequently seen than the Bank of England note. Outside the particular district of one of these provincial banks the notes of that institution would not pass freely.

Q. Do you pay the Government in the form of taxes, or otherwise, either directly or indirectly, for your privilege of note issue?

A. See answer on page 16.

Q. Do other issuing banks pay for the privilege of note issue?

A. Prior to 1844 the other issuing banks were required to take out a separate annual license in respect of each of the first three towns or places at which notes were issued by them, and one further annual license to cover all additional towns or places at which they issued notes. By the act of 1844 they are required, in addition to the above, to take out a further annual license in respect of every town or place at which the first issue of notes took place at a date later than the 6th May, 1844. The stamp duty on each annual license is £30.

Q. Have you acquired the right of issue from any other bank, and upon what terms?

A. Since the passing of the act of 1844 the Bank of England has acquired and exercised the right to issue notes against securities to an additional amount of £4,450,000 (see answer on p. 10).

Q. To what do you attribute the weekly and seasonal fluctuations in the amount of outstanding notes, and are these fluctuations constant from year to year?

A. The active circulation, or total of notes held by the

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public, generally reaches its maximum and minimum at the following times:

	Maximum.	Minimum.
1. Weekly	Monday or Friday	Saturday.
2. Quarterly	Beginning and end of quarter (in third quarter at beginning of August in addition).	Middle of quarter.
3. Yearly	Beginning of August	Middle of February.

These variations may be explained thus:

1. Weekly.—There has been a steady reduction of late years in the volume of business conducted in London on Saturdays, and the amount of the notes withdrawn from the bank on that day is now as a general rule very much less than on the other days of the week. The balance outstanding at the close of the day generally shows, therefore, a material shrinkage.

On Mondays notes are withdrawn in larger quantities than usual in order to replenish tills after the reduction in the amounts held on the previous Saturday, whilst on Fridays also the withdrawals are above the average to meet the demands occasioned by weekly payments, such as wages, etc.

2. Quarterly.—The increased total at the close of each quarter is occasioned by withdrawals to meet payments due on the four quarter days, Lady Day, Midsummer, Michaelmas, and Christmas.

3. Yearly.—The large total at the beginning of August—of late years generally the maximum for the year—is due to withdrawals for holiday and harvest purposes, whilst the low figures which usually occur in the middle of February may be attributed to the absence of any holiday demand, and to the fact that reaction after

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Christmas, coupled with the comparative absence of visitors to London, causes the retail trade to be less active than in the second and fourth quarters.

Q. Are you willing to inform us as to the expense of note issue and the profits derived therefrom?

A. The bank is not prepared to furnish the detailed information asked for. The following facts bearing on the matter may be ascertained, however, from acts of Parliament and from the Annual Report on the Finance Accounts of the United Kingdom presented to Parliament. The bank is required to pay annually to the Government the following sums, viz:

1. £60,000 in consideration of the exemption of its notes from stamp duty and from the profits of issue;

2. £120,000 provided for in acts 3 and 4, William IV, c. 98, in consideration of the exclusive right of note issue in London and the country 65 miles round which was specifically secured to the bank by that act; and

3. A further sum equal to the net profit in respect of all notes in excess of £14,000,000 which are issued against securities under rights acquired since the passing of the act of 1844.

The total sum paid to the Government under heads 2 and 3 in 1906–7, the most recent year for which the finance accounts report has been published, was £186,593.

Q. Under what conditions or terms has your capital been increased from time to time?

A. The original proprietors' capital in 1694 was £1,200,000 and has been increased at various times between 1694 and 1816, bringing the total up to £14,553,000, at which figure it still remains. The increases in capital have mostly been for the purpose of advancing moneys to the Government. In 1816, when the last increase in the

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bank's capital took place, the government debt due to the bank was £14,686,800. In 1834 the Government paid off a fourth of the outstanding debt by the issue of a certain sum of reduced 3 per cent annuities to the bank, bringing the outstanding debt of the Government down to the figure at which it at present stands.

Q. Have the obligations of the bank to the public or to the Government been changed from time to time?

A. No, not in any important particular.

Q. Are you required by law to invest your capital, or any part of it, in any particular securities? If so, in what class and to what amount?

A. No.

Q. Does the law require that before full distribution of profits you shall accumulate and maintain a certain amount of rest (surplus), and are you required to invest this in any particular way?

A. No.

Q. Referring to the weekly statement of your banking department, dated August 12, 1908, you show public deposits, £5,145,638. Will you explain the character of these deposits, stating in general from what departments they are received?

A. The term "public deposits" denotes balances held on accounts controlled by the various departments of the British Government, such as—

The exchequer, the commissioners for the reduction of the national debt, the customs and inland revenue, the paymaster-general, the post-office, the supreme court of judicature, etc.

Q. Does the Government have accounts with other banks?

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A. Subsidiary accounts are opened with other banks on behalf of collectors of customs and excise, military and naval district paymasters, local postmasters, prison authorities, and officials of that character in localities where there is no branch of the Bank of England within convenient proximity.

Q. Do you allow interest upon these deposits?

A. No.

Q. Are you required to furnish security for them?

A. No.

Q. Approximately to what extent do the public deposits fluctuate from time to time during the year, and can the extent of these fluctuations be predicted?

A. The difference between the maximum and minimum totals in recent years has amounted to sums varying between £10,000,000 and £15,000,000. These fluctuations can to some extent be predicted.

Q. You show "Other deposits, £45,546,992." Will you tell us in a general way from whom these deposits are received? Do they include deposits received from banks, merchants, and individuals?

A. Yes.

Q. Do you allow interest upon any of these deposits?

A. No.

Q. Are they subject to considerable fluctuations, and are these fluctuations regularly recurrent?

A. Regarded as a whole they are subject to considerable fluctuations; under certain heads fluctuations occur more or less regularly, while in others little variation takes place.

Q. Are all of these deposits payable on demand?

A. Yes.

Q. Do you at any time allow interest on special deposits?

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A. It is not the practice of the bank to allow interest on any deposit.

Q. Will you describe the item "Seven-day and other bills?"

A. These are commonly known as "bank post bills," a form of draft issued by the bank and drawn upon itself at 7 and 60 days' sight in exchange for cash. These bills were at one time much used for making remittances by post, more especially to the Continent, where they pass readily much in the same way as Bank of England notes. Of recent years the demand has greatly decreased and the total of the bills issued becomes smaller year by year.

Q. In the statement of assets what constitutes the item "Government securities, £15,532,293?"

A. All securities of the British Government, or bearing the guaranty of the British Government, held by the bank as investments and all temporary advances made to the British Government.

Q. Is it your custom to carry in your banking department about this amount in government securities?

A. While a considerable amount is always invested in government securities, there is no rule or fixed ratio.

Q. What proportion of the item, "Other securities, £27,737,982," represents bills discounted, and what proportion represents loans on collateral?

A. The details of this total are not made public.

Q. What, if any, other securities except these are included in the item?

A. All securities held as investments other than those described as "government securities."

Q. Can you state approximately the average length of time and the average size of bills discounted by you?

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A. Time, forty to fifty days; size, probably about £1,000.

Q. Is the character of your discounts or loans regulated or restricted by law or fixed by the statutes of the bank?

A. Regulated by the court of directors from time to time.

Q. Will you state (*a*) the class of bills usually discounted by you, giving the number of names required; (*b*) the minimum size; and (*c*) the maximum length of time to run?

A. (*a*) Two British names, of which one must be the acceptor; (*b*) no minimum; (*c*) four months, exceptionally six.

Q. What classes of collateral are accepted by you for loans?

A. The various classes of marketable securities quoted on the London Stock Exchange, with the exception of mining shares, are accepted; also, with discretion, good securities, not so quoted, when their value can be ascertained.

Q. Will you state approximately the average length of time and the average size of loans on collateral?

A. Such loans are granted for periods varying from seven days to three months, subject to possible renewal, and vary in amount from £100 to hundreds of thousands of pounds.

Q. What is the distinction between what are known as "prime bills" and other bills?

A. A "prime" bill we should define as a bill accepted by a London or provincial bank in first-class credit or a merchant or merchant banker of the first class whose business it is to grant credits.

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Q. Do you discount any but prime bills?

A. Yes.

Q. What is the usual difference in the rate charged by you upon a prime bill and for a high-class loan secured by collateral having the same period to run?

A. It is impossible to give a precise answer to this question.

Q. What is the difference between a trade bill and a finance bill—is the rate the same on each?

A. A trade bill is a bill made to liquidate an actual commercial transaction. The rate for such a bill would be entirely governed by the credit of the names upon it and would range from the lowest market rate of the day up to bank rate or even over. There are many classes of bills which may be called finance, e. g., (*a*) representing exchange transactions; (*b*) made to carry stocks of goods or securities; (*c*) made in anticipation of public loans; (*d*) accommodation bills, pure and simple.

(*a*), (*b*), and (*c*) are bills which, if accepted by a first-class bank or merchant house, would usually command the fine market rate for prime bills to a customer of the bank. Bills to which the term "finance" is usually applied are, however, those under (*d*).

Q. Do you discount to any considerable amount for individuals and merchants?

A. The bank discounts all approved bills offered to it by persons or firms having properly constituted accounts.

Q. Is it your custom to employ surplus funds in purchase of bills from discount houses?

A. No.

Q. Do you rediscount bills for the joint stock or other banks?

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A. The bank is always prepared to rediscount for other banks at its official rate, and does a large business from time to time with the colonial and foreign exchange banks who are from the nature of their business always sellers of bills. The London Clearing and West End banks who are ordinarily buyers of bills and not sellers do practically no discount business with the bank.

Q. What changes have taken place from time to time in the character of the bills you accept for discount from discount houses and what was the purpose and effect of the changes?

A. The *currency* of bills accepted for discount is from time to time regulated by resolutions of the court of directors, and varies constantly (within the limits so laid down) at the discretion of the governor, who is guided by the existing condition of the market. As regards the class of bills accepted no particular change has taken place of late years.

Q. Is the rate for discount at your branches for customers' paper and for prime bills the same as at the central office?

A. The rates current in London are telegraphed each morning to the branches for their guidance.

Q. What are the rules governing purchase by you of foreign bills?

A. The bank does not buy foreign bills.

Q. Will you explain the difference between a foreign and a domiciled bill?

A. A foreign bill is a bill accepted payable abroad. A domiciled bill is a bill drawn on a foreigner residing abroad but accepted by him payable in London.

Q. Is it your custom to discount any bills payable in foreign countries?

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A. No.

Q. Do you sometimes purchase "prime bills" in the market at a lower rate than bank rate?

A. The bank does not purchase bills in the market.

Q. Would you charge a merchant house having a good account with you the bank rate or the market rate for prime bills?

A. The market rate.

Q. To what extent does bank rate govern your discount and loan transactions?

A. The rates for discount and loan transactions at the bank usually approximate more or less closely to the bank rate.

Q. Is the amount of accommodation extended by you to discount houses or others predicated upon the amount and character of balances carried with you or governed by the necessities of the general situation?

A. As regards discount houses and money dealers, by the necessities of the general situation, modified to some extent by the credit of the individual borrower. As regards others, the credit of the borrower would chiefly govern the amount of accommodation given, while the character of his account would affect the rate charged.

Q. Do you at times discount bills for parties having no account with you?

A. No.

Q. Are a considerable number of your loans on call?

A. None.

Q. Do you allow overdrafts, or do you make any advances of the kind made by the Scotch banks, called "cash credits?"

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A. Except in special circumstances overdrafts are not allowed by the bank. The bank does not make advances of the kind termed "cash credits" in Scotland.

Q. In view of the fact that you receive accounts from corporations, merchants, and individuals, and discount for them, are you not in a measure a competitor for business with the joint-stock banks?

A. In a sense; yes.

Q. Is the bank, through its branches, employed by other banks to any considerable extent for the transfer of funds from one city to another?

A. Large sums are constantly transferred both by means of letter and telegram between London and the larger branches on account of the other banks, but not to any considerable extent between one branch and another.

Q. What specific services are rendered by the bank to the Government in connection with the management of the public debt, and as a depositary of public funds?

A. The bank performs the following specific services in connection with the management of the various stocks, bond issues, etc., forming the national debt:

1. The entire conduct of all operations incidental to any issue of stock;

2. The keeping of the stock ledgers and transfer books relating to inscribed stock;

3. The issue of stock certificates to bearer;

4. The preparation and payment of dividends on stock and the payment of stock certificate coupons;

5. The issue and payment of treasury bills and exchequer bonds; and as depositary of the public funds it keeps the banking accounts of all the various government departments, receiving money, paying drafts and

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holding securities, as in the case of ordinary banking accounts. It facilitates the transmission of reveuue moneys from the provinces, and acts as the medium for the issue of gold and silver coin and for the withdrawal of light coin from circulation. It also grants temporary advances to the Government in accordance with regulations sanctioned by Parliament.

Q. Does the bank receive any compensation for such services?

A. The bank is remunerated for its services to the Government under an arrangement extending over a term of years. From time to time this arrangement is carefully considered in all its bearings by both parties, and fresh conditions are settled as circumstances may demand.

Q. You show in your statement, "Notes, £23,838,855; gold and silver coin, £1,636,258," being 50 per cent of your deposit liabilities. Is there any general rule of the bank with reference to the percentages of cash reserve held in the banking department against deposit liabilities?

A. No.

Q. Do the banks in England, Scotland, and Ireland have balances with you, and are these balances regarded as a very important part of their cash reserves?

A. All the large London banks, most of the Scotch and some of the Irish banks have accounts with the Bank of England. Provincial English banks and branches of London banks in towns where the Bank of England have branches have local accounts with the bank. As to the balances maintained on these accounts, the question of their importance in relation to their cash reserves is rather one for the banks themselves to answer.

Q. Can you estimate the percentage of cash (coin and notes), the deposit liabilities in all the banks in Eng-

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land, including the banking department of the Bank of England?

A. No; because only in a few cases are coin and notes recorded as a separate item in balance sheets.

Q. How and by whom is the bank rate fixed?

A. The bank rate is fixed at the weekly meeting of the court of directors, but the governor has power to raise the rate at any intermediate time, should circumstances in his opinion render such a course necessary.

Q. When and under what conditions is the bank rate changed?

A. The bank rate is raised with the object either of preventing gold from leaving the country, or of attracting gold to the country, and lowered when it is completely out of touch with the market rate and circumstances do not render it necessary to induce the import of gold.

Q. Is any notice given in advance of an intended change?

A. No.

Q. Do you regard prompt and adequate increase in the bank rate as the most effective measure to protect the bank's reserves?

A. Yes.

Q. Does the raising of the bank rate ever fail to attract gold and change the course of exchanges?

A. Experience seems to prove that the raising of the bank rate to a sufficient level never fails to attract gold, provided the higher rate is kept effective.

Q. How do you account for the fact that at times a higher bank rate in England fails to attract gold from the Continent when lower rates prevail there?

A. Because there is no gold market on the Continent so free as the London market and the continental mar-

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kets frequently do not release gold for export until the rate in London has reached a figure which threatens disturbance to their own financial position.

Q. Is the raising of the bank rate more effective in controlling gold movements now than at the time of the last suspension of the bank act in 1866?

A. Yes.

Q. To what do you attribute this increased efficiency?

A. To the increased and more rapid means of intercommunication between financial centers.

Q. What effect did raising the rate in the period from October, 1907, to January, 1908, have upon the bank's gold supply?

A. On the 15th August, 1907, the bank rate was raised to 4½ per cent and so continued till the 31st October, when it was further raised to 5½ per cent. On the latter date the total bullion held by the bank was £31,700^{m} and the proportion of reserve to deposits 39.9 per cent. On the 4th November, owing to further withdrawals of gold, the governor, acting on his powers, raised the rate to 6 per cent. On the 7th November the court of directors raised the rate to 7 per cent, the total bullion being £28,700^{m} and the proportion 35.2 per cent. Thenceforward the inflow of gold was greater than the outflow, thus demonstrating the power of an effective increase of rate. On the 11th December the total bullion was £34,100^{m} and the proportion 47 per cent. At the end of January, by which time the rate had been gradually reduced to 4 per cent, the total bullion was £38,500^{m} and the proportion 56.6 per cent.

Q. From how many countries did the bank receive gold as a result of the increase at that time?

A. Twenty-four, including British colonies.

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Q. If the maximum rate of 7 per cent fixed by the bank had not been sufficient to attract gold, would the rate have been further increased?

A. Yes.

Q. Do you take other steps in addition to raising the bank rate to protect gold in times of a crisis?

A. Yes.

Q. Is it customary at such times to advance money without interest to importers of gold to cover the time required in transportation?

A. At such times facilities for bringing gold have been given in the shape of free advances during transit, adequate security having been lodged.

Q. Is it the practice of the bank in times of stress to discount bills of a satisfactory character for its customers freely?

A. At such times the bank is always ready to discount bills of a satisfactory character for its customers or for the market.

Q. Is it the policy of the bank to discriminate against finance bills in times of financial crises?

A. The bank always discriminates against "accommodation" bills pure and simple, but in times of financial crises each case would be considered on its merits.

Q. Does the understood policy of the Bank of England to advance bank rates rapidly and at the same time to extend liberal credit in times of serious financial trouble meet with general approval in business and banking circles?

A. This is a question more for the general public to answer, but it is believed that on the whole the action of the bank during the autumn of 1907 met with general approval.

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Q. Does the bank sometimes borrow money in the open market for the purpose of raising the market rate?

A. Yes.

Q. Do you sometimes sell consols for the same purpose?

A. Yes; on rare occasions.

Q. What are the provisions of law with reference to the purchase of gold by the bank?

A. Under the act of 1844 all persons are entitled to demand notes in exchange for bar gold at the rate of £3 17s. 9d. per ounce standard, subject to such gold being melted and assayed at the expense of the seller by persons approved by the bank.

Q. What is the usual price paid by the bank for gold purchased?

A. (See answer to previous question.)

Does the bank under some conditions advance its rate for gold purchases?

A. Yes.

Q. Under what circumstances and to what extent does the bank charge a premium for gold bullion or foreign coin?

A. When there is a demand for either gold bullion or foreign coin for export to another country the bank follows the same rule as the seller of any ordinary commodity.

Q. Is the gold purchased by the bank sent to the mint or deposited in the issue department and notes issued against it?

A. In the first instance such gold is held in the issue department; later it may be sent to the mint as required for purposes of coinage, or sold. Until sold notes can be issued against it.

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Q. Is London the only free market for gold in Europe?

A. In practice; yes.

Q. Do the joint stock and other banks rely upon the reserves of the banking department of the Bank of England as their ultimate resource in case of trouble.

A. Yes.

Q. Do you favor an increase in the fiduciary note circulation?

A. No.

Q. Do you favor the issue of £1 notes?

A. No.

Q. If not, what is the reason for your objection?

A. Our objection is based principally on the opinion that if there were £1 notes in circulation they would take the place of gold in the pockets of the people and thus tend indirectly to drive gold from the country.

Q. Does the proposition for a secondary gold reserve meet with approval?

A. The question of a secondary gold reserve is one upon which no definite agreement has so far been reached.

Q. Is it desirable that bank reserves generally should be strengthened?

A. Probably.

Q. Has the experience of the United Kingdom with reference to note issues under the legislation of 1844 and 1845 been satisfactory?

A. Yes; we think it may truly be said that the system has been highly satisfactory.

Q. With respect to the monopoly of notes issue, are any modifications or amendments to the bank act suggested; and if so, what is the nature of the proposals?

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A. We are not aware that any modifications or amendments have been seriously proposed.

Q. Is there any substantial demand for what we in America call "greater elasticity" in volume of currency (notes and coin) to answer business demands?

A. No.

Q. Is there any inclination to adopt the German system of taxed issues for emergencies or some modification of it?

A. The German system has been suggested, but we are not aware that there is any inclination to introduce it into this country.

Q. Is there any tendency to return to the system of note issue in existence prior to 1844?

A. No.

Q. Is there any contention in banking or economic circles that it is necessary to restore or extend the right of issue to banks other than the Bank of England, to enable them to increase their own profits or to afford adequate facilities to borrowers or to meet legitimate business demands?

A. Not that we are aware of.

Q. Has the rapidly increasing use of checks, bills of exchange, and other instruments of credit and clearing house facilities, rendered the enlarged employment of bank notes unnecessary?

A. Yes. Whereas during the last twenty years the total amount of the effects passed through the London clearing house in one year has increased from £6,942,172,000 to £12,120,362,000, or about 75 per cent, the annual average of Bank of England notes in circulation, inclusive of £2,250,000 additional notes issued

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against securities in lieu of lapsed issues of other banks, has only increased during the same period from £24,283,000 to £28,870,000, or about 19 per cent.

Q. What, if any, artificial means are taken by you to secure changes in the volume of currency (notes and coin) to make it responsive to business demands?

A. The volume of notes and coin in circulation adapts itself automatically to the public need. No artificial steps are required.

Q. What effect has a marked increase in the commercial and industrial activities of Great Britain on the volume of note issues?

A. Owing to the very extended use of cheques, any increase in the issue of notes at such times is comparatively trifling.

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BANK OF ENGLAND.

An account pursuant to the Act 7 and 8 Vict. cap. 32, for the week ending on Wednesday, the 12th day of August, 1908.

ISSUE DEPARTMENT.

Notes issued	£53,364,645	$259,699,045	Government debt	£11,015,100	$53,604,984
			Other securities	7,434,900	36,181,941
			Gold coin and bullion	34,914,645	169,912,120
	53,364,645	259,699,045		53,364,645	259,699,045

BANKING DEPARTMENT.

Proprietors' capital	£14,553,000	$70,822,175	Government securities	£15,532,293	$75,587,904
Rest	3,466,251	16,868,510	Other securities	27,737,982	134,986,889
Public deposits (including exchequer, savings banks, commissioners of national debt, and dividend accounts)	5,145,638	25,041,247	Notes	23,838,855	116,011,788
			Gold and silver coin	1,636,258	7,962,850
Other deposits	45,546,992	221,654,437			
Seven-day and other bills	33,507	163,062			
	68,745,388	334,549,431		68,745,388	334,549,431

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THE UNION OF LONDON & SMITH'S BANK LIMITED.

Interview with Sir Felix Schuster, Bart. (Governor).

Q. Your bank is organized under the General Companies Acts as are all joint stock banks in England?

A. Yes.

Q. You are not under government supervision or examination?

A. No.

Q. This bank was organized by the union of two institutions, was it not, or was that a later development?

A. That was a later development. The bank was started in 1839, as an unlimited company, but registered in 1882 under the act of 1881 as a limited company, as most of the unlimited banks were at that time. There had been a great outcry after the failure of the City of Glasgow Bank, which was an unlimited concern, and there was a great feeling in the country against the unlimited liability. The result was that many responsible holders of shares, however good the concern might be, showed a desire to sell out, and there was a fear that only those people would remain shareholders whose liability would not count. The feeling all over the country was so strong that an act was passed in 1880 enabling those unlimited companies to register themselves as limited companies with a very large uncalled liability, and we and all the other London clearing banks registered as limited

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companies at that time, and no joint stock banks in the country were unlimited. We remained a purely London institution until 1902; we then enlarged our operations by establishing some branches throughout the country in various towns, and that we achieved by buying several banks in the country.

Q. The authorized par of your stock is £100, and £15 10s. have been paid on each?

A. Yes. The subscribed amount of each share is £100. Every holder of a share having paid £15 10s. is liable for another £84 10s., but of that £84 10s., £50 could only be called up in case of liquidation. It is a reserve liability. We have no power now to call up more than £34 10s. for the development of the business; the other £50 reserve liability would be for the creditors in case of a liquidation.

Q. Are your shares held by individuals and corporations?

A. By individuals, not by corporations. There are upwards of 8,600 different shareholders.

Q. In the transfer of shares, do you require the name of the transferee to be submitted and approved before the transfer is made?

A. Yes.

Q. That of course is in order to insure the responsibility of your stockholder?

A. That is in order to insure the responsibility of our stockholder, and it goes a little further than that. I will explain that later on. Although we have the power to withhold our consent to a transfer, we use it very sparingly. It would be rather hard on the man who wants to sell his stock to a responsible party to have consent willfully withheld. As a matter of fact, the cases do not frequently occur,

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but where we should certainly exercise that power would be in a case where we saw an attempt on the part of one holder to secure too large a holding. At one time we had a sort of self-denying ordinance even amongst the directors that no director should hold more than a specified number of shares. If we saw any attempt outside on the part of anyone to get too large an interest, we should use our power and refuse to put more stock in his name. We also provide against that danger by giving no single proprietor more than 20 votes, however large his holding may be. Every 10 shares carry 1 vote, so the holder of 200 shares has a maximum number of votes.

Q. Is that the usual custom with the joint stock banks of England?

A. I am afraid I can not answer offhand. I suppose it is so in some cases, but the practice varies. It is certainly so in this bank, and I think it is a very good and useful rule.

Q. It is customary in England we find to distinguish between current accounts and deposit accounts. Will you describe the distinction you make?

A. I am rather surprised you should say you find it customary, because I believe we are the only bank who make that distinction in their published balance sheets.

Q. That is true as regards the published balance sheets, but a distinction exists between current accounts and deposit accounts, although not stated separately.

A. Yes.

Q. Allow me to say here that your statement is one of the most satisfactory in form of any we have seen.

A. We have always tried to make it so, and we always think it is good policy to give our own shareholders and the public as much information about the state of affairs

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as is compatible with the proper conduct of business. You know what we mean by the ordinary drawing accounts of our customers. When customers have balances they have the power to draw against them; these are ordinary business accounts; deposit accounts are accounts which represent moneys which we receive from the public at large whether they are customers or not, and those moneys are always at notice—seven, fourteen, thirty days, or whatever the notice may be. They do not represent a liability which is immediate, whereas current accounts represent moneys which can be drawn upon on demand. Deposit accounts are subject to notice.

Q. Your acceptances and guarantees are your acceptances of bills drawn by your customers who have arranged with you for a credit?

A. Yes. To a very large extent they represent shipments of produce under credits against shipments from one country to another, but they are all of them covered by security. Although that is not provided for in our deed of settlement or in our articles, yet that is a rule which we lay down and which I think is a salutary rule in deposit banks. We do not give what are called open credits, and every acceptance is covered by a deposit of security.

Q. It may be in the form of bonds or shares or warehouse receipts?

A. Yes; but mostly it is in the form of bonds or shares—readily negotiable securities.

Q. And almost without exception those bills are drawn by customers outside of London?

A. Yes. They may be drawn on behalf of customers in London, but they would not be drawn in London; they would be drawn outside. That is a case which occurs

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frequently. A customer in London wishes to open a credit in China or India, and he gets his correspondent to draw on us; he deposits his own security here; he gets the goods consigned to him and we provide the acceptance.

Q. Are such bills usually drawn at not to exceed ninety days?

A. That depends entirely on the usage of the country where they are drawn. For instance, from the United States they used to be sixty days mostly, but as you know perfectly well there has been rather a habit latterly to alter the tenor to ninety days. In some countries they go to three or four months, and in the Far East to six months, but Far Eastern bills are getting shorter. The longer period was applied for sailing vessels, but these are going out of use, and the bills have got shorter. There is nothing beyond six months.

Q. What is the customary charge for acceptance of a ninety-day bill?

A. Generally speaking, you would say that one-fourth per cent was the minimum. Of course when it is for shipments of produce the commission would be higher where we have to watch for margins and so on; one-fourth per cent is the minimum.

Q. Your acceptance constitutes what is known in London as a prime bill?

A. Yes, and not only in London, but I think everywhere throughout the world, and not only because of the security the acceptance itself affords, but also, I think, because it is known that no one would draw on the Union Bank who has not security deposited with us. That practice being known, it is practically certain that every bill drawn on the bank will be accepted; at least, it is a fair assumption.

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Q. Is there discrimination in easy times between a merchandise or trade bill and a finance bill?

A. Oh, yes. When you are dealing with bank bills, such as our acceptances or those of other first-class banks in London, there would be no discrimination, but when you come to financial houses there is a discrimination, and the ordinary genuine trade bill is very much preferred, and it would not be safe for any firm, however strong, to disregard that feeling, and people for their own protection would not care to accept a purely finance bill. We try to discriminate in the business. We do an accepting business, but when we think the bill is drawn purely for finance reasons, such as stock exchange speculation, we do not care for the business; we decline. Our acceptances are only £4,000,000. If we chose to go in for accepting finance bills, that might be five times the amount very easily.

Q. Is there any other bank in London which shows in its reports the item of cash in hand separately as you do in yours?

A. I do not think so.

Q. You are a strong advocate of that practice, are you not?

A. Yes.

Q. Have you an idea of the amount of cash, gold and silver, in the banks of England, and the percentage of this amount to the deposit liabilities of all the banks, including the Bank of England?

A. No. It is a figure you can not arrive at, because it is not published. Silver we can eliminate. It is used only as token money and legal reserve up to £2. I believe the Mint made a census this last June of the amount of gold held by the banks in England who have

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been asked to supply the figures and have done so voluntarily, and I believe that amount, exclusive of the Bank of England, is £35,000,000, but I have not seen any official statement to that effect. It has not been published.

Q. Some of the economists have estimated that the total gold reserve to deposit liabilities of all banks is about 6 per cent?

A. I should say that was about a correct figure. It is a sort of figure one has in one's mind, but it is very difficult to really tell what the liabilities of the banks are, because there is a great deal of duplication in enumerating. The total liabilities of the joint stock banks in England and Wales would be about £700,000,000, those of the United Kingdom about £900,000,000, but Scottish and Irish banks are subject to special conditions.

Q. You refer to the total deposit liabilities?

A. Yes; the deposit liabilities, but then several amounts are counted twice over. Say we have a balance belonging to a country bank of half a million; that half a million would appear in our liabilities, and that liability would also be represented in the figures of the country bank which keeps the account with us. Again, that might represent the liabilities of a third bank. Therefore in reckoning the total liabilities at £700,000,000 you have to make very large allowances. I think when you come to analyze the actual amounts due to the public you will find they are very much smaller through this duplication. Then your proportion of reserve would be larger naturally. It is moreover very difficult to estimate the amount of actual cash, because many banks in their statements do not distinguish between cash and money at call and give the two together in one item.

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Q. Does your money at call and short notice represent loans to stock exchange houses on collateral?

A. Not very largely. It includes that, but it is not by any means the larger proportion; in fact, it is only comparatively a small proportion of this. It is mostly against bills of exchange which mature from day to day. We lend to the discount market here against bills as collateral.

Q. It is considered by you a secondary reserve?

A. Yes.

Q. You show investments of approximately £5,000,000 in government securities of different character; that is a little more than your capital and surplus; is that a normal figure? Do you endeavor to have your capital and surplus invested in government securities?

A. I do not think the figure has been arrived at as representing capital and reserve; I think it is rather as representing a certain proportion of our liabilities. You will find, roughly speaking, that all these items represent certain proportions of liabilities. You appreciate it is impossible to keep to exact figures; that is to say, as between cash in hand and money at call we generally take about 35 per cent, the two together. That is a figure we hardly ever get away from, or if it gets lower than that we try to make it up. Probably these figures [handing document] represent a larger proportion. It goes up to 40 per cent of our liabilities between these two items. You have heard of window dressing probably and all that sort of thing. Personally I do not mind so much whether the money is in actual cash on a given day, provided we have control of it. Of course, I must have a certain proportion in actual cash, but if money is in demand overnight against good security I do not mind reducing the cash for a few days

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for certain purposes, but that 35 to 36 per cent we always keep.

Q. That is as to current or both current and deposit accounts?

A. Both current and deposit accounts. The current account proportion would be very much larger. Next to that in the items of reserve I should place the bills which mature, bills discounted. Investments represent probably about 16 or 17 per cent of our liabilities. It is sometimes felt that investments are perhaps not so readily available, but it is useful to have a certain proportion in these investments which is practically outside the run of your ordinary business—something quite away from your ordinary business.

Q. It is your practice to employ your surplus funds in the purchase of prime bills through bill brokers?

A. Yes.

Q. Is that the general practice in London?

A. Yes.

Q. Is the bill broker an important factor in financing?

A. A very important factor, almost too important in many ways, because the liability of the bill broker is one which only can be met in ordinary times, and in troubled times he is at the mercy of the banks and of circumstances.

Q. The item of bills discounted, £4,700,000, are those bills purchased or from customers?

A. They would be both.

Q. Do your loans and advances represent your business with dealers?

A. Loans and advances are the advances to trading firms.

Q. Are those advances all secured?

A. Yes.

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Q. Is it the general practice in London to make advances to very responsible people on a single name?

A. Not in London.

Q. Quite unusual?

A. Quite unusual. The London bankers' practice is only to make an advance against collateral, but in some of the country towns certain banks do give overdrafts upon credits, particularly in Manchester, but local practices vary very much indeed. I think the practice tends very much more to assimilate between country and London. It has become much more the practice in the country to ask and to get security against advances. There are several reasons for that. In the first place, the amalgamation of the provincial banks with the great London banks, which has taken place, as you know, in the last fifteen or twenty years. The London banks take the place of the purely private banker, the man who dealt with his own money and lent a great deal on personal security and nothing else. The joint stock institution has come in with more rigid rules; and they try to get security where they can, and they get it in most cases. I will not say that the general banking practice all over the Kingdom is to make no advance without security, and I could not say even in our own case there may not be some instances where there is no collateral, but they are an infinitesimally small proportion. The general practice is to get security. The second reason why that practice has grown so much is the conversion of private trading firms into joint stock companies, unlimited partnerships being turned into limited liability companies often with debentures out, and the position of the banker or any other creditor becomes quite different. He is entitled to ask for security where in former cases there might have been no necessity.

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Q. Is it customary for you to receive as collateral for loans to stock exchange houses any securities which are listed on the exchange?

A. No. We certainly discriminate against securities and reject them if they are not to our liking and we draw a great distinction. We do not look so much perhaps to the intrinsic value of the security as to the negotiability of it. We must have a security which has a ready market. With stock exchange firms the usual rule is to have a margin of 15 to 20 per cent.

Q. If a broker offered you a loan secured by Union Pacific shares, Pennsylvania Railroad shares, United States Steel common, Amalgamated Copper, a fair proportion of each, would it, generally speaking, be of satisfactory character?

A. It depends on the standing of the broker, but those securities I for one with a good margin should not object to at all. I should look upon that, dealing with respectable people, as a well-secured loan, because I know if there was no market for them here I could sell them somewhere else, and I always prefer a security which has two markets or three markets to one that has only one.

Q. Do you pay interest on both current accounts and deposit accounts?

A. Not on current accounts. Again you have a distinction between the practice in the country here and in London. In London we pay no interest on current accounts at all. In the country it is the practice to pay a certain rate of interest on current accounts, but then you get a commission on the turnover, whereas in London you make your profit out of the balance.

Q. How does the bank rate affect the rate allowed by you on deposit?

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A. The rate on deposit is strictly regulated by the bank rate. In fact, there is an understanding between the banks as to that rate of deposit. Every time the bank rate is changed the bankers meet and fix the deposit rate.

Q. Is it usually 1½ per cent under the bank rate?

A. It is usually 1½ per cent under the bank rate. But there is always a special meeting to fix that rate.

Q. In London there is usually a difference between the rates charged on loans and bills in favor of bills, is there not?

A. Yes.

Q. Would you say that that difference is perhaps from one-half to 1 per cent in favor of the bill?

A. It depends so very much on the circumstances of the moment that it is very difficult to generalize. At the present moment I would say a three months' bill is worth 1⅞, and a three months' loan would be worth perhaps 3½.

Q. You have several branches, have you not?

A. I think there are 150, roughly.

Q. In your statement I notice that several firms are incorporated with you. Does that mean that they are now branches of the Union of London & Smith's?

A. Yes. The naming of these old firms in our statements is intended to show the continuity of the business, that although the bank itself was only established in 1839 these firms whose business is carried on date much farther back. There is one of them I believe established in 1688, and so on—very old businesses—and there is a certain personal element represented by the names of those firms. They are branches and are entirely under the control of the board here.

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Q. Were most of your branches organized by you or were most of them other institutions purchased by you?

A. Some of them were other institutions; some of them were organized by us; most of them were those old banking firms which were carried on as private businesses and have since become branches of our bank. Of course, the organization is that of the bank. For instance, we have 80,000 clients in the bank—90,000 probably—but I can ring this telephone now and send up to my country branch manager, "How is so and so's account in Bristol?" or in Nottingham, and he will tell me how that account stood and what the security was at the end of last week, and he will give me the complete history of each account.

Q. Have you in mind how many branches you had ten years ago?

A. I have in my mind how many there were when I joined this bank; there were four; that is, twenty-two years ago.

Q. The tendency is for the consolidation of banking in Great Britain, is it not?

A. Yes.

Q. Very strongly in that direction?

A. Very strongly in that direction, yes.

Q. As a matter of fact, a large part of the commercial banking in England is done by about a dozen institutions, is it not?

A. No; I would not put it quite as low as that. There are a good many of the small banks, independent banks, not amalgamated with the big banks, who still do a great deal in the provinces. In Liverpool and Manchester there are very important local banks. It is no doubt the fact that four or five banks do about half the banking business.

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Q. Has the conversion of a private bank into a branch of your bank generally met with favor in the community where that bank is located?

A. No.

Q. At the outset did you find opposition?

A. Certainly.

Q. Do you believe that the community is as well or better served through your bank than through the independent bank?

A. Better.

Q. Do you believe that the customer of that bank gets as fair consideration from you, that is, that you are in a position to judge fairly of his merits and his needs, as the private bank?

A. Yes, I am convinced of that, but there ought to be a qualification. I do not think he would get perhaps the exceptional treatment that he might have had under the old conditions from a private bank.

Q. But in the main you believe that the banking situation is stronger and better and the country is better served through the system of branches than through the independent banks?

A. I am quite convinced of that, if only for one reason, that I do believe the indiscriminate granting of credits to the individual is injurious to himself, the private bankers being too much in the habit of regarding old family associations and not so careful as the joint stock company would be, and he has accustomed people to trade on the credit that they get from the banker. I do not think that is banking business. The bank ought never to supply the trader with working capital. I think it is bad for the trader. I think the banker ought to give temporary accommodation to tide the trader over

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the time when he is short until the time the money comes in again—for temporary purposes only. If a trader is not sufficiently provided with working capital and depends on the bank, there is sure to be trouble at some time.

Q. The Clearing House of London is a close corporation and a very important factor, is it not, not only as to its machinery but also as a factor in controlling the conditions in London?

A. No; I should hardly put it so high as that.

Q. Is it not quite essential to the success of a financial institution doing a commercial business to become a member of the Clearing House if it is to meet with a large degree of success?

A. No. After all, there are only 17 banks, I believe now in the Clearing House, but there are a great many other institutions who are not members of the Clearing House and who do not suffer from that fact. Scotch banks with branches here who do a large banking business are not members of the Clearing House. There are all the colonial banks with head offices or branches in London and other large institutions; those are not members of the Clearing House. There are Barings and Rothschilds; they are not members of the Clearing House.

Q. Would you say the Bank of England is in any way a competitor of the other banks in England?

A. Yes. That is a source of very grave complaint by the other banks.

Q. The Bank of England do not pay interest on any accounts?

A. No; but in some cases they act as intermediaries for lending money. It is a very subtle distinction. It will probably be denied by the representatives of the Bank of England that they are competitors; it is a constant

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source of disagreement between us. There is absolutely no doubt that they are. To start with, they have our balances, which they use in the market, or 40 per cent of which they use in the market. That in itself is competition. If we held our balances ourselves (according to this statement this bank's balance alone was £3,400,000; they use probably £2,000,000 of that)—if we held it here, they could not; but in other directions also they compete.

Q. Do you care to state in what directions?

A. It is very difficult to specialize and to say where they compete with us. They might say the joint stock banks compete with them. The fact is the course of business is altered. The Bank of England despised business at one time which at the present time they would be glad to do. They allowed the other banks to grow up round them and get very strong and powerful, and, having perceived that, they rather tried to retrace their steps and get a little of that business themselves. It is an anomalous position.

Q. What would you say are the most important functions of the Bank of England?

A. At the present time?

Q. Yes.

A. The Bank of England is the central reservoir of the whole banking system of the United Kingdom. Through their holding the balances of the joint stock banks, of the clearing-house banks, and the government balances, of course they have obtained very great power, and they can control the market by withholding advances, by fixing their rates, by borrowing from the market when they feel inclined to do so. Practically they have the whole control of the money market in their hands, and they are also in

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touch with general movements that are taking place; they can judge better than anybody else from the state of the balances of the joint stock banks how trade is in the country, whether there is a large demand for money, whether those balances show a tendency to shrink, or whether they show a tendency to accumulate. That in itself gives them an insight, and consequently power; and of course the tax collectors' checks flow into them at one given period of the year. They can lend that out; if they did not lend it at that time, freely, of course the market would be deprived of the funds that flow in. Of course these are conditions which are very acute in your country. That is what the Bank of England has to see to. They minimize the locking up of funds in one quarter. It is generally assumed that in times of trouble it is the duty of the Bank of England to grant accommodation to solvent parties who have good security to offer. The Bank of England does not openly acknowledge such a duty, which has never been officially imposed upon it, but it has always acted up to it, and were it not so its strength and raison d'être as holder of the ultimate reserve and bankers' bank would be gone and other arrangements would become imperative. I have dwelled on this point, the "implied" duties of the Bank, which are much more important than the legal duties, in one of my papers, "The Bank of England and the State." I also furnish you a copy of a paper I wrote four years ago on foreign trade and the money market, which has an evident bearing on the questions under discussion.

Q. What steps taken are most effective in attracting gold or in the preventing of its outflow?

A. The raising of the discount rate, and not only of the nominal Bank of England rate, but of the market rate

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as well. You often have a condition which you describe as the open-market rate, that is 1 to 2 per cent lower than that of the bank rate, and in those conditions the Bank has no influence whatever. What the Bank have to do under those conditions if they wish to attract gold and prevent its leaving is to pay more in the market for money than other people would; they must artificially raise the value of money outside; they immediately become borrowers and sweep up all the floating supplies at a higher rate than a discount broker would pay us. They do not do it themselves. In one instance they have done it direct, but in most cases they employ a broker. They give security for those loans and in a short time they sweep up the surplus funds, and that becomes effective in raising the discount rate. That again has an influence on the foreign exchanges. It is the foreign exchanges that regulate the outflow or influx of gold, and foreign exchanges can only be regulated by the value of money.

Q. Does the Bank of England sometimes suggest the policy the joint stock bank should follow, say in not accepting finance bills?

A. There is one thing I should like to say; there is no official way of communicating, no regular meeting between the banks and the Bank of England. I, for one, most strongly advocate that there should be periodical meetings. The Bank of England are not members of the Clearing House. They do not take part in the ordinary meetings that bankers have amongst themselves; they stand outside. There is no regular vehicle of communication. As to the allegation that certain banks have been told by the Bank of England that they prefer them not to accept finance bills, I really can not say whether it is true or not; there has been such a report but I have

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no knowledge of it, and I personally doubt it; but it may be so. As a matter of fact, this outcry against finance paper being accepted by banks at that particular period was absolutely unjustified. There was a good deal said about it. There was a great deal of finance paper in circulation accepted by finance houses and outside banks, but the acceptances of the banks were not above the normal amounts, although perhaps in one instance there may have been a very considerable increase. Our own acceptances at that time were much below their normal figure. We had foreseen somewhat troubled times and had deliberately reduced them very materially. In a paper I read before the Institute two years ago I gave the figures. I said: "A glance at the figures of the clearing bankers who publish monthly statements will show how much truth there is in this allegation. The aggregate acceptances of these clearing bankers for the last twelve months are as follows: 1905, November, £24,200,000; December, £23,400,000; 1906, January, £22,300,000; February, £23,100,000; March, £23,300,000; April, £21,800,000; May, £19,200,000; June, £16,400,000; July, £17,900,000; August, £18,000,000; September, £18,800,000; October, £20,900,000; November, £25,255,000. Thus it is shown that although in the autumn there has been some increase, as is usual and incidental to the time of the year, there is absolutely nothing exceptional in these figures."

Q. How are checks on the Bank of England cleared?

A. They are in one side of the clearing and not in the other. We pay our checks on the Bank of England direct into an account with it. Checks on us which the Bank of England hold go through the Clearing House.

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Q. While the bank rate is fixed and is to-day, say, 2½ per cent, is it not a fact that the Bank of England do some business for their customers and also purchase bills for their account at a lower rate?

A. That is so, and that is one of the matters of complaint. By fixing the rate at 2½ per cent or 3 per cent or 4 per cent they can regulate the rate we fix for our own customers. We regulate our deposit rate in accordance with the bank rate. We also regulate the rate we charge for our loans in accordance with the bank rate, and we are bound by it to a certain extent, and they themselves feel at liberty to depart from it.

Q. Is the bank rate the maximum rate charged by them on paper acceptable to them for any period?

A. They vary the period from time to time.

Q. They would charge the same rate for ninety days as for thirty days?

A. Not invariably, and it is not strictly correct to say it is their maximum rate, because of recent years they may have raised the rate suddenly to something above the bank rate and that is taken as a warning that next Thursday the bank rate would be raised.

Q. What, then, does the bank rate mean; what does it govern in fact?

A. It means the general charge to the trade of the country, because although we say that bills in the market are discounted at a lower rate than bank rate, yet there is a vast number of trade bills which are purely governed by the bank rate.

Q. Would a customer of yours in a branch in a remote part of England receive accommodation from you under normal conditions at less than 4 per cent?

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A. Oh, yes; in most cases. We very often take the bill at bank rate, especially when the bank rate is rather high. We might have an arrangement that we take bills at bank rate subject to a minimum of 3 or 3½ per cent, but a great many customers would get their trade bills done at the bank rate even though the bank rate is lower. The Bank of England regulate the conditions under which the trade of the country is carried on, and impose a charge on the trade of the country for legitimate accommodation. Nearly all our loans are regulated by the bank rate. You have not, so far as I know, that profession of the bill broker in such prominence as we have. Here the bill broker will go all over the country to good traders and offer to them to discount their paper, and he knows he can take it to the Bank of England, if it is good paper, at the bank rate; therefore he can do business for them at a very small charge. The bill broker plays a much more important part in our commercial life.

Q. That business is growing very rapidly with us. We call them note brokers. They take the paper of various houses throughout the country and offer it for sale to banks.

A. I remember the first time I was in the States; in Chicago and New York I found a difference of something like 3 per cent.

Q. We found both in Germany and in France the question of the amount of reserves, either in specie or in bank, was regarded as of little importance by the bankers. They depend on the Reichsbank and the Bank of France for rediscount in times of need.

A. Both in France and in Germany banks are much more dependent on the central institution than we are here. They lean on their central institution to a very

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great extent; for instance, the rediscounting of bills and borrowing from the central institution is, I believe, quite a usual occurrence. Here it is an occurrence which would only take place in the last resort. As far as I am aware this bank has never as long as it has been in existence had one penny from the Bank of England, whether by way of an advance or by way of a rediscounted bill. We do not rediscount our bills in the market either; so every transaction we enter into we have to see through to the very end. A bill, whether three or six months, once here does not get out again, and for that reason there is much more need to keep larger reserves in case of greater demands coming. Then, again, you have the whole question of the currency of gold. In the Bank of France you have this huge gold reserve and the whole trade of the country is carried on with bank notes. There is practically no banking system in our sense of the word in France, nor is there in Germany. Although the German system comes closer to our own, it is a very long way from it. The check has not taken the place of coin or bank notes on the Continent, but here we have practically no bank-note circulation at all. Our business is carried on through checks. It is the great distinction between English banking and continental banking. The whole circulation of bank notes in England is practically nil. It does not come to anything. The Bank of England's active circulation now is something like £30,000,000, of which perhaps £20,000,000 is in the hands of the banks, but our trade is not carried on by notes or coin; it is carried on through bankers' balances, through checks.

Q. They held in Germany that the reserve was in the hands of the people.

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A. That may be so to a greater extent than in England. People here have little in their strong rooms; their strong rooms are banking accounts.

Q. It is estimated there are 1,000 millions of dollars in the pockets of the people in Germany.

A. That may be. In this country it is estimated at 100 million sterling, 500 million dollars. I should say it was more. Then again we are still the only country that has a pure gold standard, and we want to defend that position. That gives us our great strength. If you have a bill on Germany you could get gold for it at most times, but there are times when they tell you the gold is there but they would rather you did not take it, and the same in France.

Q. Why can France maintain a 4 per cent bank rate when the rate is higher here?

A. Because they have not the international trade that we have and that Germany has. Of course France is not a great industrial country now. It is a stock-exchange country, an investing country, and an agricultural country; it is not so liable to sudden fluctuations that a great crisis in another country exposes us to. When you want gold you have to come here. We are much more susceptible as the center of the whole banking community of the world; therefore we are much more vulnerable. Every occurrence in any part of the world will affect London.

Q. Do you consider France a great creditor nation?

A. Yes. They are a creditor nation and also an exporting nation. In wines they have practically a monopoly all over the world. We, too, are a very large creditor nation, probably more so than France, but we are importers to a very large extent. We have the country to feed. But that our fluctuations are more violent is, I

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think, greatly due to the fact that we are the bankers of the world; everybody has deposits here and a banking account in London. As we are the gold country, foreign nations feel that they must have bills on London or balances in London which become a reserve for them. Directly anything happens they try to convert this into gold.

Q. Do you regard your system of currency issue as sufficiently elastic for your needs?

A. No.

Q. What would you advocate as a change of system?

A. I advocate several things, one of them being more elasticity in the power of issuing notes, somewhat on the German plan, but I would only have that provided other reforms were carried out as well. I do not think it is to be simply added to our present system without adding counteracting conditions. I think our fiduciary issue is too large; the note issue of £11,000,000 against Government debt. The Government debt ought to be repaid, and I for one am in favor of the banks having a gold reserve of their own, but adding it to a central fund which can be drawn upon under certain conditions, but I do not think that the plan has at present found favor.

Q. Have you that plan worked out in your mind?

A. Yes; and this paper [handing document] represents my ideas as they were two years ago. I have modified them to some extent since; but this, roughly speaking, represents my views.

Q. Can we secure a copy of your articles of association and of your deed of settlement?

A. I can let you have a copy for your private use. We do not publish them. You were asking if I had the thing worked out in my mind. My idea of our system is

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this: Our whole currency is represented by deposits in banks and people have no money in their pockets, but they have balances at their banks. Therefore in times of difficulty, in time of general anxiety, there might be a tendency to take money out of the banks and put it into the pockets. We ought to have greater reserves, and each individual bank, who after all makes the profit, in the common interest should contribute to a general fund in proportion to its liabilities.

Q. Assume in time of trouble that one of the many banks should have heavy withdrawals. How would you arrange to give them the benefit of any more of that fund than they had deposited?

A. They would have to ask for assistance at the Bank of England. The Bank of England would be supplied by the general fund with everything; that fund would finally resolve itself into a deposit with the Bank of England. But the conditions under which it could be used would have to be specified and settled at the time by consultation between the parties.

Q. It would amount to this: You believe that the banks should not only have their cash in vault and credit at the Bank of England, but should have a fund of gold deposited in the Bank of England to be held for them in gold by the Bank of England?

A. Yes, and only to be used in certain conditions. Their contribution to the fund should represent a certain proportion to their liabilities, 3 to 4 per cent, perhaps. They ought to manage their business quite independently of that fund. I am bound to say it is not an idea that finds very much favor with other bankers. Of course with you, you have your fixed cash reserves. I think that rigid 25 per cent becomes no reserve at all; when you are tied down

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THE UNION OF LONDON & SMITH'S BANK LIMITED.

Statement of accounts of the Union of London and Smiths Bank (Limited) for the half year ending June 30, 1908.

GENERAL BALANCE.

Dr. LIABILITIES.	£ s. d.	£ s. d.	Cr.
Capital subscribed, £22,934,100 in 229,341 shares of £100 each; paid up, £15 10s. per share		3,554,785 10 0	$17,299,363
Reserve fund invested in consols, local loans stock, and Transvaal government 3 per cent guaranteed stock, as per contra		1,150,000 0 0	5,596,475
Current accounts	24,203,999 11 0		117,788,764
Deposit accounts	11,811,876 9 11		57,482,497
		36,015,876 0 11	175,271,261
Acceptances and guarantees		3,467,798 7 0	16,876,041
Liabilities by indorsement on foreign bills sold		16,925 7 9	82,367
Other liabilities, being interest due on deposits, unclaimed dividends, etc		533,148 11 1	2,594,568
Rebate on bills not due		30,905 16 10	150,403
Profit and loss:	£ s. d.		
Balance brought forward	164,245 9 6		799,301
Net profit for the half year ending June 30, 1908	224,534 5 1		1,092,696
		388,779 14 7	1,891,997
		45,158,219 8 2	219,762,475

ASSETS.	£ s. d.	£ s. d.	Cr.
Cash in hand	3,009,231 10 11		$14,644,425
Cash in Bank of England	3,412,320 3 6		16,606,056
		6,421,551 14 5	31,250,481
Money at call and at short notice		6,587,603 1 2	32,058,570
Investments:			
Securities of and guaranteed by the British Government	2,939,802 7 11		14,306,547
India stock and Indian railway guaranteed bonds	275,553 0 1		1,340,979
English corporation stocks, railway and waterworks debenture and preference stocks, colonial stocks, foreign government and railway debenture bonds	1,530,958 5 5		7,450,408
Other investments	88,752 6 6		431,913
	4,835,065 19 11		23,529,847
Reserve fund: £567,000 consols; £515,500 local loans stock; £207,600 Transvaal government 3 per cent guaranteed stock	1,150,000 0 0		5,596,475
		5,985,065 19 11	29,126,322
Bills discounted:			
(*a*) Three months and under	4,271,256 0 4		20,786,067
(*b*) Exceeding three months	465,753 14 4		2,266,590
		4,737,009 14 8	23,052,657
Loans and advances		16,385,564 1 1	79,740,347
Liabilities of customers on acceptances and guarantees, as per contra		3,467,798 7 0	16,876,042
Liabilities of customers for indorsements, as per contra		16,925 7 9	82,365
Bank premises, chiefly freehold		1,417,476 18 4	6,898,151
Other assets, being interest due on investments, etc		139,224 3 10	677,540
		45,158,219 8 2	219,762,475

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to one particular percentage and can not depart from it, that reserve might for practical purposes just as well be at the bottom of the sea, in my humble opinion. What appears to one's mind as the most desirable reform in your country is to prevent the locking up of your government funds through the huge revenue collections, without letting the market have the advantage of them, which ought not to be allowed to accumulate at certain periods, instead of circulating freely. That is a distinct loss, and if you have found a way of doing that you have done something.

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LONDON JOINT STOCK BANK.

Interview with Mr. Charles Gow, General Manager of the London Joint Stock Bank, Limited.

Q. When was your bank organized?

A. 1836.

Q. Under the general companies law?

A. It is now; it was not then; it was under the company law then, but unlimited liability at that time; every stockholder was liable for all he possessed to pay the debts of the bank.

Q. Did you then have a special charter?

A. No; we worked under what we called a deed of settlement. That was the method at that time; that is to say, the bank entered into a contract with certain parties representing it to do such-and-such business; that was the deed of settlement.

Q. Your capital stock is £100 authorized, £15 paid?

A. Yes.

Q. What is the liability of the stockholder on that stock?

A. £85 on each share.

Q. That is, he may be called upon to pay in £85?

A. Yes.

Q. We found in some of the banks here that the authorized amount might be, say, £100 with £25 paid, and that they could call for £25 more for capital purposes?

A. Yes.

Q. But that the remaining uncalled was only as a shareholder's liability in case of loss?

A. Liquidation; that is to say, that arose too, but I spoke about the total liability of shareholders in the con-

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tingency of winding up. We may go up to £50 paid up for legitimate trading transactions; but if we pass that, then on liquidation £50 more.

Q. Where are your shares owned?

A. Almost entirely by private people; that is to say, by individuals, not held by corporate bodies. We do not admit corporate bodies as holders of shares.

Q. Your stock is all registered?

A. Every one; every share is registered.

Q. Does your board pass upon a new stockholder?

A. Yes.

Q. His name has to be submitted and approved before the stock can be transferred?

A. That is so. Frequently we do not make much trouble about that, but some banks do; some banks are very particular and inquire about everyone. We do not quite do that.

Q. What is the organization of the bank as to the managers and the board?

A. The board of directors is an elected board out of the body of the shareholders. The most prominent of them are men of position and importance, whose duties are generally to superintend. All the power rests with them, all the power of appointing officers. I am an appointee of the board of directors and not the direct appointee of shareholders in meeting called, and so the whole volume of authority is vested in the board of directors to appoint every officer connected with the bank. It is vested in them to do all business of the bank, the right to do it, but that power is delegated to appointed officers as they think fit.

Q. How often do your shareholders meet?

A. Every six months; we have two meetings a year.

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Q. Do you have two elections a year?

A. Of directors? Oh, no; we have rotation directors for a certain period; I am not quite sure exactly how long that is; say three years, and a certain proportion of them go out by rotation, but being eligible, if they are, they as a rule wish to continue and are reelected.

Q. What is the purpose of two meetings a year?

A. Only that we may more frequently present the state of affairs to the shareholders.

Q. So that at one meeting you merely present to the shareholders a statement of the condition of the bank?

A. Oh, no; both meetings are absolutely equal in that respect and both meetings are likely to declare a dividend if a dividend is declared half yearly, and in order to do that we make a clear statement of affairs and present it every half year. Some bankers do not do that.

Q. Is it your custom to ask the approval of the shareholders of the dividend to be declared?

A. We, ourselves, no. The directors reviewing the profit and loss account determine upon a dividend and declare it. They announce at a meeting: "We have resolved to declare such-and-such a dividend." So that it is not left to the shareholders.

Q. Who really conducts the business of the bank?

A. The managers, who are appointed by the directors; that is to say, myself and all those belonging to me.

Q. You are the general manager?

A. I am. Then I have two assistant managers sitting in the room, and there are managers, not so called, but of the different departments—heads of the departments they are really. There is a chief cashier, a man who has charge really of all cashiers, and a number of other men

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besides, but there are heads of other departments not called managers.

Q. How frequently do you issue a statement?

A. Every six months, made up to June 30 and December 31.

Q. The law requires you to issue but one statement a year?

A. That is so; but you may make as many more as you like.

Q. In your statement of liabilities there is the amount due by the bank on current accounts, deposit receipts, circular notes, etc., $89,250,000; that represents what we call deposits?

A. Yes.

Q. What is the distinction between current accounts and deposit receipts?

A. That is peculiar to us, perhaps; we have the two classes of accounts. The current account entitles the customer to draw his checks. The principle of check accounts with us is that the current accounts must be kept on which no interest is allowed. A customer opens an account for the purpose of being free to draw checks on us payable on demand against funds which he has to his credit. That is the basis of our London business. We charge nothing for that, but our remuneration is found in the sum that he leaves habitually at his credit, for which we give him no interest, and that is what we call a current account, and the total of the balances which are left at credit of this current account are what we use in our business, or such a proportion of them as we think we may freely use. Then beyond that we take in deposits repayable at short notice, and those are the deposit receipts or deposit accounts which make up the other portion of our

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business. Deposit accounts are not free to be checked upon. A man who wants to withdraw money from them must give you the prescribed notice, say seven days, as the majority of our deposits are. Sometimes we take them for longer on special terms, but as a rule seven days' notice is the term for which we take in these interest-bearing deposits, and they are not liable to a man's check. An ordinary current account customer may transfer part of his balance if he does not require it to this interest-bearing account, and then he may transfer it back again to the current account.

Q. Do you issue a pass book in the deposit account, or do you give a form of receipt?

A. Mostly a form of receipt.

Q. What is the item "Circular notes?"

A. Those are such things as we give our customers who wish to travel on the Continent; they want £100 in circular notes available at different places on the Continent. They give us £100 for them; they buy them.

Q. It is a letter of credit?

A. A letter of credit, and the money is put on that account to meet the circular notes.

Q. Would you state approximately the percentage of current accounts in this item?

A. From 60 to 65 per cent of that total represents current accounts.

Q. You show "Acceptances on account of customers" of about $7,300,000. Those are drafts drawn upon you by your customers and accepted by you?

A. Yes; either drawn directly by our customers or drawn by other parties on the credits which they issue; what we call reimbursement credits. You know, I dare say, customers in the West or in Europe authorize people

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in the East to draw for cotton shipments, or what not, on us.

Q. Are most of those acceptances secured?

A. Every one.

Q. How are they secured, generally speaking?

A. They are secured in the great majority of cases by bills of exchange, by first-class securities with plenty of margin, even by cash in hand at a moderate extent, and in a very small extent by bills of lading for produce shipped. That is a very small item.

Q. You speak of first-class securities; you mean bonds and shares?

A. I mean American railroad bonds, for instance, United States government securities or European government securities, and all things of the first class. We will not take anything else.

Q. What is the average life of those acceptances?

A. Three months; sixty or ninety days; rarely four months, and still more rarely six. We do not go beyond that.

Q. What is the usual commission charged for the acceptance?

A. The usual commission would, for three months, be, roughly, one-fourth per cent. There are cases where we have to abate from that at, say, one-eighth per cent, but we generally keep in mind one-fourth per cent as the rate of commission for a three-months' bill, which is really 1 per cent per annum.

Q. Can you state the reason for accepting those bills instead of furnishing the cash?

A. We accept those bills because it happens to be the custom of the particular banks to draw a long bill. The customer himself who buys cotton in Bombay, or wherever

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it may be, acts according to the custom there to draw a bill to a certain usance. Now, for instance, with regard to an inland bill, we would not give a credit of that sort to a man in London, but wherever there is a regular course of business abroad to draw at long usance we comply with it.

Q. That transaction, in fact, creates what is known in London as a prime bill, does it not?

A. Yes.

Q. And that bill is sold immediately upon your acceptance to some other bank or through a bill broker?

A. Yes.

Q. In your statement of liabilities you show "Cash in hand and at the Bank of England" of approximately $15,000,000. I assume it is not your custom to publish the amount of cash in hand separately from the amount of cash in the Bank of England?

A. No; there is no other reason why we do not do it than that we think it is unnecessary. The banks here think it is unnecessary.

Q. You regard your balance in the Bank of England the same as cash?

A. Subject to our check at any moment, just the same as a customer's balance with us on current account is liable to his check.

Q. This question suggests itself: Of course the Bank of England does carry a large cash reserve as against their deposit liabilities, usually from 40 to 45 per cent, but that, as a matter of fact, forms a very large part of the cash reserve of the banks of England and of Great Britain, does it not?

A. Yes; I regard it this way, that the bank's deposits in the Bank of England are neither more nor less than similar deposits made with our own individual banks,

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but attached to these balances at the Bank of England is the peculiar knowledge the Bank of England has as to how they are to be regarded. They are more reserve balances than balances, which we mean to deplete very heavily. They can fairly well count on so much of that balance of ours being there practically at all times, but also they know that it is a kind of reserve balance with us, therefore while they are at liberty to make certain use of a portion of it it must be limited by that knowledge that it is a reserve balance not liable to be called upon.

Q. Have you any idea of the actual amount of gold reserve to deposit liabilities in the Bank of England and all the other banks in England?

A. No; such a figure scarcely exists; we do not quite know. It goes up and down according to requirements. We get more cash reserve at one time than another. Sometimes the cash reserve is suddenly depleted by particular conditions of trade. Then you have got to fill it up again.

Q. It is your endeavor and that of other banks to carry a certain amount of actual gold reserve?

A. Yes.

Q. You deem that necessary for the proper protection of your depositors?

A. That is so. We would deem that to be an element of proper banking.

Q. It has been stated that the actual gold or cash reserve to deposit liabilities in all the banks of England including the Bank of England is about 6 per cent.

A. Well, I am not quite well posted enough to say that definitely, but I should have expected a good deal more. For instance, if you take the group of these banks in London, ourselves included, and all the principal banks

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which really do center in London, the average holding in cash, including what they keep at the Bank of England, comes to anything from 14 to 19 or 20 per cent of cash in hand and at the Bank of England in relation to the total deposits.

Q. Yes; but of course the Bank of England carries only a percentage usually of 40 to 45 per cent of reserve against those reserves.

A. Yes; that is quite true, only, of course, that is a very large proportion in itself. I should put it higher than 6, decidedly; I think not less than 10. I should perhaps be liable to correction on that; my own rough estimate would be certainly not less than 10, taking the whole thing.

Q. In your assets you show a little over $11,000,000 of consols and other securities guaranteed by the British Government. Is it your general practice to carry as large an amount of Government securities as that?

A. Yes; pretty generally. We do not fluctuate those figures to any important extent.

Q. What is your particular reason for doing that; do you regard that holding as in the nature of a secondary reserve?

A. Yes. The investment of Government securities is really by way of a kind of secondary reserve, as you say. In the very best securities that are to be had, what interest they bear is of quite secondary importance to their negotiability.

Q. You also show Indian Colonial Government and other securities amounting to about $7,600,000. So that the total investment in securities of this character exceeds your capital and surplus by about a little over $3,000,000?

A. Yes; that is a little accidental just now; there have been opportunities of making favorable investments and

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money has been in poor demand, so that the total of securities has rather gone up above what it would normally, but taking it very roughly the idea is to have the paid-in capital and the reserve fund practically invested in securities of the very best possible and others equally good, but more varied in character.

Q. Have you in mind about the interest return that that account shows?

A. No; but it would be from 3 to 3½ per cent, spread it over.

Q. Do you mean by railroad bonds those that are guaranteed by the Government?

A. We buy Pennsylvania Railroad bonds. There is a sample. Indian railroad bonds are mostly guaranteed by the Indian Government, and those we hold to a certain extent, but not very large, because the market is limited and that is a check upon that. It is rather a matter of special negotiation to sell these things, therefore we do not want many of them.

Q. It is your practice, then, to confine your investments in other than government securities to a small figure?

A. A comparatively small figure. The essence of negotiability is the first thing. Of course there are a few things that one can take in the ordinary course, good things, too, but not so negotiable, but the proportion of those is kept down always to very limited figures. The first thing we think of is how can we turn it out.

Q. The negotiability?

A. Yes. The negotiability.

Q. Do you ever buy any shares of railroad or industrial companies?

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A. No; we will not have risks of that sort among our investments.

Q. Do you ever own bank shares?

A. No; never.

Q. You show about $51,000,000 in bills discounted, loans, and other securities. About what percentage of that item is bills discounted?

A. That fluctuates considerably according to the state of the money market. If my outlook is that rates will be lower in the course of the next three months I hurry up to buy all the bills I can possibly get to-day, and so that I might have perhaps from 30 to 40 per cent on that in bills.

Q. What is the character of those bills?

A. Those are all marketable bills, trade bills; you know what they are; they are between the manufacturer and the man to whom he sells; it might be a promissory note indorsed by the payee. Those are the two names on it; the payee perhaps is the manufacturer on a promissory note given by the purchaser. Instead of that here our manufacturer draws a bill on the person to whom he sells, and that man accepts it. Those trade bills are good bills mostly, but we only discount those for our own particular customers, people whose affairs we know all about, but many of them are discounted in the open market to discount houses such as Nugent's. Then I buy bills from him with his indorsement, which is very valuable, and get money on these trade bills from him.

Q. You always require two names?

A. Always.

Q. About what is the average length of time of these bills?

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A. Those bills as a rule are three months to run and less. Very occasionally I may buy a four months' bill or a six months' bill, just according to how I think it promises to be a profitable venture, but as a rule the three months' engagement is all I feel myself free to deal in to any large extent. I want my money. We never rediscount, never turn the bills out again. It is enough to wait for their maturity; therefore it stands to reason I can not afford to spend money for six months and sit there and wait for it.

Q. Can you give me an idea of about the minimum sizes of those bills?

A. No. They are of all sizes from £100 to £10,000. From our own customers I take such bills as they have and they perhaps run mostly in small amounts, but from discount houses I do not want to be troubled with such small bills. We have to take them and keep them; so generally the bills I take from them run from £500 upward—perhaps an average of £1,000 apiece. That is only a question of labor. I say I am buying those bills and will not put up with the labor of those little bills unless you give me the better rate for them.

Q. The item "Other securities" means some railroad bonds such as you mention?

A. Yes; just occasionally some of them get in there. The loans, of course, are all secured upon the best collateral that we can manage to collect. We reject loans continually because we are not satisfied with the collateral, so that the collateral there is all, to the best of our knowledge and belief, solid.

Q. What does the form of obligation by the borrowers upon collateral take?

A. The form of obligation is that he undertakes to repay the advance by some specified date together with the inter-

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est upon it at the agreed price, and in the meantime as collateral he puts up such and such securities as are described in the document, and he gives to the lending bank, or lender, authority, in the event of his failing to pay his loan by the date named or if he does not keep up the margin on the securities, to sell the collateral even although the loan may not have come due.

Q. It is practically the same as our form of promissory note?

A. Just the same.

Q. I assume that the item "Liability of customers for acceptances" represents the entry you make when you accept a bill?

A. It corresponds exactly to the item on the other side. We can not take more than 20 shillings in the pound out of the customer. We may have collateral from him to the tune of, say, 50 per cent margin, but it is not good for more than 20 shillings in the pound for the debt. That is why we put in exactly the corresponding item there.

Q. Would you say that it is the general practice of the joint stock banks of London to carry government securities to an amount at least equal to their capital and surplus?

A. I should say yes, without their being bound any more than we are by any hard-and-fast rules, simply what they consider to be prudent at any given time. Of course, we do not vary our securities much; not any of us. They are rather investment securities up a point which we think reasonably fair. Some mature, and we may not reinvest them.

Q. The law does not require you to invest in any securities?

A. No.

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Q. As a matter of fact, the law does not restrict your investments in securities or in paper. You may do any class of business that you see fit?

A. We are under no restrictions at all. Then, of course, we have no note obligations, no note issue.

Q. Your money at call and short notice, amounting to about $17,000,000, is also regarded by you as a secondary reserve?

A. Yes; the whole of it is money recallable within thirty days, and a very large proportion of it recallable at much shorter notice than that. I lend money to Mr. Nugent in hundreds and thousands of pounds and to acknowledged companies and good firms in the discount market, and I lend it rarely beyond a week. It comes due at the end of that week, and it is for me to say, "I want that money; pay it back," or go on for another week, or go on for a couple of days.

Q. You loan also to stockbrokers?

A. Yes.

Q. On mixed collateral, railroads, industrials, etc.?

A. Yes; with a margin, of course.

Q. What is the usual margin required?

A. Ten per cent upon the best securities up to 15 or 20.

Q. You would accept a loan on such securities as New York Central and Pennsylvania Railroad, Union Pacific, or United States Steel?

A. Yes.

Q. Amalgamated Copper?

A. Yes; anything that commends itself to us as a good negotiable kind of security we always think, beyond the borrower, that if the security was thrown on our hands how easily could we realize it and repay ourselves.

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Q. If you were heavily drawn upon and your reserve depleted, your first step would be to call upon your short money?

A. Yes.

Q. And your next step would be to sell some of your securities?

A. Yes.

Q. You could, if it were necessary, take your bills with your indorsement to the Bank of England, and they would rediscount them?

A. Yes; and we could, if necessary, take our securities to the Bank of England and borrow upon them there.

Q. You would have to pay a higher rate upon your securities than you would upon your bills?

A. Probably, yes.

Q. Do you receive interest upon your deposits in the Bank of England?

A. No.

Q. What rate of interest do you pay upon deposits?

A. The rule for seven days' deposits is 1½ per cent under the current Bank of England rate, rising and falling with that, but not allowing more than, say, a maximum of 5 per cent to the depositor, unless upon special occasions and special arrangements.

Q. What rate do you allow upon your current accounts?

A. The current accounts in the main are, as I say, non-interest bearing; a man who has money on current account in consideration of what work we do for him and paying his checks, keeps a balance with us of $5,000 or $10,000 or $500 as the case may be without getting any interest upon it.

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Q. So that, as a matter of fact, you have quite a large sum of deposit upon which you pay no interest?

A. Yes.

Q. Do you think that is generally true with the other joint stock banks of England?

A. Yes; our principles in the main are all the same. A little variety occurs in country banking, which is not quite the same as London banking. London is the freest of all the bank system; but in the main the principles are the same.

Q. You have branches, have you not?

A. We have about forty-odd branches all in London and close to London.

Q. You do not then endeavor to acquire a country business through your branches?

A. For this reason, that we commenced as a purely London bank, and we have so far kept to that original determination of not launching out into country business, because, as I say, it differs from the ordinary London business. Country business is not quite so liquid, and can not be. In the country there are manufacturers and farmers and what not, and the only business to do is to lend them on what collateral they have got, even on the crops in the field and material in process of manufacture, and so on, but London is free from that to a large extent, and will have negotiable collateral.

Q. So that you regard your business as practically confined to London?

A. Confined to London.

Q. Do all of your branches report to your main office?

A. Yes; every one, every day, practically.

Q. Those branches are conducted by managers appointed by you?

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A. Appointed again by the board of directors.

Q. For a definite period or during the pleasure of the board?

A. During the pleasure of the board, but practically all our people are life-long servants. They come in from 18 to 19 years of age, after they have had a little business experience elsewhere, so that they are used to us as soon as they come in, and as long as they behave themselves they are here for life. I entered the bank in 1865 myself, so I have spent a good long time here; I began at the bottom.

Q. How does the small tradesman in London receive accommodation at the bank?

A. He must have some sort of collateral to put up.

Q. As a matter of fact, a small tradesman rarely has collateral?

A. Then it is not much accommodation he gets.

Q. It is difficult, is it not, for him to secure accommodation even through a guarantor?

A. No; if he gets a good guarantor. We do not care for guarantees as a rule, because of the difficulty of enforcing them. A guarantor says, "You must sell your principal debtor up before you come on me. I am only an ultimate guarantor, and if your debtor fails you then you can come to me;" so that I do not like guarantees in that way.

Q. You have accounts of many small tradesmen?

A. Yes, lots. They get accommodation, say, in our discounting trade bills. A manufacturer of any kind of tin goods or wood goods, or anything of that kind—dealers in lumber—they sell to some other fellow in the country, or wherever it may be, and they draw that trade bill upon them at not more than three months from its date, and that these small traders may bring in to us, and we

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rigidly scrutinize them as to the customer who brings them in, to see that he is a respectable man, doing an honest business, and so we will help him by discounting those bills, if we are equally satisfied with the acceptor, if we think he is doing legitimate business with honest, legitimate people. So he gets accommodation there without any security at all. We only get the security of another name.

Q. The practice in England is for the wholesaler or the large manufacturer to finance the retailer?

A. To some extent, but as a rule that wholesaler draws his bill on his retailer, and so he has a larger volume of these trade bills, and he goes to his bank, or to the Union Discount Company, and discounts these in larger batches.

Q. And in that way the retailer pays for his goods by an acceptance?

A. Yes.

Q. Which the wholesaler discounts?

A. Yes.

Q. If you had an account of a man running, say, a hat store, his account was satisfactory in character and had been carried with you for several years, and he wanted to stock up on hats, there would be no way in which he could go to you and borrow the money with which to buy those goods unless it was through a guarantor?

A. No. He would go then to the wholesaler from whom he would buy the goods, and give that wholesaler his bill, and that bill would be a discountable article, and that is how the money would be raised.

Q. What discretion do you give the managers of your branches?

A. That again is a very open thing. They may do nothing that is in any way out of a very regular course,

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and they may only give accommodation by discounting bills or lending upon collaterals to a moderate extent, some few hundred pounds, according to the importance of the branch, without coming first to the head office and asking approval for it.

Q. Do you ever allow overdrafts, as they do in Scotland?

A. They are not unheard of, but not a principle of our business. Overdraft is a principle of country banking; the reverse is the principle in London. They say "You put up collateral and we will give you a definite advance against it," so that we live by the balances on the current account left there; we must always have some money there.

Q. Have you a system of charging a customer on the amount of turnover of his business if the balance is not sufficient to compensate you?

A. Sometimes. That again is a continual practice with country banks, but not with London banks.

Q. What is your system of audit? Have you a force traveling about from branch to branch?

A. Yes; we have our own internal system of audit, the regular accounting department, which is charged with the duty of auditing everything, and we have also a staff of what we call inspectors, who travel round to all the branches and look into all they do and pass upon it, and make weekly reports of all they have done. Our board meets every week, and its duty is to receive these reports from the head office and all the branches of everything that has gone on in the course of the week; accounts opened, accounts closed; in fact, the general condition of the head office and branches is produced for the private use of the directors every week.

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Q. Country checks received by you on other places in England are sent through the London Clearing House, are they not?

A. Yes.

Q. If you were to receive a check on the branch of Parrs Bank at Liverpool you would send that through the London Clearing House to Parrs Bank in London?

A. Yes.

Q. How much time would be required for the settlement of that check?

A. We receive that check from Parrs Bank, Liverpool, say, this morning by 12 o'clock. It gives us time to present it in the Clearing House by, say, 1 o'clock. Of course there is a lot of manipulation to do. Then they send it down by post to-night; it reaches Liverpool to-morrow morning, is advised back to London to-morrow night as paid or unpaid. That advice reaches Liverpool on Tuesday; the advice of payment or nonpayment reaches London at Parrs Bank on Wednesday morning, and we settle up with Parrs Bank on Wednesday morning.

Q. In cash?

A. In cash.

Q. If I desired to make a payment in Birmingham to-day of £10,000 and applied to you, how would you handle that transaction?

A. That payment would probably be made to the customer of some bank in Birmingham.

Q. That is, you would handle it through some London bank having a branch in Birmingham?

A. Yes. You ask me to pay £10,000 for you in Birmingham to-day. I say to you, "What is the name of the person to whom it is to be paid, and who does he keep his banking account with?" When you have told

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me that, I go to the London agent of that Birmingham bank and say, "Here is £10,000 which I want you to cable to that bank in Birmingham for the credit of Mr. So-and-so."

Q. Would they make a charge for that?

A. Probably they would. There again there is absolutely no hard-and-fast rule. If their customer in Birmingham were keeping a very good account with the Birmingham bank, they might let him off.

Q. Do you recall how many members there are in the London Clearing House?

A. No. I can not say straight off; practically every London bank is in the Clearing House; I suppose every bank in the city of London is actually in the Clearing House; those outside the range—Coutts and Drummonds and such banks—are not in the Clearing House directly, but they are indirectly, because they have an agent in the city who is a member of the Clearing House.

Q. There are about 17 members according to my information.

A. That may be so.

Q. My information is that there has not been a bank admitted to the Clearing House for many years; it is really a very close corporation, is it not?

A. Yes; it is quite a close corporation; none of the Scotch banks are in it. The head offices of the Scotch banks are all in Scotland, but many of them have branches in London. Those are not allowed into the Clearing House. The rule has been that no bank shall be allowed in the Clearing House whose head office was not in London.

Q. As a matter of fact, if a first-class bank with ample capital were to be established in London to-day, do you

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not think it would be rather difficult for them to gain admission to the Clearing House?

A. It might be, because it is purely elective. The existing body will say, "Yes," or "No," to the admission of a new member.

Q. My observation leads me to believe that the banking situation in London is practically controlled by 12 or 14 of what are known as the London joint stock banks, through their offices and through their branches?

A. Yes; I think that is right.

Q. So that the banking of England is really confined to very few institutions?

A. Of course, of late years that has become much more clearly so because of these amalgamations that have gone on. You see Lloyds Bank and the City and Midland Bank; those two banks are enormous concerns as they are the result of, I was going to say, innumerable amalgamations. Buying up country businesses. They began themselves in comparatively a small way. They have bought this, that, and the other bank, and built themselves up to be these huge concerns with one central office controlling the whole thing, so that in late years the number of independent banks has been vastly curtailed.

Q. The tendency is very marked in that direction?

A. Yes; it is not yet universal, that is, there are still independent banks in the country, and I doubt whether amalgamation will go very much farther than it has gone. You see, these amalgamated banks have already become so large that they begin to get a little unwieldy. Lloyds Bank is an enormous thing, with $350,000,000 of current and deposit accounts.

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Q. Would you say that the public are better served through these branches than they were through the independent banks?

A. Some say they are not so well served, that accommodations are curtailed now as compared with what they used to be, and that I can understand to some extent, because, working a very large concern from one center, you see, fiats will go forth, "Cut that man's credit off," and not listen to taking a large view. They say, "I have enough of that kind of accommodation; I have 100 shipbuilders or shipowners; I am not going to give out more than a proportion of my money into that particular trade; therefore, I will not have any more," whereas the independent banks would be perhaps a little more accommodating.

Q. How is the conversion of an independent bank into a branch bank looked upon by the people of the community where the bank is located?

A. Judging by experience, it has all passed very well indeed; but I have heard complaints; I have had them, in fact, from time to time from people who have said their facilities have been reduced, but, on the other hand, if facilities have been reduced they have in very many cases been legitimately reduced, making for general safety, even if a limited amount of accommodation is given, so that I will not join in any of the complaints on that subject.

Q. What influence does the bank rate have upon rates charged by you to your customer?

A. There, to speak in general terms, all the business we do has a certain relation to the Bank of England rate. Discounts, of course, are done for the period of the bill at a fixed rate. I may lose money on that, because

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of that fixed rate. If the bank rate goes up to-morrow, the bills I take to-day I have done a bad business with, but still, on the other hand, when the rates are falling away, the bills I buy to-day are made more profitable by the fall in the bank rate, because I do not pay so much for the money.

Q. If you were to buy a prime bill to-day, you would take it at about 2½ per cent, that being the bank rate?

A. I should have to buy it at a little nearer the market rate. The market rate fluctuates, as you know; that might for that bill to-day be 2 per cent, and I should have to take it at 2 per cent.

Q. If you were discounting bills for your customers, about what would be the rate to-day on a ninety-day bill?

A. If I were discounting some trade bills, say for a moderate trader who brings me in these smaller bills I have spoken of, I should charge him the Bank of England rate, or even one-half per cent more than that, but when you get prime bills, such as bills drawn on the clearing banks, bills drawn on Rothschild's, those are prime bills, and you have to take them at a lower rate.

Q. Would not the average trader have to pay you 3½ or 4 per cent to-day if he were to make a loan?

A. Yes; on a collateral. We distinguish, as regards the discount of a bill, in the date of maturity and the man responsible at the end to pay and a collateral which, if your borrower does not pay his loan, you have to sell or let him keep the money for any period. Those are the disadvantages which entitle you to charge him something more for it.

Q. If I were to go to you to-day with a ninety-day trade bill, the acceptor known to you as good, and also with a

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loan secured by Pennsylvania Railroad bonds, my loan to mature in ninety days, what rate would you charge me on those separate items?

A. The bank rate to-day is 2½ per cent. You are a good customer, and I should charge you 2½ per cent for discounting that trade bill, and I might charge you 3 per cent, or even perhaps 3½ per cent on the Pennsylvania Railroad collateral for that reason, that one is not as realizable as the other. When the bill becomes due it has to be paid, or I give it back to my customer, and say "Give me the money for that." I can not quite say the same to him about his collateral.

Q. Are the other joint stock banks of London generally conducted on conservative lines?

A. I should say yes; undoubtedly.

Q. Is it customary for other banks to occasionally carry stocks as investments, shares of railroads or corporations?

A. Oh, yes; some of them do; some of them take a little wider view of what they may invest in than we do. Some of them have much larger funds to invest, and so they may perhaps afford to take a little broader view, and of necessity also to get enough securities they have to broaden the field a little bit, and may safely do it.

Q. What dividends do you pay?

A. The last dividend was at the rate of 10 per cent per annum upon the paid-in capital upon each share, 10 per cent on the £15 paid-in capital.

Q. What per cent of earnings on your capital did you show?

A. You mean on the whole thing?

Q. I mean did you earn, say, 18 or 20 per cent?

A. Yes, roughly, we earned 20 per cent. It cost us 50 per cent of our gross earnings to run the business.

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Q. Were your net earnings about 20 per cent?

A. Yes.

Q. It is your custom to pay out in dividends about half of your earnings?

A. It comes to that, pretty well. Earnings, £246,000; current expenses, directors' remuneration, and superannuation allowances, £121,000—just about half. Then out of the balance we provide reserve funds and allocations to superannuation funds, and various things like that. We pay dividend out of the rest.

Q. What taxes do you have to pay?

A. We pay income tax on all our earnings, and deduct from our gross profits. We are entitled to deduct, roughly speaking, our expenses, and then upon the remainder we have to pay the income tax, or whatever it is, at 1 shilling in the pound, for instance, now.

Q. Are you examined by the Government?

A. No.

Q. The Government exercises no supervision?

A. No supervision at all, but we come under a general law, which requires that our shareholders shall appoint what we call auditors. They may be anybody the shareholders choose to appoint, but they shall be appointed by the shareholders without any control by Government whatever.

Q. Have you any other taxes than income tax?

A. None except establishment charges—taxes upon the buildings that we occupy. There is no other government tax of any kind.

Q. Does your shareholder who receives the dividend also pay an income tax?

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A. We pay it for him on the dividend we pay to him, and also he is entitled to deduct that on his return to Government.

Q. Do you regard the Bank of England as in any way a competitor of yours?

A. Yes; the Bank of England has a department in which it has customers just exactly as we have keeping current accounts. It pays no interest on any money, so to that extent it differs from ourselves. It does not pay interest on deposits.

Q. Will the Bank of England take from a customer a two-name trade bill?

A. Yes; in its banking department it does exactly as I do.

Q. Is that department of the Bank growing?

A. It is difficult to tell that; probably it is. The same influences that are at work upon all the rest of the banks apply to them to meet their customers' requirements, and they are subject to influence by the importance of their customer. They depend on the connection, the good will of their friends, to bring them fresh business, and so on, so in the banking department I take it they have to look after it just as we do and seek to keep it on and increase it; they have as much need as we have, any one of us.

Q. Are they very particular as to the character of their depositors?

A. Yes; they are.

Q. More so perhaps than the other institutions?

A. Perhaps a little more because, of course, there is considerable prestige in banking at the Bank of England, but they have troublesome customers just as we have, not perhaps in such great number.

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Q. It is their desire, you think, to increase their business as it is the desire of any other private bank?

A. Oh, quite.

Q. Their stock being owned by the public they need to?

A. Exactly, they have to earn their dividend from trading just the same as we have.

Q. Would you say that the Bank of England is a popular banking institution among other banks in England?

Q. Yes, I should say so decidedly. Its popularity goes to this extent, that it is absolutely indispensable to them. Some of them may grumble at this proceeding or that proceeding, but they have one and all to own that the Bank of England is indispensable to them.

Q. Do you believe that if the Bank of England did not exist to-day an institution of like character could be organized?

A. The necessity for the work which the Bank of England performs here in our community is so absolutely necessary that it is unthinkable how we could get on without it, or without some other institution exactly taking its place.

Q. What would you say are the particular functions of the Bank of England?

A. The important function is that it is the very center of the whole of the banking interest. Everything that goes on in banking all over the country practically clears itself in the Bank of England. The whole of the town clearing, the whole of the country clearing, all centers in the London Clearing House, and the settlements of the London Clearing House are made in account with the Bank of England. Our balance, which, as I have said before, we look on as a reserve balance, is in the Bank of England; the reserve balance of all the other banks is

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in the Bank of England; we look on the Bank of England if we want to draw on our reserve fund; we go to the Bank of England for notes or gold, as the case may be, without a thought of not getting it when we want it.

Q. Would you say that the issue department was the second function in importance?

A. Yes.

Q. Is there any demand for greater elasticity in the currency?

A. Practically none at all. If, for instance, you look at the range of the issue of the Bank of England notes you find it extraordinarily level, and while banking deposits have expanded enormously the Bank of England issue of notes has not expanded at all in proportion. We do without them; we do not need them, and the issue of Bank of England notes consists very, very largely of what I keep in my till, and what other banks keep, and keep pretty permanently there. If I run down to, say, £100,000 of notes, and I issue them in legal tender as payment across my counter, I go and fill up again to-morrow morning; take out of my balance there Bank of England notes and fill up.

Q. Have you any idea of the percentage of actual cash or bank notes which is used in the transaction of business in the Kingdom?

A. No; but infinitely small. We will collect in the Clearing House, or rather, say, we will pay in the Clearing House on one given day, say, £8,000,000 sterling checks and bills drawn on and made payable at our bank, and the whole of our cashier work at the counter paying out Bank of England notes and paying out coin may not be a couple of hundred thousand pounds; it is very small indeed.

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Yesterday our actual payments were made 2½ per cent in cash and 97½ per cent in checks.

Q. Do you think that the centralizing of the privilege of note issue in the Bank of England is to the advantage of the community?

A. Very much to the advantage of the community. You see, we have really arrived at this point after having had large issues of notes by all the banks all over the country, and those have gradually ceased by the banks going out of existence, for one thing by their giving up their issue to the Bank of England, which gives them certain compensation for it, until there is hardly such a thing as an independent issue of bank notes in the country. We do not want it.

Q. There are some banks which still have the right of issue?

A. Just a few. I can hardly name them to you; I will not venture on figures because they are all matters of fact just the same as the number of banks in the Clearing House, and I might be wrong.

Q. You almost never see one of their notes, I presume?

A. Very rarely indeed. Within my knowledge I used to see lots of them. Thirty-five or forty years ago we were agents in London for the National Provincial Bank of England, which was a provincial bank doing no banking business in London and having a very large note circulation. Those notes would pour into us, and we would pay them and send them back to the country, so we saw the volume, and it paid the National Provincial Bank to come to London and open an office and do a regular business and give up the whole of that issue of notes because of the law which does not allow a bank having a head office banking in London to issue notes.

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Q. Are the bankers—that is, the heads of the important banks—usually informed when there is to be a change of bank rate?

A. No. It is in the air very much. I anticipate a change; all the circumstances seem pointing that way, and in conversation we come to the same sort of conclusion; but the actual deciding of it is a matter for the Bank of England board of directors alone, and when they have made the change they announce it and you know it.

Q. The increase in the Bank of England rate is regarded as effective, is it not, for the protection of gold?

A. Yes. There have been times when it has been said it is not effective at all, but times will come round again when we think it is effective; in the main, it undoubtedly is.

Q. What other action is taken by the Bank when they want to increase their gold, or perhaps stop the withdrawal of gold?

A. The one direct remedy is the putting up of the rate to penalize the man who wishes to discount his bills and take out the proceeds in gold; that is one way; in fact, that is about the principal way. Another way the Bank has at times is that it itself borrows money from the market; sells its securities—practically sells its securities—and takes in the money to itself, and so reduces the volume of loose money there is outside, and that immediately begins to hold up business. The whole essence of it is to increase the cost to the man who wants to take the gold up to the point when he has to say "I must do something else."

Q. As a matter of fact, if you had presented to the Bank of England last fall some bills which had been nego-

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LONDON JOINT STOCK BANK.

Balance sheet, June 30, 1908.

Dr.	£	s.	d.	£	s.	d.		Cr.
To capital authorized:								
120,000 shares of £100 each	12,000,000	0	0				$58,398,000	
To capital issued:								
120,000 shares, on which £15 per share has been called and paid				1,800,000	0	0	8,759,700	
To reserve fund				1,165,000	0	0	5,669,473	
To amount due by the bank on current accounts, deposit receipts, circular notes, etc				17,850,504	12	9	86,869,480	
To acceptances on account of customs				1,458,589	9	4	7,098,225	
To rebate of interest on bills discounted, not yet due, carried to new account				28,128	17	6	136,889	
To amount of net profit for the half year ended 30th June, including £26,950 10s. 10d. ($131,153) balance of profit and loss account, Dec. 31, 1907	£ 124,335	s. 5	d. 1	$605,077				
Less amount transferred to superannuation allowance fund	5,000	0	0	24,333				
				119,335	5	1	580,744	
				22,421,558	4	8	109,114,511	

	£	s.	d.	£	s.	d.	Cr.
By cash in hand and at the Bank of England	2,988,579	15	10				$14,543,924
By money at call and short notice	3,556,092	0	0				17,305,721
				6,544,671	15	10	31,849,645
By investments:							
Consols and other securities of, or guaranteed by, the British Government, of which £20,000 is lodged with Public bodies	2,249,133	15	0				10,945,410
Indian, colonial government, and other securities	1,526,406	10	4				7,428,256
				3,775,540	5	4	18,373,666
By bills discounted, loans, and other securities				10,175,847	0	5	49,520,759
By liabilities of customers for acceptances as per contra				1,458,589	9	4	7,098,225
By freehold and leasehold premises				466,909	13	9	2,272,216
				22,421,558	4	8	109,114,511

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tiated through you which appeared to be finance bills, do not you think they might have gently hinted that it was not agreeable to them to have you negotiate any more finance bills?

A. Yes, they have that remedy; they would not have said it to us, but they would have said it to anybody.

Q. When I said "you" I was speaking generally.

A. I may say they have that resource, and they might say to me if I gave them any just cause for doing it, just the same as anybody else.

Q. In other words, the Bank of England has such a commanding position here among the financial institutions which control all the finances of Great Britain that they dominate it when they choose to?

A. When they choose.

Q. And the banks can not afford and do not want to act contrary to their express wishes?

A. Decidedly not. The Bank of England is our ally, and our best possible ally, and speaking for myself I will do nothing contrary to the general desires of the Bank of England. I work in harmony with the Bank of England, and in no respect hostile to it; it is too indispensable a friend.

Q. It is the custom of the Bank to cooperate very cordially with the other banks, is it not?

A. Oh, yes; we are as free as free can be. There is very little conference, or anything of the kind; we are all pretty good friends all round. The essence of it is our great freedom. Each one conducts business on the safest lines he can manage to find for himself; we are all bound together on that principle, some a little different from the others, but all on the same leading principle. Hard-and-fast lines do not exist with us at all.

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Q. We would like your opinion as a banker of long standing and as an acknowledged authority on foreign exchange upon some of the problems we are considering.

A. I have been sixty years in the banking business, or a little over, in the city, so I know pretty well what has been going on during that time—since 1848.

With regard to central or state banks, the fault with the Bank of England is that in time of panic they have on occasions, more frequently in former years than now, had to apply for an order in council to suspend the bank charter. That is doing an illegal act to meet special circumstances; and I think is a blemish. The French system of going to the Assembly and the Senate to get their issue enlarged every now and again is also not good. And their check system is very much inferior to ours; in fact, no country's system I think is as good as ours. I do not know much about what happens in the States, but here almost everybody pays by check down to a pound and even sometimes lower, and it serves the double purpose of safety in transmission, and in being also a sort of receipt or proof of payment, and therefore is very much appreciated in this country. Nobody would be foolish enough to carry any large sum of gold about with him—£10 or £20 is almost the maximum—and therefore we economize the currency very largely in that way. The next best is Germany, which has a heavy tax of 5 per cent on the excess of her issue. A certain sum is allowed to be issued untaxed and above that they have to pay tax; but there are certain complications about the system there that want clearing

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away—it is not perfect. But in Germany and in France the great boon to the inhabitants is the number of branches which give great facilities for carrying on business by their being able to move funds so easily; not like what we have, ten or a dozen places, but they have got hundreds of places where money can be transferred without cost, excepting a loss of a day's interest, which does not count. I think that Italy has adopted the German system with modifications. And an old friend of mine, Signor Luzzatti, declares that they have an improved German banking system there. I thought of writing to Signor Luzzatti. He has written to the "Economist" views which I entirely agree with. He is a very able man and was Minister of the Treasury when his party was in power. He praises their system; they have a certain number of branches—they are rather old-fashioned in Italy; but my own impression is that in the States you ought to adopt the German system simplified and improved upon by getting rid of the red tape which is so much in evidence in Germany, the bureaucracy, as they call it.

Q. Speaking of checks, of course we use checks very, very largely and perhaps as largely as you do here.

A. Not for small transactions. I thought you used what were called in olden times shinplasters.

Q. Oh, no, those are obsolete; they are not in circulation.

A. Well, the greenbacks.

Q. Our greenbacks are in circulation; but we use checks for all amounts, even less than one dollar. They are used very commonly. What have you to say of the claim that the gold in the pockets of the people of Germany is a reserve and a valuable asset to the country?

A. That is a fallacy which Mr. Goschen started here; it is a fallacy, because when you want money you can not

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get it. Therefore what is the good of gold in the pockets of the people if you can not open them when you need to? On the contrary, the people accustom themselves so much to gold that it causes a run upon gold when otherwise they would be satisfied with bank notes. I look upon the system of carrying gold to any large amount in the pockets of the people as an absurdity. I could understand an ideal currency which would go down to £1 in paper and silver as small change, and then you need not have gold as currency excepting half sovereigns. But certainly with gold in the pockets of the people, who are timid when anything is occurring, you can not touch it. In the course of time I admit that if your trade goes persistently against you the gold comes out, then the people must pay gold, and their savings must go out to buy food and other necessaries of life. If there is a real trade depression then the gold in the pockets of the people is as good or almost as good as if it were available at the Bank of England, which it even then is not. In times of excitement they cling to it; they put it into their stockings, as they say, and the advantage is exaggerated immensely.

Q. It seems to us a little strange to hear the argúment that in times of war the people would open their pockets, because we are quite accustomed to find them closed in times of trouble.

A. Of course, these people think "We had better save the gold we have." There is another point which I have for many years urged upon the Bank of England; but they have always been opposed o it—at least not opposed to it, because in theory they approve of it—but in practice they are very difficult to move. I say to them, "Why not imitate Germany, Italy, and Austria, and hold a portfolio

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of foreign bills?" The way to hold such a portfolio is very simple. For instance, take the first million—you get a good bank here, a good firm, to buy the bills. Then you open negotiations with the best firms in the country where the bills are payable. When they are short, you renew them and you stop pro tanto the gold withdrawals by selling. You see, it is a protection which they could avail themselves of. Now supposing that in Germany the exchange rises above 50, gold would pay to send abroad, to England; they immediately sell their bills on London, lower their exchange and also make a profit; because they buy when the exchange is favorable and sell when the exchange goes up; I have pointed out that to the Bank of England; and I proposed it to the Bank of Holland years ago, and they do it to some extent. If you examine the statements of the Bank of Italy and banks of other countries, you will see they have a large amount of foreign bills. If you create a state bank, you ought to hold a portfolio of sterling German and French bills, whichever pays you the best interest—hold them and renew them quarter after quarter until the danger occurs of losing inconvenient sums of gold; and then sell and get your profit and retain your gold.

Q. Would you favor the Bank of England issuing notes against those bills?

A. No; they must hold the bills as a part of their reserve. I do not believe in issuing any legal-tender notes except as against government securities—a certain amount of government security and the rest in gold, or in times of pressure of paying heavy interest to the State for the permission to overissue, so that it is to the interest of banks of issue to get their notes reduced as quickly as possible.

Q. Is the issue system of the Bank of England inelastic?

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A. No; it is elastic enough if you pay gold into their coffers. You may have any quantity of notes if you give them gold. It is true that in times of great straits, of either war or panic or failures, the public are not always sure of getting the accommodation they require. Of course our plan has a restraining influence over speculation, which is a good feature, but I should prefer the system where the bank is prudently managed and they have to pay heavy interest on an excess issue. I like that system, because I think it is more elastic than ours. You can put a limit upon it, of course; you need not allow any great issue; in fact, the Government should control that. Now, with regard to your big banks, I do not see that you need interfere with them or why they should not keep a good deal of their money with the state bank, as our great banks do here.

Q. What amount of currency have you in circulation?

A. We have in this country usually, say, £30,000,000 of notes and £80,000,000 of gold and silver, say £110,000,000 in all.

Q. Foreign banks outside of state banks show almost no gold reserve against their deposit liabilities.

A. But, you know, the state banks of France and Germany have protection through the bimetallic system. If you go to the Bank of France and say, "I want 1,000 francs gold," they say, "No, thank you; we will give you 1,000 francs of silver." Thus, you see, they are protected. So is Germany. They have got a lot of silver. I was told by one of the Belgian banks that Germany in time of the war of 1870 received bills from France for the indemnity, and they said to the Belgian people, "Look out; we have got some hundred million of francs; we will take away all your gold." They said, "No, thank you; we can pay in

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silver;" and do you know they had silver exports from Belgium into France much larger than the Bank of France liked, these Belgian 5-franc pieces coming over the border, so they followed a very cute system. If a man paid in, say, 100,000 francs in silver to the bank, whenever he presented checks to draw his money they paid him in his own silver, so he never could draw on his credit unless he took back the silver; so that stopped it; but it is a great protection to Italy, Austria, Germany, and France, having the option of paying in silver.

Q. Yes; it may be a great protection to the central banks, but in Germany and France the joint stock and other banks hold practically no cash reserve except their balances in the Reichsbank and the Bank of France, and they depend upon the rediscount of bills as their effective reserves. Do you think other reserve is needed?

A. I think that it is rather needed, that there should be some reserve in the hands of the banks. They ought to hold some reserve in gold, and I believe now the English banks do hold a certain amount; they do not disclose it, but they have got it there in case of need. I propose, and many people agree with me, that the small note, the £1 note, would build up the reserve of gold without any cost but printing. I have advocated that they should issue here, as in Scotland and in Ireland, for the convenience of the public, £1 notes, and they could issue ten or twenty millions very easily.

Q. We have been impressed with the enormous amount of business that is being conducted, both in Germany and in France, upon the basis of confidence in the central banks rather than upon an actual gold reserve.

A. Yes, because you see the Bank in Germany has the privilege of issuing large sums in excess of their legal

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circulation by paying 5 per cent interest to the Government. Therefore they can not plead they have not got the money as the Bank of England might, who might say, "Well, we do not like to ask for the suspension of the bank charter act, and, therefore, we will not discount except at very onerous rates." We require an improvement, and I have always thought that Germany, which is really a poor country in comparison with France, England, or America, can weather the storm so easily and strive and succeed in bringing down their currency at the earliest possible moment within legal limits, and I rather admire them for that; and they do pursue a steady course without incurring losses. I do not think they lose to any large extent.

Q. What do you regard as the most important method of protecting the gold of England in time of trouble?

A. The rate of discount; that is efficacious, and the Bank is always very ready to put it up.

Q. London is the gold center of the world, is it not?

A. Yes, because it is the only country where they pay freely in gold, but even that is now qualified in rather a small way. They have got what they call an export corner; that is, they sift out the minimum legal weight of the sovereigns and heap them up for the exporters. If they give us full-weight sovereigns we would be very glad to get them, but they will not. We now could send gold to France if we could get full-weight sovereigns, but we can not get them. Formerly they did not do those things.

Q. Where are the full-weight sovereigns?

A. Oh, they keep them for interior purposes. If Liverpool and Manchester banks want sovereigns they get full weight, because freight is against us sending them from

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the north to the Continent. In any of the north country places you have the most beautiful, bright, heavy sovereigns which we should like to see in London, but we can not get them.

Q. But you do not mean that the Bank would pay out light-weight sovereigns?

A. Not light. There is a difference equivalent to about 1 penny per ounce between the allowed weight and the new full weight.

Q. And the foreign governments will not take them?

A. They take them, but we lose the one per mille, which is equal to a penny per ounce.

Q. Why can France maintain a 4 per cent bank rate when the rate here and in Germany is higher?

A. Because the French Bank will keep the rate at 3 per cent unless on very, very rare occasions; there will always be difficulties in the way of speculation that would lead to an advanced rate. For instance, they will not take what they call circulation bills. Even the Germans follow suit; they will not take bills of bank on bank; they will not take what is called kites, however beautiful. A kite is a bill drawn for raising money; and however grand it may be in the point of real security, it is not commercial; and if you take the finest paper to the Bank of France of that description—there may be millions represented on the bill—they will not take it, and this prevents inflation of credit at certain intervals. They are much steadier going, and then a great deal rests with the people; the money is distributed much more equally in France than almost any other country. The small farmer, the servant, in France saves 100 francs, and buys an obligation in a railway for 100 francs and gets 3 per cent or 4 per cent. If an English housemaid saves £4, she buys a gold watch with it; there

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is the difference in character; the French people are thrifty; they save every penny they can, and that is the backbone of the country. I think France is a very, very rich country.

Q. What is the relative position of France with reference to the international balance of trade?

A. Well, I do not think they progress. You see, their people do not increase; they have got imbued with the ideas that comfort lies with small families, and so on; therefore they do not increase, and that keeps them behind. It is a great advantage to a country to have an excess of population, which forces emigration. This Empire of ours has been built up by excess of population. The whole of the colonies have been raised up. Even in early days what is called the United States now was built up by English colonists, and if by any magic you arrested the population here there would be a decline in the prosperity of the country. Well, that is the same with Germany. You get your surplus population from all over the world, but in France there is a stagnation, and that imbues the rich with selfishness, a love of comfort and luxury, and the working class will not exert themselves to make any effort to leave France; they want to carry Paris with them wherever they go.

Q. Well, France could not maintain her position in the finance of the world if she were not a very strong, rich country and a creditor country, could she?

A. No; I think she has in her soil, her wine, and other products sufficient; even the grain as a rule is sufficient for their needs; they are always heaping up wealth. If there is no revolution or no war, I look upon France as destined to be almost, if not quite, the richest country in the world.

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Q. She must be a creditor country in trade balance?

A. Oh, I think she must be. Every rich country imports more than it exports. This country imports considerably more than it exports, and why? Because she does not want gold; she can not eat or drink gold; she must have products. We receive the freights of merchant ships, those that trade to this country and elsewhere, and also we have got the confidence of the world because we are an island; they like to place their money where there is no risk of an invasion, or very little; it is our insular position and also the integrity of our merchants which is still a great force; it was greater in former years; it has gone a little down, but still it is very good.

Q. Could you have stopped the further exports of gold to America last fall?

A. Yes; the Bank could have stopped it by a 10 per cent rate.

Q. The Bank of England is required to buy any gold presented, is it not?

A. Bound to at 77 shillings and 9 pence, and the Mint is bound to pay 77 shillings and 10½ pence. It is such a bother sending to the Mint that it is very, very rarely done. That is another unwise thing in this country, that they charge nothing for minting gold. You can take a thousand new sovereigns, melt them down into ingots, present the ingots to the Mint and you get your thousand sovereigns. They work for you and charge nothing, and it costs you nothing except a little loss of interest. They ought to charge, like every other mint, a little for their work done—one-fourth per cent, or something of that sort. That would keep our gold a little tighter.

Q. I would like to understand the modus operandi of the gold transactions in London. For instance, I noticed

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in the papers this morning that there would be laid down £700,000 gold. Will you state how that is handled?

A. The gold arrives at the Bank of England from all these treasure ships, and the bills of lading in the hands mainly of the banks of the country, the African banks and such like, and they go to the Bank of England, withdraw the gold, send it to the smelters, who melt it into bars. Those bars are assayed by the Bank of England and they are bound to pay you 77 shillings and 9 pence; they frequently pay more, but the minimum they can pay is 77 shillings and 9 pence, and they give an immediate advance on the gold. If you present £10,000 of gold, they will give you £9,500 at once and the balance when it has been assayed; it is very simple.

Q. That gold comes from South Africa through the banks there, and if France wants that gold, they would bid for it through some house in London?

A. Yes; and they would get it; we send largely to France; they would get it at a little higher than the Bank of England would pay. Sometimes the Bank of England takes a fancy to the gold and quietly bids a little more than the foreigner; but at present she does not do it, because there is no particular need, and the more gold that the Continent takes the less likelihood of drafts upon the Bank's resources.

Q. Is that gold offered at a certain hour each day?

A. No. At a quarter to 2 we meet together and fix the price of gold and silver; it takes about a quarter of an hour to fix the price, and then the orders are filled and the gold is packed. It sometimes is melted, sometimes is not melted. We do not melt the United States Mint bars because they are assayed on the bar and everything ready, but the general system is that the refiners here

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take whatever silver they can get out of the gold and deliver the bars of gold to the weight the Bank of France will receive it, not too heavy. They fix the limit at 400 ounces and then it is shipped as soon as it is delivered from the refiners.

Q. What is the actual value of gold coin?

A. The full-weight sovereign is 77s. 10½d., the Bank buying at 77s. 9d., or anything under 10½d., makes a profit.

Q. Does the Bank ever pay in excess of that amount?

A. Excess of 10½d.? No.

Q. Never?

A. Never. I have known them to pay 10d., but I do not think they have ever paid more, because they would lose.

Q. Why does gold ever sell at a price less than 10d.?

A. If there are no orders for export you must take it to the Bank and sell it for 9d.

Q. Certainly. Could not you take it to the Mint and have it coined?

A. But you lose more in interest, as I explained. They may keep you a week or two waiting; they say, perhaps, "We are very busy; we can not deliver it." No; there is very little ever goes to the Mint.

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THE UNION DISCOUNT COMPANY OF LONDON, LIMITED.

Answers to questions addressed to Christopher R. Nugent, Manager of the Union Discount Company of London (Limited).

Q. Will you give a brief history of your institution?

A. The company, with a capital of £1,000,000 in 100,000 shares of £10 each, 50 per cent paid, was registered April 24, 1885, to amalgamate the General Credit and Discount Company (Limited), and the United Discount Corporation (Limited), both of which institutions originated in London. The company has no agencies or branches, its business being conducted entirely at its offices in London. The capital was increased in January, 1888, to £1,300,000 by the issue of 30,000 shares of £10 each, 50 per cent paid, at a premium of £2 10s., and in August, 1899, to £1,500,000 by the issue of 20,000 shares of £10 each, 50 per cent paid, at a premium of £4 10s.

Q. How many other similar institutions are there in London?

A. One; but there are about 20 private firms doing business of a similar character.

Q. What is the par value of your shares? What dividends do you pay? What is the present market price of your shares?

A. The shares are for £10 each, £5 of which is paid up. The dividends amounted to 12 per cent per annum on the paid-up capital for the year ended December 31, 1908. The present market price of the shares is £12 3s. 8d.

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Q. How many stockholders have you?

A. The number of our shareholders is 2,806.

Q. Is the stock fully paid?

A. No; the shares are each £5 paid, leaving £5 per share to be called up in case of need.

Q. Does the law require that before full distribution of profits you shall accumulate and maintain a certain amount of surplus (reserve fund), and are you required to invest this in any particular way?

A. No; the present reserve fund amounts to £520,000.

Q. Is there any limit to the number of shares which may be held by any one person, and is your approval required before a transfer of your stock can be made?

A. There is no specified limit to the number of shares which may be held by any one person. The directors may refuse to register a transfer to a transferee of whom they do not approve.

Q. How often do your shareholders meet?

A. Twice a year—in January and July.

Q. Does every share have a vote at shareholders' meetings?

A. Yes.

Q. Describe the organization and management of the company.

A. The management of the business and the control of the company is vested in the directors, who at their discretion can appoint officers for permanent, temporary, or special services, and can remove or suspend same. The present number of officers is five. Of the directors, who are elected or whose appointments are confirmed by the shareholders in general meeting, one-fourth retire from office by rotation and are eligible for reelection, at the

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first ordinary general meeting in every year. The present number of directors is six. According to the articles of association, the number of the directors must not be less than six or more than twelve.

Q. Is it customary to reelect directors at the expiration of their terms?

A. Yes.

Q. How frequently do the directors meet?

A. Once every week.

Q. How frequently are you required by law to publish statements of condition?

A. Once in every year.

Q. How frequently is it your custom to publish them?

A. Half yearly.

Q. What local or general taxes are paid by the company?

A. Income tax, house duty, land tax, police rate, consolidated and sewer rate, rector's rate, water rate.

Q. State the distinction between loans and deposits among your liabilities.

A. "Loans" indicate money placed with the company for which collateral security in the way of bills of exchange or stocks is given, in addition to the obligation of the company, while "Deposits" indicate money placed with the company, for which no special security is given.

Q. Do you pay interest upon either or both? If so, does the rate vary upon different classes of accounts?

A. Interest is paid on both. Occasionally "deposits" receive somewhat higher interest.

Q. Are loans and deposits received from individuals and mercantile firms as well as from banks?

A. Yes.

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Q. What governs the fluctuations in the rates paid?

A. The rates paid for loans and deposits are governed by the Bank of England's official rate of discount, and the conditions prevailing in the money market.

Q. What percentage of your deposits are payable on demand?

A. About 40 per cent.

Q. Describe the character of your item "bills rediscounted," their usual duration, and the kinds of institutions to which they are presented.

A. Bills sold by the company under discount to various customers. Their duration is from a few days up to six months, and they are chiefly bought by bankers in Great Britain and on the Continent.

Q. Do you guarantee all of the paper which you sell to the banks?

A. Yes.

Q. What is included in the item "Cash at bankers?"

A. Nothing but cash.

Q. Is it customary to confine your investments in securities to government and public securities, or do you purchase stocks and bonds of railways and other independent corporations?

A. To a small extent stocks and shares of independent corporations are sometimes bought.

Q. Are you required by law to invest your capital or any part of it in any particular securities? If so, in what class and to what amount?

A. No.

Q. Is it your practice to invest an amount equal to your capital in securities; and if so, in what general class of securities?

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A. There is no regular practice; investments vary according to circumstances.

Q. What classes of collateral are accepted by you for loans?

A. Bank and mercantile bills and stocks officially quoted on the London Stock Exchange of a negotiable character, with no further liability.

Q. Will you state approximately the average length of time and the average size of loans on collateral?

A. The length of time is about three days; the size about £20,000.

Q. Do you frequently employ surplus funds in loans on call to dealers in securities?

A. Yes.

Q. Are a considerable number of your loans on call?

A. Yes.

Q. Describe the general character of your bills discounted, including their average size, their average length of time, and the number of names required.

A. The acceptances of banks and financial and commercial firms of good standing. The bills average about £700 in amount and about fifty to sixty days in currency. At least two names required.

Q. What is the minimum size and what is the maximum length of time to run for bills discounted by you?

A. Rarely under £10 in size or longer than twelve months.

Q. What is the distinction between what are known as "prime" bills and other bills?

A. "Prime" bills are the acceptances of banks and leading firms. "Other" bills are the acceptances of houses in a smaller position.

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Q. What is the usual difference in the rate charged by you upon a prime bill and for a high-class loan secured by collateral having the same period to run?

A. One-fourth to one-half per cent.

Q. What is the difference between a trade bill and a finance bill? Is the rate the same on each?

A. A "trade" bill is one drawn upon a merchant or retailer for goods actually sold and delivered. A "finance" bill is one drawn against a deposit of securities, or sometimes without any such deposit, for the purpose of creating credit. Rate is higher on "finance" bills.

Q. Do you discount foreign bills?

A. Yes.

Q. What is meant by "domiciled" bills?

A. In London the term is applied to a bill drawn on a firm abroad, in sterling, but made payable in London.

Q. Do you always discount directly for individuals and merchants?

A. Yes.

Q. To what extent does the bank rate govern your discount and loan transactions?

A. The bank rate is a great factor in our loan and bill transactions, particularly when the money market is stringent.

Q. Is the amount of accommodation extended to you by the banks predicated upon the amount and character of balances carried by you with them, or governed by the necessities of the general situation?

A. The banks are mainly influenced by general conditions in extending accommodation to the discount houses, but they are more favorably disposed to those who carry balances with them.

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Q. Is there any general rule in your bank with reference to the percentage of cash and balances in the bank to the deposit liabilities?

A. No general rule.

Q. Can you estimate the percentage of cash (coin and notes) to deposit liabilities in all the banks of England, including the banking department of the Bank of England?

A. The percentage of coin and notes to deposit liabilities in all the banks would probably be about 15 per cent, that of the Bank of England varying from 35 to 50 per cent, according to circumstances.

Q. Do you regard prompt and adequate increase of the bank rate as the most effective measure to protect the bank's reserves?

A. One of the most effective measures certainly.

Q. Does the raising of the bank rate ever fail to attract gold and change the course of exchanges?

A. It has not failed hitherto.

Q. How do you account for the fact that at times a higher bank rate in England fails to attract gold from the Continent when lower rates prevail there?

A. Probably at the times referred to the difference in rates was only slight, and was more than neutralized by the difficulties put in the way of gold shipments by the responsible foreign authorities.

Q. Is the raising of the bank rate more effective in controlling gold movements now than at the time of the last suspension of the bank act in 1866?

A. Yes.

Q. To what do you attribute this increased efficiency?

A. To the fact that international relations are closer than they were, and that the amount of gold held by

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foreign treasuries and banks throughout the world is much larger than it was.

Q. What effect did raising the rate in the period from October, 1907, to January, 1908, have upon the Bank's gold supply?

A. It had the effect of attracting gold from home circulation and abroad, and lessened the facility with which it could be obtained from the Bank for export to the United States.

Q. What other steps are taken in addition to raising the bank rate to protect the outflow of gold in times of a crisis?

A. The Bank may borrow money in the open market to produce increased firmness there, and it may exercise greater discrimination in advancing upon bills and securities, thus restricting the facilities for obtaining money.

Q. Is it customary at such times to advance money without interest to importers of gold to cover the time required in transportation?

A. It has been done by the Bank of England occasionally, but it is not customary.

Q. Is it the policy of the Bank of England to discriminate against finance bills in times of financial crises?

A. The Bank has not usually acted upon such a policy, but there is an impression in Lombard street that it might do so at any moment, and this feeling has a restraining effect upon the creation of this class of paper in bad times.

Q. Does the understood policy of the Bank of England to advance bank rates rapidly and at the same time to extend liberal credit in times of serious financial trouble meet with general approval in business and banking circles?

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A. Yes.

Q. Is London the only free market for gold in Europe?

A. Yes; in the complete sense of the word "free."

Q. Do the joint stock and other banks rely upon the reserves of the banking department of the Bank of England as their ultimate resource in case of trouble?

A. I do not consider that the outside banks can be said to "rely" upon the reserve in the banking department of the Bank of England, chiefly or exclusively. They largely regulate their transactions according to its size, but can only "rely" on their own reserves in times of serious trouble.

Q. Do your favor an increase in the fiduciary note circulation?

A. No; I would prefer to see the present fiduciary issue lessened or abolished.

Q. Do your favor the issue of £1 notes?

A. Yes.

Q. If not, what is the reason for your objection?

A. Answered by preceding reply.

Q. Does the proposition for a secondary gold reserve meet with your approval?

A. No.

Q. Has the experience of the United Kingdom with reference to note issues under the legislation of 1844 and 1845 been satisfactory?

A. Yes.

Q. With respect to the monopoly of note issue, are any modifications or amendments to the bank acts suggested, and if so, what is the nature of the proposals?

A. So far as the monopoly of issue enjoyed by the present holders is concerned, I do not know of any serious suggestions for its alteration.

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Q. Is there any substantial demand for what we in America call "greater elasticity" in volume of currency (notes and coin) to answer business demands?

A. No; I do not think there is.

Q. Is there any inclination to adopt the German system of taxed issues for emergencies or some modification of it?

A. The subject has been much discussed, but I do not think there is any inclination to adopt the German system.

Q. Is there any tendency to return to the system of note issue in existence prior to 1844?

A. No.

Q. Is there any contention in banking or economic circles that it is necessary to restore or extend the right of issue to banks other than the Bank of England to enable them to increase their own profit, or to afford adequate facilities to borrowers, or to meet legitimate business demands?

A. No; the disposition (as indicated in reply to a former query) is to leave the issue of notes in the hands of those at present having this facility.

Q. Has the rapidly increasing use of checks, bills of exchange, and other instruments of credit and clearing-house facilities rendered the enlarged employment of bank notes unnecessary?

A. Yes.

Q. What effect has a marked increase in the commercial and industrial activities of Great Britain on the volume of note issues?

A. An increase in the commercial and industrial activity of Great Britain would tend to increase the "circulation" of notes. The "issues" are more governed by the supply of, or demand for, gold.

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Q. What in your opinion is the effect of branch banking and the amalgamation of banks: (*a*) Upon the amount of cash held by the banks? (*b*) Upon local bank rates? (*c*) Upon the prosperity and development of communities?

A. The effect of branch banking and the amalgamation of banks is to (*a*) increase the aggregate amount of cash held by the banks; (*b*) the establishment of branches by competing banks tends to lower local rates, the amalgamation of banks tends to keep local rates firm, and even to raise them; (*c*) is a favorable influence toward the development and prosperity of communities, provided that the amalgamation process is not carried too far in centralizing the control of the banking business of the community in a few hands.

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THE UNION DISCOUNT COMPANY OF LONDON, LIMITED.

Balance sheet, June 30, 1908.

Dr.	£	s.	d.	£	s.	d.
To capital account, 150,000 shares of £10	1,500,000	0	0			
Amount paid, £5 per share				750,000	0	0
Reserve fund				480,000	0	0
Provident reserve fund				50,385	14	0
To loans and deposits, including provision for contingencies	15,906,247	2	2			
To bills rediscounted	8,083,668	16	11			
				23,989,915	19	1
To rebate on bills discounted	143,515	19	10			
Balance at credit of profit and loss for appropriation	132,217	3	9			
				275,733	3	7
				25,546,034	16	8

	£	s.	d.	Cr.
By cash at bankers	882,968	4	0	
By consuls, exchequer bonds, Indian government, and other securities	3,238,423	17	1	
By loans on securities at call and short dates, and other accounts	1,213,901	7	0	
By bills discounted, etc	20,098,019	18	7	
By sundry debit balances	6,111	13	1	
By freehold and leasehold premises, fittings and furniture, at cost, less annual depreciation written off	106,609	16	11	
	25,546,034	16	8	

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THE LONDON AND WESTMINSTER BANK (LIMITED).

Report of answers to questions addressed to Mr. T. J. Russell, Manager of the London and Westminster Bank (Limited).

Q. Will you give us a brief account of your institution?

A. The London and Westminster Bank was established in March, 1834. It was registered as a limited company in March, 1880. It originated in London and is still confined to London and its suburbs.

Q. What is the par value of your shares, and what dividends do you pay?

A. The par value of our shares is £100, of which £20 is paid. For the last four years dividends of 13 per cent per annum have been declared. The present market price of the shares is between £50½ and £51.

Q. How many stockholders have you?

A. Upward of 10,600.

Q. What additional payments can be collected from your stockholders for the development of business, and what in case of liquidation?

A. As £20 per share have been paid in, the shareholders are left a liability of £80 per share, which can be collected for the development of business or for liquidation.

Q. Does the law require you to accumulate a certain amount of surplus?

A. No.

Q. Is there any limit to the number of shares which may be held by any one person, and is your approval required before a transfer of your stock can be made?

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A. There is no limit to the number of shares which any individual may hold, but the approval of directors is required before transfers can be made.

Q. How often do your shareholders meet?

A. Twice a year.

Q. Does every share have a vote at the shareholders' meetings?

A. No; votes are distributed as follows: From 10 to 49 shares, 1 vote; from 50 to 99 shares, 2 votes; from 100 to 199 shares, 3 votes; from 200 shares upward, 4 votes.

Q. Describe the organization and management of the bank, stating the officers and directors, and their respective functions, and for what periods of time and by whom are they elected?

A. There are 682 officers and 15 directors, who are elected by shareholders. Three of these directors retire annually.

Q. Is it customary to reelect directors at the expiration of their terms?

A. Yes.

Q. How frequently do the directors meet?

A. Daily.

Q. How many branches have you?

A. Thirty-six.

Q. In the main, have they been created by you, or have they been formed by the absorption of independent banks?

A. They have mainly been created by us.

Q. How are your branches managed?

A. By an appointed manager, who is visited periodically by the superintendent and inspectors of branches, and occasionally by directors.

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THE LONDON AND WESTMINSTER BANK (LIMITED).

Balance sheet for December 31, 1908.

Dr. LIABILITIES.	£	s.	d.
To current accounts and deposits	26,625,620	12	2
To circular notes, credits on agents, provision for bad and doubtful debts, rebate on bills discounted not yet due, commission loans and other accounts	1,030,776	2	3
To acceptances	1,231,053	3	10
To liability by indorsement (bills negotiated for customers)	19,030	13	11
To capital, divided into 140,000 shares of £100, on each of which £20 is paid, making a total of	2,800,000	0	0
To rest or surplus fund	1,400,000	0	0
To government securities depreciation account	100,000	0	0
To balance of undivided profit June 30, 1908 (£ 49,662 4 8)			
To net profit of the last half year (£ 155,334 5 8)			
	204,996	10	4
	33,411,477	2	6

ASSETS. Cr.	£	s.	d.
By cash in hand and at Bank of England	4,336,412	17	11
By money at call and short notice	7,180,075	0	0
By Government securities, viz, £4,000,000 2½ per cent consols at 85 (of which £1,000,000 is lodged for London County Council), £500,000 local loans stock at 97 (subject to reserve for depreciation as per contra)	3,885,000	0	0
By colonial government securities, British corporation stocks, and other investments	416,605	12	4
By bills discounted, loans, and other accounts	15,544,428	14	7
By liability of customers for acceptances, as per contra	1,231,053	3	10
By liability of customers for indorsement, as per contra	19,030	13	11
By bank and other premises (at cost less amounts written off)	798,870	19	11
	33,411,477	2	6

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Q. Who appoints the managers of branches, and are they usually selected from subordinate officers in the same bank?

A. The directors appoint the managers of branches, who are selected from among subordinate officers, but not necessarily in the same branch.

Q. How frequently are you required by law to publish statements of condition?

A. Twice a year.

Q. How frequently is it your custom to publish them?

A. Monthly.

Q. In your opinion, should more frequent and fuller bank returns be published?

A. We do not consider this necessary.

Q. What legal or general taxes are paid by the bank?

A. The usual parochial and general taxes.

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Interview with Lord Avebury, Partner of Robarts, Lubbock & Co.

Before proceeding to answer the questions I think I ought to say that, while I have the honor to be chairman of the London Bankers and president of the Central Association of English Bankers, I am speaking in my own name, and have no authority to commit those institutions.

Q. Will you give a brief history of your institution, stating whether its business is confined to London or is also conducted through branches elsewhere in England?

A. Our bank was founded as a bank in 1772. Previous to that, however, my ancestors had been established as merchants, doing a certain amount of banking business. In that year the two businesses were separated, my great uncle, and afterwards my grandfather, however, remaining at the head of both concerns. We have no branches, but our business is by no means confined to London.

Q. How many stockholders have you?

A. As we are a firm and not a company, this question does not apply to us.

Q. How frequently are you required by law to publish statements of condition?

A. We publish our accounts yearly, but are under no legal obligations to do so.

Q. Should more frequent and fuller bank reports be published?

A. I see no necessity to do so.

Q. What local or general taxes are paid by the bank?

A. We pay the ordinary local rates and general taxes.

Q. Will you state the distinction between current accounts and deposit accounts?

A. Deposit accounts are more or less stationary; current accounts are constantly operated on.

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Q. Do you pay interest on either, or both?

A. We pay interest on deposit, but not on current, accounts. Money not likely to be immediately wanted can always be transferred to deposit, and then bears interest.

Q. What percentage of your deposits are payable on demand?

A. The proportion varies.

Q. What is the usual length of time and what is the usual duration of the acceptances drawn upon you by your customers?

A. Not at more than three months.

Q. What is included under the item "Cash in hand" in your statement?

A. Cash in hand includes nothing but cash.

Q. What is included under the item "Money at call and short notice?"

A. This is money deposited at call, mainly with bill brokers at call and against gilt-edge securities, or in part lent on the stock exchange for not more than a fortnight.

Q. Do you confine your investments in securities to government and public securities?

A. Our investments are mainly British government securities, with a comparatively trifling amount of first-class railway bonds, etc.

Q. Is it your practice to invest an amount equal to your capital in securities; and if so, in what general class of securities?

A. Our capital is invested in English government securities.

Q. Describe the general character of your bills discounted.

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A. The bills we discount have never less than two names, nor more than three months to run.

Q. What is the usual difference in the rate charged by you upon a prime bill and for a high-class loan secured by collateral having the same period to run?

A. About one-half per cent.

Q. What is the difference between a trade bill and a finance bill? Is the rate the same on each?

A. A trade bill is based on an actual sale; a finance bill is a bill based on an exchange operation; an accommodation bill is merely a means of raising money. The first two may or may not be good. It depends on the credit of the houses. The third class we do not take.

Q. Do you discount to any considerable amount directly for individuals and merchants?

A. At times.

Q. Do you frequently employ surplus funds in loans on call to dealers in securities?

A. We generally have considerable sums lent out for a few days on the stock exchange against readily salable securities.

Q. Would you charge a merchant having a good account with you the bank rate or the market rate for prime bills?

A. The market rate.

Q. To what extent does the bank rate govern your discount and loan transactions?

A. The bank rate generally is an expression of the market rate.

Q. Is it your custom to employ your surplus funds in the purchase of bills from discount houses?

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A. We employ our surplus funds with discount houses and companies and keep a certain amount with them which is available for any daily requirement.

Q. Do you at times discount bills for parties having no account with you?

A. No.

Q. Are a considerable number of your loans on call?

A. Yes.

Q. Do you allow overdrafts?

A. We occasionally allow a temporary overdraft, against security, but prefer to make a loan for a definite amount and a definite time. The Scotch system of "cash credits" does not prevail in London.

Q. Is there any general rule in your bank with reference to the percentage of cash and balances in the bank to the deposit liabilities?

A. No.

Q. Can you estimate the percentage of cash to deposit liabilities in all the banks of London?

A. No.

Q. Does the raising of the bank rate ever fail to attract gold and exchange in the course of exchanges?

A. A sufficient bank rate always brings in gold.

Q. How do you account for the fact that at times a higher bank rate in England failed to attract gold from the Continent when lower rates prevail there?

A. Because there is no free market for gold except in London.

Q. Is the raising of the bank rate more effective in controlling gold movements than at the time of the last suspension of the bank act in 1866?

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A. I remember 1866 well. The bank act was not so well understood then as it is now, and I think the rate should have been raised sooner. A rate of 5 per cent here will, I believe, always bring in gold, but it requires a reasonable time.

Q. Is it the policy of the Bank of England to discriminate against finance bills at the times of financial crises?

A. I believe not. So far as we are concerned, we have never as a matter of fact rediscounted any bill we have taken or applied to the Bank of England for any advance. No doubt, however, in the case of any general and unreasonable panic the Government would authorize the Bank of England to take such steps as might be deemed wise in the general interests. Twice since 1844 the Bank of England has been authorized to utilize temporarily the reserve of gold held in the issue department, but I believe that in both cases this might have been altogether avoided if the rate had been raised rather earlier. Moreover, the effect of a rise in the rate of discount in attracting gold was not as well understood then as it is now.

Q. Do you favor the issue of £1 notes?

A. No. I agree with the governor of the bank that £1 notes would take the place of gold, and thus tend to drive it out of the country. Moreover, if as is now the case, the banks took the numbers and the notes were not reissued the expense would be greater than that of coin.

Q. Does the proposal of a secondary gold reserve meet with your approval?

A. No.

Q. Has the experience of the United Kingdom with regard to note issues under the legislation of 1844 and 1845 been satisfactory?

A. Yes.

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Q. Is there any substantial demand in England for what we in America call "greater elasticity" in the volume of the currency to meet changes in business demands?

A. I should say not.

Q. Is there any inclination to adopt the German system of taxed issues for emergencies or some modification of it?

A. Many years ago Mr. Lowe, when chancellor to the exchequer, did me the honor of consulting me on this point. He came to the conclusion that it was not necessary, and as to the working of the act of 1844 and the effect of a high enough rate of interest in bringing gold from abroad is better understood, this seems to me now even more the case. At the same time I should see no grave objection to giving the Bank of England power to exceed the statutory note limit, paying at the rate of, say, 5 per cent per annum on any excess. The existence of such a discretion might possibly tend to allay alarm.

Q. Is there any tendency to return to the system of note issue in existence prior to 1844?

A. No.

Q. Is there any contention that the right of issue should be restored or extended to banks other than the Bank of England?

A. No.

Q. Has the rapidly increasing use of checks and other instruments of credit and clearing-house facilities rendered the enlarged employment of bank notes unnecessary?

A. Yes. Many years ago I took out and published the experience of our house for a month. The percentage of gold and silver was, to the best of my recollection, under 1 per cent, and that of notes only 2 or 3 per cent, the great

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bulk being in checks. If thought worth while, I could look up the exact figures.

Q. What effect has a marked increase in the commercial and industrial activities of Great Britain on the volume of note issues?

A. Comparatively little, owing to the very general use of checks.

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ROBARTS, LUBBOCK & CO., LONDON.

Balance sheet, January 30, 1909.

Dr.	£	s.	d.
Paid-up capital and reserve fund	500,000	0	0
Current and deposit accounts	3,377,331	7	11
Acceptances against approved securities	70,842	10	10
	3,948,173	18	9

	£	s.	d.	Cr.
Cash in hand and at Bank of England	776,986	9	7	
Cash at call and at short notice	757,400	0	0	
Consols 2½ per cent stock, £500,000	415,000	0	0	
Metropolitan water board 3 per cent "B" stock, £50,000	46,000	0	0	
	461,000	0	0	
British Indian and colonial government securities, and corporation stocks	125,465	5	8	
English railway debenture and preference stocks and other investments	133,203	0	6	
Bills discounted, loans and advances to customers	1,493,530	9	6	
Liability of customers for acceptances per contra	70,842	10	10	
Freehold bank premises	129,746	2	8	
	3,948,173	18	9	

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SCOTLAND.

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ROYAL BANK OF SCOTLAND.

Interview with Adam Tait, Cashier and General Manager.

Q. When was the Royal Bank of Scotland founded?

A. In the year 1727.

Q. When does your present charter expire?

A. It is perpetual.

Q. What is the par value and present selling price of your shares?

A. The par value is £100; the stock is selling at £262.

Q. How many stockholders have you?

A. About 3,500.

Q. Is the stock fully paid?

A. Yes.

Q. Have your shareholders any liabilities in addition to the ownership of shares?

A. No.

Q. Is there any limit to the number of shares which may be held by any one person, and is your approval required before a transfer of your stock can be made?

A. There is no limit to the amount of stock held by any one person; yes, our approval is required before a transfer of stock is made.

Q. How often do your shareholders meet?

A. Annually.

Q. Does every share have a vote at shareholders' meetings?

A. One vote may be cast for each complete £100 of stock.

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Q. What control have the shareholders over the management and conduct of the business?

A. They elect the directors.

Q. Has the Government any voice in the management of the Bank or any interest in it through the ownership of shares?

A. No.

Q. Describe the organization and management of the Bank, stating the number of officers and directors, with their respective functions; and for what periods and by whom are they elected?

A. The management and control is vested in a governor, deputy governor, 9 ordinary and 9 extraordinary directors. The ordinary directors have the management of the Bank; the governor and the extraordinary directors are not entitled to interfere in the management, and their offices are honorary, but they may be called in to consult and advise. The deputy governor takes part in the management, and when present presides over meetings of the ordinary directors. The active management is in the hands of the general manager, and the directors advise and control him.

Q. Is it customary to reelect directors at the expiration of their terms?

A. Yes.

Q. Is there any custom restricting the class from which the directors may be selected?

A. No; except that the policy has been to elect from the professional classes and not from those actively engaged in trade and who might themselves or through their firms require advances.

Q. How frequently do the directors meet?

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A. The whole nine meet once a week, constituting a board meeting. Committees of three directors meet on other two days in each week. The same three directors take the committees for one month continuously.

Q. How many branches have you?

A. One hundred and fifty-two.

Q. How are your branches managed?

A. By resident agents, accountants, tellers, and clerks, according to the extent and nature of the business of the branch. The agent is the responsible officer, and, as a general rule, is alone entitled to bind the bank by signing documents on its behalf. Each branch is visited by an inspector from the head office, who makes a very careful scrutiny of all the advances and a balance of the cash, and reports to the directors thereon.

Q. Who names the managers of branches?

A. The directors, on the recommendation of the general manager.

Q. Have the managers of the branches full control of the business in granting discounts, etc.; if not, what discretion is usually given them?

A. Yes; but the general manager may impose restrictions or limits or may require transactions to be submitted for his approval or that of the directors. Large advances, by way of loan, or overdraft, require the previous sanction of the head office.

Q. Have you any system of distribution of profits among the managers of branches?

A. No; occasionally a commission is allowed to agents to encourage them to secure deposit money.

Q. Are all your branches of the same class, or have you main and subsidiary branches?

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A. In some cases there are sub-branches. Some are mainly or almost entirely deposit branches; others have few deposits, but a large advance business.

Q. Is the business conducted at your branches of the same class as at your office in London?

A. No; the London office is itself a branch office and much of the ultimate settlement of balances takes place there. The conduct of the ordinary London business is on the same lines as that of any other London branch bank. No notes can be issued in London.

Q. Do your branches have business relations with merchants, farmers, and all classes of people in their respective localities?

A. Yes, they have business relations with all classes of people.

Q. How frequently are you required by law to publish statements of condition?

A. We are under no legal obligation, except to submit an annual statement to the stockholders.

Q. How frequently is it your custom to publish them?

A. Annually.

Q. Is either your issue or your banking department at any time examined by the Government, or in any way under its supervision?

A. No.

Q. What local or general taxes are paid by the bank?

A. All local and general or imperial taxes paid by any other trading company.

Q. Is the bank a member of the London clearing house?

A. No.

Q. What is the law governing your note issues, and how are note issues limited and how secured?

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A. The act of Parliament of 1845 governs our note issue. There is no limit to the amount of notes that may be issued, but the Bank is required to hold gold (and silver to an extent not exceeding one-fifth of the total) against the notes in the hands of the public on the average of even four weeks, and that at its head office in Edinburgh—gold held at branch offices does not count—to an amount sufficient each week on Saturday to cover the notes in the hands of the public in excess of a certain amount specified, £216,451. The notes are not secured.

Q. To what extent are your notes legal tender in Great Britain?

A. Our notes are not legal tender at all.

Q. What other banks have the right of issue in Scotland?

A. The Bank of Scotland, the British Linen Bank, the Commercial Bank of Scotland (Limited), the National Bank of Scotland (Limited), the Union Bank of Scotland (Limited), the Clydesdale Bank (Limited), the North of Scotland and Town and County Bank (Limited).

Q. Are the notes of your issuing banks secured; and if so, how?

A. They are not secured. In case of the liquidation of the five last-named banks, however, their shareholders are unlimitedly liable for their notes and they are liable to contribute a sum necessary to restore to the general assets the sums that may have been paid out of the same in respect of claims under notes.

Q. What is the total amount of their outstanding issues?

A. About £7,500,000.

Q. Do you pay the Government in the form of taxes or otherwise, either directly or indirectly, for your privilege of note issue?

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A. Yes, we pay a license duty of £30 for each place at which notes are issued, and a tax of 8s. 4d. per £100, or a penny per £1, on the average amount of notes in the hands of the public at the close of each week.

Q. Do other issuing banks pay at the same rate for the privilege of note issue?

A. Yes; we all pay at the same rate.

Q. Have you acquired the right of issue from any other bank, and upon what terms?

A. Yes; from the Dundee Bank in 1864, but it was not paid for, apart from the price paid for the business as a whole. It was only the right to issue notes up to a certain figure, £33,451, without that figure being covered by gold. The authorized circulation was, previous to the taking over of the Dundee Bank, £183,000. It is now £216,451.

Q. To what do you attribute the weekly and seasonal fluctuations in the amount of outstanding notes, and are these fluctuations constant from year to year?

A. Weekly fluctuations are chiefly due to the payment of wages. The seasonal fluctuations are at harvest time, at Christmas, and New Year, and to a much larger extent at the half-yearly terms of Whitsunday (May) and Martinmas (November), when rents are paid, interest on mortgages is collected, and half-yearly wages are paid.

Q. Are you willing to inform us as to the expense of note issue and the profits derived therefrom?

A. The expense probably may be about £1 5s. per cent on the total circulation—including license duty, stamp duty, paper, and printing of notes and keeping registers of notes issued and canceled. The profit, if any, is negligible.

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Q. Under what conditions or terms has your capital been increased from time to time?

A. It has been increased under special charters from the Crown, and it has been made a condition in all the charters that the increase capital shall be subscribed and paid up in full. There has been no increase in the capital stock since the year 1828.

Q. Have the obligations of the bank to the public or to the Government been changed from time to time?

A. No.

Q. Are you required by law to invest your capital, or any part of it, in any particular securities?

A. No.

Q. Does the law require that before full distribution of profits you shall accumulate and maintain a certain amount of rest (surplus), and are you required to invest this in any particular way?

A. No.

Q. Do you allow interest upon deposits?

A. Yes; if the money remains undisturbed for thirty days.

Q. Are deposits subject to considerable fluctuations, and are these fluctuations regularly recurrent?

A. Yes; they fluctuate with the rates of interest allowed. When the rate of interest allowed on deposits is low, the deposits gradually decrease, but not to a serious extent.

Q. Are all deposits payable on demand?

A. Yes.

Q. Is it your custom to carry in your banking department a fixed amount in government securities?

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A. Yes, but the amount is not rigidly fixed. In recent years there has been a tendency to decrease the amount, as the market for them has not been so free or active as formerly, and the main purpose of keeping government securities is to have securities that can be sold in large blocks at any moment if required.

Q. Can you state, approximately, the average length of time and the average size of bills discounted by you?

A. The bills average in length two months, three months, four months, and six months. They range in amount from £5 up to £5,000.

Q. Is the character of your discounts or loans regulated or restricted by law or fixed by the statutes of the Bank?

A. No.

Q. Will you state (*a*) the class of bills usually discounted by you, giving the number of names required; (*b*) the minimum size; and (*c*) the maximum length of time to run?

A. Mercantile bills—that is, bills for the price of goods or merchandise supplied, drawn by the seller and accepted by the purchaser, £2 or £3 in some cases, up to £5/10,000. Their maximum length is six months.

Q. What classes of collateral are accepted by you for loans?

A. Stock exchange securities, and in some cases produce.

Q. Will you state, approximately, the average length of time and the average size of loans on collateral?

A. The length of loans on collateral is variable. It is not possible to state their average size; they are of all amounts.

Q. Do you discount any but prime bills?

A. Yes; we do all classes of business.

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Q. Do you discount to any considerable amount for individuals and merchants?

A. Yes.

Q. Is it your custom to employ surplus funds in purchase of bills from discount houses?

A. Yes; bills accepted by London banks.

Q. Do you rediscount bills for other banks?

A. No; except for foreign or colonial banks who are correspondents.

Q. Is it your custom to discount any bills payable in foreign countries?

A. Yes, occasionally; but the total is small.

Q. To what extent does the Bank rate govern your discount and loan transactions?

A. It invariably does so. The rates charged by us always bear a relation to the Bank rate.

Q. Do you at times discount bills for parties having no account with you?

A. Seldom.

Q. Are a considerable number of your loans on call?

A. No.

Q. Explain the phrase "cash credits," and upon what conditions they are given.

A. A customer applies to be allowed to overdraw such amount as he may require from time to time up to a specified amount, and he and two or three sureties jointly and severally become bound to repay the amount that may at any time be owing with interest, on demand being made on them. Each obligant is liable to pay the whole sum, leaving him to obtain repayment from his co-obligants.

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Q. Is the bank, through its branches, employed by other banks to any considerable extent for the transfer of funds from one city to another?

A. Yes.

Q. Is it the practice of the bank in times of stress to discount bills of a satisfactory character for its customers freely?

A. Yes.

Q. Is it the policy of the bank to discriminate against finance bills in times of financial crises?

A. Yes.

Q. Do you favor the issue of £1 notes? Why?

A. Yes; they have always been in favor with the public in Scotland.

Q. What, if any, artificial means are taken by you to secure changes in the volume of currency (notes and coin) to make it responsive to business demands?

A. None are deemed necessary. Our system works automatically. Our note issue is unlimited; we are only required to provide gold to cover the amount in the hands of the public at the close of each week and on the average of each four weeks.

Q. What effect has a marked increase in the commercial and industrial activities of Great Britain on the volume of note issues?

A. It increases it.

Q. It is customary in England, we find, to distinguish between current accounts and deposit accounts. Will you describe the distinction you make?

A. No interest is allowed on the balances on current accounts. Interest is allowed on deposits only if the money remains continuously undisturbed for at least thirty days. Deposits are payable on demand.

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Q. What is the customary charge for acceptance of a ninety-day bill?

A. Five shillings per cent.

Q. Your acceptance constitutes what is known in London as a prime bill?

A. Yes.

Q. Is there discrimination in easy times between a merchandise or trade bill and a finance bill?

A. Yes.

Q. It is your practice to employ your surplus funds in the purchase of prime bills through bill brokers?

A. Yes.

Q. Is it the general practice in Scotland to make advances to very responsible people on a single name?

A. Not to any great extent. Overdrafts are allowed to such on the circumstances being explained calling for the accommodation.

Q. Is it customary for you to receive as collateral for loans any securities which are listed on the exchange?

A. Yes.

Q. Do you pay interest on both current accounts and deposit accounts?

A. It is our custom to pay interest on deposits only. In London, however, it is different; there interest is allowed in special cases on large balances on current accounts if left for some time.

Q. How does the bank rate affect the rate allowed by you on deposit?

A. The Scotch banks all allow the same rate and charge the same rates for discounts and overdrafts, and these are fixed relatively to the Bank of England rate.

Q. Were most of your branches organized by you or were most of them other institutions purchased by you?

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A. Most of them were originated by ourselves.

Q. Have you in mind how many branches you had ten years ago?

A. About 136.

Q. The tendency is for the consolidation of banking in Great Britain, is it not?

A. Yes.

Q. Has the conversion of a private bank into a branch of your bank generally met with favor in the community where that bank is located?

A. There has been no private bank in Scotland since 1844, and consequently no conversion from a private to a joint stock bank since before that date.

Q. Do you believe that the community is as well or better served through your bank than through the independent bank?

A. Yes; much better.

Q. Do you believe that the customer of that bank gets as fair consideration from you—that is, that you are in a better position to judge fairly of his merits and his needs, as the private bank?

A. Yes.

Q. Would you say the Bank of England is in any way a competitor of the other banks in Great Britain?

A. Yes; it does a general banking business in England and has numerous branches.

Q. What relations do the Scotch banks bear to the Bank of England? Do they deal with it directly?

A. The Royal Bank of Scotland has an account with the Bank of England which has been in operation since 1728, and it collects bills and checks for the Bank of England all over Scotland. I can not tell what are the relations of the other Scotch banks to the Bank of England.

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Q. What would you say are the most important functions of the Bank of England?

A. It is the Bank for managing the government finances. It holds the ultimate gold reserve of all the banks and of the country, and it practically, by its rate of discount, regulates the rates of discount charged by and the rate of interest allowed by all the banks and discount companies throughout the country, their practice being to take the Bank of England rate as the standard and to charge or allow a rate a certain proportion higher or lower than that rate, according to the character of the business.

Q. Does the Bank of England sometimes suggest the policy the Scotch banks should follow, say, in not accepting finance bills?

A. Very rarely, if at all.

Q. Is the question of the amount of reserves, either in specie or in bank, regarded as of importance by Scotch bankers?

A. Yes; but not directly.

Q. Do you regard your system of currency issue as sufficiently elastic for your needs?

A. Yes; there never has been any difficulty. No Scotch bank has ever failed to pay its creditors, including the holders of notes, in full.

Q. In your statement of liabilities you show "Cash in hand and at the Bank of England." I assume it is not your custom to publish the amount of cash in hand separately from the amount of cash in the Bank of England?

A. No.

Q. You regard your balance in the Bank of England the same as cash?

A. Yes.

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Q. It is your practice to confine your investments in other than government securities to a small figure?

A. Relatively, they are.

Q. Do you ever buy any shares of railroad or industrial companies?

A. No.

Q. Do you ever own bank shares?

A. No.

Q. What does the form of obligation by the borrowers upon collateral take?

A. A check on a loan account for the sum borrowed, a transfer of the stock or shares forming the collateral, and an agreement signed by the borrower expressing that the purpose for which the stock or shares have been transferred is to secure payment of money borrowed and to be borrowed and giving the Bank power to sell the stock or shares.

Q. Have you any idea of the percentage of actual cash or bank notes which is used in the transaction of business in the Kingdom?

A. No.

Abstract state of affairs of the Royal Bank of Scotland on October 10, 1908.

LIABILITIES.

To the public:	
Deposits with accrued interest	£14,013,795 11 8
Notes in circulation	1,003,428 0 0
Drafts outstanding	321,261 14 8
Acceptances and indorsement of foreign bills—on account of banking correspondents, £444,566 7s. 6d.; on account of other customers, £80,938 0s. 2d	525,504 7 8
Total liabilities to the public	15,863,989 14 0
To the proprietors:	
Capital, £2,000,000; rest, £1,005,473 8s. 2d.; proposed half-year's dividend and bonus at Christmas, £110,000	3,115,473 8 2
Total liabilities	18,979,463 2 2

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ASSETS.

Gold and silver coin, notes of other banks, and cash with Bank of England and other London bankers, £1,425,437 3s. 7d.; money in London at call and short notice, and checks, etc., payable on demand, in hand, and in transitu, £2,976,262 16s. 2d.; British Government securities (consols, 2¾ per cent annuities, local loans, stock, etc.), £1,514,088 14s. 4d.; Indian and colonial government securities, Bank of England stock, and British railway debenture and corporation stocks, £826,770 0s. 8d.; foreign government stocks, Bank of Ireland stock, Indian railway stocks, and other marketable securities, £813,677 1s. 5d	7,556,235	16	2
Bills discounted, £3,836,402 3s. 7d.; advances on cash, credit, and current accounts, £5,324,590 14s. 9d.; loans on stocks and securities for short periods, £1,111,285 17s. 1d.; banking correspondents and other customers for acceptances and indorsements, per contra, £525,504 7s. 8d.; bank buildings (partly yielding rent), £289,501 12s. 3d.; property yielding rent, £210,942 10s. 8d.; freehold property in London (partly occupied by bank and partly yielding rent), £125,000	11,423,227	6	0
Total assets	18,979,463	2	2

PROFIT AND LOSS ACCOUNT.

	Dr.		
Expenditure on bank buildings written off	£5,000	0	0
Dividend for half-year, paid at midsummer	90,000	0	0
Dividend and bonus to be paid at Christmas	110,000	0	0
Balance, being free rest, or undivided profits carried forward	1,005,473	8	2
	1,210,473	8	2

	Cr.		
Rest on October 12, 1907	970,221	4	10
Gross profits, after deducting rebate on bills current and income-tax, and providing for all bad and doubtful debts, £416,607 11s. 2d.; less charges of management at head office and 153 branch establishments, £176,355 7s. 10d.—net profits	240,252	3	4
	1,210,473	8	2

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BANK OF SCOTLAND.

Interview with Sir George Anderson, General Manager.

Q. When was the Bank of Scotland founded?

A. In 1695.

Q. When does your present charter expire?

A. By act of Parliament the "governor and company of the Bank of Scotland" have "perpetual succession."

Q. What is the par value and present selling price of your shares?

A. The present market price of the stock is £442 for every £100 stock paid up.

Q. How many stockholders have you?

A. Three thousand seven hundred and thirty-three.

Q. Is the stock fully paid?

A. No; the subscribed capital, in the form of stock, is £1,987,500, and the paid-up capital, £1,325,000.

Q. Have your shareholders any liabilities in addition to the ownership of shares?

A. None beyond the amount of capital subscribed by each.

Q. Is there any limit to the number of shares which may be held by any one person, and is your approval required before a transfer of your stock can be made?

A. There is no limit to the holding of stock. The bank's approval is required before transfers of stock can be made.

Q. How often do your shareholders meet?

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A. Twice a year. The annual general meeting is held in April (when the annual report and balance sheet are submitted) and the half-yearly general meeting is held in October.

Q. Does every share have a vote at shareholders' meeting?

A. The proprietors have one vote for every £250 stock paid up, but not more than 20 votes. The holders of less stock than £250 paid up have no vote.

Q. What control have the shareholders over the management and conduct of the business?

A. The management and control of the business are vested in a governor, deputy governor, 12 ordinary and 12 extraordinary directors, who are all elected by the proprietors, that is, stockholders. The extraordinary directors, however, take no active part in the management.

Q. Has the Government any voice in the management of the Bank or any interest in it through the ownership of shares?

A. No.

Q. Describe the organization and management of the Bank, stating the number of officers and directors, with their respective functions, and for what periods and by whom are they elected?

A. The business is managed by a governor, deputy governor, and 24 directors, 12 of whom, at least, must be ordinary directors. The governor, deputy governor, and extraordinary directors are elected for one year only, at the annual general meeting of proprietors, but are eligible for re-election. The ordinary directors are elected at the same annual general meeting, and the three at the head of the list retire annually at that meeting, but are eligi-

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ble for re-election. The officials at the head office at present are as follows: (1) Treasurer (general manager), (2) secretary, (3) superintendent of branches, (4) cashier, (5) accountant, (6) signing officer. The branches of the Bank, numbering 163 in Scotland, are manned by an agent (or manager), teller (or cashier), and clerks, according to the volume of business conducted, and are all under the control of the head office.

Q. Is it customary to re-elect directors at the expiration of their terms?

A. Yes.

Q. Is there any custom restricting the class from which the directors may be selected?

A. Regard is had to their general standing and business qualifications, and to their influence in furthering the Bank's interests.

Q. How frequently do the directors meet?

A. The court of directors (that is, the governor, deputy governor, and ordinary directors) meet once a week—on Tuesdays—and on Thursdays and Fridays committee meetings are held, the committee consisting of four ordinary directors.

Q. How many branches have you?

A. One hundred and sixty-three branches and 12 sub-branches in Scotland; also an office in London.

Q. How are your branches managed?

A. By agents (managers at London and Glasgow).

Q. Who names the managers of branches?

A. They are appointed by the directors.

Q. Have the managers of the branches full control of the business in granting discounts, etc.; if not, what discretion is usually given them?

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A. In the case of a customer having large discounts, a limit or "discount line" is usually applied for and fixed by the head office, but in regard to other discounts the agents usually exercise their own discretion, any applications of a special nature, however, being submitted by them to the head office for approval.

Q. Have you any system of distribution of profits among the managers of branches?

A. No.

Q. Are all your branches of the same class, or have you main and subsidiary branches?

A. We have one hundred and sixty-three independent branches and 12 sub-branches in Scotland.

Q. Is the business conducted at your branches of the same class as at your office in London?

A. Only in a few particulars, such as current accounts, deposit receipts, the issuing of drafts, etc.

Q. Do your branches have business relations with merchants, farmers, and all classes of people in their respective localities?

A. Yes.

Q. How frequently are you required by law to publish statements of condition?

A. No statements are required to be published by law.

Q. How frequently is it your custom to publish them?

A. Annually.

Q. Is either your issue or your banking department at any time examined by the Government, or in any way under its supervision?

A. There is no examination or supervision by the Government, but a weekly return of notes issued and coin held is required to be made to them.

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Q. What local or general taxes are paid by the Bank?

A. The usual imperial and local taxes, and a bankers' license (costing £30 per annum) must be taken out for every branch issuing notes of the Bank.

Q. Is the Bank a member of the London clearing house?

A. No.

Q. What is the law governing your note issues, and how are note issues limited and how secured?

A. The Bank is authorized to issue, without holding coin against them, notes to the value of £396,852, but for any excess beyond that amount we must hold, at the head office, an equivalent value in gold coin, one-fourth of which may, however, be in silver coin.

Q. To what extent are your notes legal tender in Great Britain?

A. They are not legal tender in Great Britain.

Q. What other banks have the right of issue in Scotland?

A. Royal Bank of Scotland, British Linen Bank, Commercial Bank of Scotland (Limited), National Bank of Scotland (Limited), Union Bank of Scotland (Limited), Clydesdale Bank (Limited), and North of Scotland and Town and County Bank (Limited).

Q. What is the total amount of their outstanding issues?

A. The average amount of notes of the eight Scottish banks in circulation during the four weeks ending September 18, 1909, was £6,915,065.

Q. Do you pay the Government in the form of taxes, or otherwise, either directly or indirectly, for your privilege of note issue?

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A. A bankers' license (costing £30 per annum) is required for every branch issuing the bank's notes. Stamp duty (compounded for) is also payable, and amounts to practically 1d. per pound per annum on the average circulation.

Q. Do other issuing banks pay at the same rate for the privilege of note issue?

A. Yes.

Q. Have you acquired the right of issue from any other bank, and upon what terms?

A. Yes; on taking over the business of the Central Bank of Scotland in 1868 and the Caledonian Banking Company (Limited) in 1907.

Q. To what do you attribute the weekly and seasonal fluctuations in the amount of outstanding notes, and are these fluctuations constant from year to year?

A. The circulation is highest at the beginning of each month, and this is chiefly due to the payment of salaries and the settlement of accounts. The payment of rates and taxes about the end of the year also inflates the circulation. There are exceptionally large fluctuations at the terms of Whitsunday (May 15) and Martinmas (November 11), when rents, interest, etc., are usually payable. All these variations recur regularly.

Q. Are you willing to inform us as to the expense of note issue and the profits derived therefrom?

A. We prefer not to supply the information desired, but we may say, generally, that the expense connected with our own note issue is very considerable, and in view of the large amount of notes issued in excess of our authorized circulation (against which gold for a similar

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amount requires to be held) the profit derived from the total issue is small.

Q. Under what conditions or terms has your capital been increased from time to time?

A. The authorized capital of the Bank, originally £100,000, has been increased under various acts of Parliament, and now stands at £4,500,000. The subscribed capital, which is at present £1,987,500 (of which £1,325,000 is paid up) has been increased from time to time to meet the public requirements and to strengthen the Bank's position as the business expanded. The latest creation of stock—in 1907—was in connection with the acquisition of the business of the Caledonian Banking Company (Limited), stock of the Bank of Scotland having been allotted to shareholders of that bank.

Q. Have the obligations of the Bank to the public or to the Government been changed from time to time?

A. The obligations of the Bank to the public have, of course, increased as the business expanded, but their nature has remained unchanged.

Q. Are you required by law to invest your capital, or any part of it, in any particular securities?

A. No.

Q. Does the law require that before full distribution of profits you shall accumulate and maintain a certain amount of rest (surplus), and are you required to invest this in any particular way?

A. We are not required by law to do so, but the "rest" is added to from time to time. The amount of the fund is not invested in any particular way.

Q. Do you allow interest upon deposits?

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A. Yes, on "deposit receipts;" but no interest is allowed unless money has been lodged not less than one month. No interest is allowed on operative accounts.

Q. Are deposits subject to considerable fluctuations, and are these fluctuations regularly recurrent?

A. There are considerable fluctuations at the terms of Whitsunday (May 15) and Martinmas (November 11), but with few other exceptions the deposits show comparatively little variation in the course of a year.

Q. Are all deposits payable on demand?

A. Yes; in Scotland.

Q. Is it your custom to carry in your banking department a fixed amount in government securities?

A. Yes; proportionate to the amount of the Bank's total liabilities.

Q. Can you state approximately the average length of time and the average size of bills discounted by you?

A. The average length is three months; the average size £100 to £200.

Q. Is the character of your discounts or loans regulated or restricted by law or fixed by the statutes of the Bank?

A. No.

Q. Will you state (*a*) the class of bills usually discounted by you, giving the number of names required; (*b*) the minimum size; and (*c*) the maximum length of time to run?

A. Mercantile bills, also a few accommodation bills, usually two names; minimum, say, £10. The maximum length of time to run is six months.

Q. What classes of collateral are accepted by you for loans?

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A. Personal security, marketable securities, life policies, mortgages over ships, shipping documents, etc.

Q. Will you state approximately the average length of time and the average size of loans on collateral?

A. We do not know.

Q. Do you discount any but prime bills?

A. Yes; accommodation bills occasionally.

Q. Do you discount to any considerable amount for individuals and merchants?

A. Yes.

Q. Is it your custom to employ surplus funds in purchase of bills from discount houses?

A. To a certain extent in London.

Q. Do you rediscount bills for other banks?

A. No.

Q. Is it your custom to discount any bills payable in foreign countries?

A. Yes; certain bills.

Q. To what extent does bank rate govern your discount and loan transactions?

A. The rates of interest and discount charged by the Scottish banks (who act in concert) are for the most part regulated by the Bank of England discount rate.

Q. Do you at times discount bills for parties having no account with you?

A. Yes; occasionally.

Q. Are a considerable number of your loans on call?

A. Yes.

Q. Explain the phrase "cash credits," and upon what condition are they given?

A. A "cash credit" is a credit allowed, in virtue of which a customer may draw checks on the Bank until the

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balance due to us reaches a certain fixed limit. The account is an ordinary operative one, and interest is charged on the balances actually due to the Bank from day to day. The security provided is usually personal, two or more sureties signing the cash credit bond along with the principal, each surety being liable for the amount advanced up to the limit of the credit.

Q. Is the Bank, through its branches, employed by other banks to any considerable extent for the transfer of funds from one city to another?

A. The Bank of Scotland has power to draw drafts on other banks in Scotland payable in places where the former has no branch, and the other Scottish banks have similar facilities. We have also the privilege of drawing on certain banking correspondents in England, Ireland, and elsewhere, and they in turn have the power to draw drafts on us.

Q. Is it the practice of the Bank in times of stress to discount bills of a satisfactory character for its customers freely?

A. There has been no occasion for this.

Q. Is it the policy of the Bank to discriminate against finance bills in times of financial crises?

A. Yes; if occasion arose.

Q. Do you favor the issue of £1 notes? Why?

A. Yes; they take the place of gold as till money, and are thus a source of some profit to the banks, as well as a saving to the country from the loss arising from tear and wear of coin. They also return to the issuing banks, which gold issued by them might not always do.

Q. What, if any, artificial means are taken by you to secure changes in the volume of currency (notes and coin) to make it responsive to business demands?

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A. None.

Q. What effect has a marked increase in the commercial and industrial activities of Great Britain on the volume of note issues?

A. The circulation expands under such conditions.

Q. It is customary in England, we find, to distinguish between current accounts and deposit accounts. Will you describe the distinction you make?

A. There is no distinction in Scotland, the term used for an ordinary operative account being "current deposit account." In London, "current accounts" are operative and bear no interest; "deposit accounts" are inoperative. The deposits, which usually bear interest, may be payable in whole or in part on demand, or on a certain number of days' notice, or they may be made for fixed periods at fixed rates of interest.

Q. What is the customary charge for acceptance of a ninety-day bill?

A. Two shillings 6 pence per cent, if secured by a special deposit of the amount; 5s. per cent if on other security.

Q. Your acceptance constitutes what is known in London as a prime bill?

A. Yes.

Q. Is there discrimination in easy times between a merchandise or trade bill and a finance bill?

A. Yes; the former is preferred and gets the benefit of a lower discount rate.

Q. It is your practice to employ your surplus funds in the purchase of prime bills through bill brokers?

A. To a certain extent, in London.

Q. Is it the general practice in Scotland to make advances to very responsible people on a single name?

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A. Yes; to undoubted parties, and for a moderate amount.

Q. Is it customary for you to receive as collateral for loans any securities which are listed on the exchange?

A. Yes.

Q. Do you pay interest on both current accounts and deposit accounts?

A. No interest is paid by the Scottish banks on current accounts in Scotland or London. Deposit accounts in London usually bear interest.

Q. How does the Bank rate affect the rate allowed by you on deposit?

A. The interest allowed on deposit receipts is regulated by the Bank of England minimum discount rate, and is usually 1½ per cent under that rate.

Q. Were most of your branches organized by you or were most of them other institutions purchased by you?

A. Most of them were organized by ourselves.

Q. Have you in mind how many branches you had ten years ago?

A. One hundred and twenty.

Q. The tendency is for the consolidation of banking in Great Britain, is it not?

A. Yes.

Q. Would you say the Bank of England is in any way a competitor of the other banks in Great Britain?

A. Yes, generally speaking; as the Bank of England conducts the same classes of business as other banks, in addition to performing special government and other functions.

Q. What relations do the Scotch banks bear to the Bank of England? Do they deal with it directly?

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A. In common with most of the other banks in London, all the Scottish banks represented there keep accounts at the Bank of England, on which operations are made as required, a minimum balance being usually left in the hands of the Bank of England to recoup them for trouble in keeping the account. An arrangement exists between the Bank of England and the Bank of Scotland for drawing drafts on each other and collecting documents, and the former act as clearing agents in London for the Bank of Scotland.

Q. What would you say are the most important functions of the Bank of England?

A. The Bank of England is the banker of the Government; is the largest issuers of notes, issuing its notes when required in exchange for gold bullion and paying notes in gold coin; and being the bankers' bank, the weekly returns as to its position form the best possible barometer of the state of trade and credit in the country. The rate of discount announced by the Bank of England from time to time serves as a guide to the other banks throughout the country in fixing their rates for loans and deposits.

Q. Does the Bank of England sometimes suggest the policy the Scotch banks should follow, say, in not accepting finance bills?

A. No.

Q. Is the question of the amount of reserves, either in specie or in bank, regarded as of importance by Scotch bankers?

A. Yes.

Q. Do you regard your system of currency issue as sufficiently elastic for your needs?

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A. Yes.

Q. In your statement of liabilities you show "cash in hand and at the Bank of England." I assume it is not your custom to publish the amount of cash in hand separately from the amount of cash in the Bank of England?

A. No.

Q. You regard your balance in the Bank of England the same as cash?

A. Yes.

Q. Is it your practice to confine your investments in other than government securities to a small figure?

A. A considerable amount is usually invested in other stocks of a safe class.

Q. Do you ever buy any shares of railroad or industrial companies?

A. Yes; of the highest class.

Q. Do you ever own bank shares?

A. No.

Q. What does the form of obligation by the borrowers upon collateral take?

A. The form of assignation, letter of pledge, and explanatory letter, etc., according to the nature of the security, all giving power to the Bank to realize such at any time and providing for retrocession on payment of loan.

Q. Have you any idea of the percentage of actual cash or bank notes which is used in the transaction of business in the Kingdom?

A. We have no information on this point.

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Abstract balance-sheet of the Bank of Scotland as on February 27, 1909.

LIABILITIES.

	£	s.	d.
I. *To the public:*			
Note circulation, £1,118,838; drafts issued payable within fourteen days, £415,640 14s.; deposits and credit balances, £17,637,830 10s. 2d.; acceptances—to banking customers, £1,388,188 2s. 1d.; to other customers, £262,549 15s. 3d	20,823,047	1	6
II. *To the proprietors:*			
Paid-up capital, £1,325,000; reserve fund, £1,150,000; half-yearly dividend, payable April 15, 1909, £112,625; balance of profits carried forward, £12,261 14s. 5d	2,599,886	14	5
Total liabilities	23,422,933	15	11

ASSETS.

Gold and silver coin, notes of other banks, cash balance with the Bank of England, and checks in course of transmission, £1,547,782 3s. 9d.; British Government securities, and money in London at call or payable within twenty days, £5,206,254 5s. 7d.; Indian and Colonial Government securities, and other stocks and investments, £3,161,052 16s. 5d	9,915,089	5	9
Bills discounted, cash accounts, and other advances, £11,163,664 0s. 9d.; bank premises at Edinburgh and branches, £301,361 13s. 11d.; freehold property, Bishopsgate street, London, £196,430 12s. 9d.; heritable property yielding rent, £195,650 5s. 5d.; liabilities of banking and other customers for acceptances by the bank as per contra, £1,650,737 17 s. 4d	13,507,844	10	2
Total assets	23,422,933	15	11

PROFIT AND LOSS ACCOUNT.

	Dr.		
Applied in reduction of bank premises account	£5,000	0	0
Half-yearly dividend—October, 1908, £112,625; April, 1909, £112,625	225,250	0	0
Balance on February 27, 1909, consisting of (1) reserve fund from last year, £1,100,000; (2) addition now made, £50,000; (3) undivided profits carried forward, £12,261 14s. 5d	1,162,261	14	5
	1,392,511	14	5
Balance at February 29, 1908, consisting of (1) reserve fund, £1,100,000; (2) undivided profits brought forward, £10,475 19s. 10d	Cr. 1,110,475	19	10
Gross profits for the year, after providing for bad and doubtful debts, accrued interest, and rebate on bills discounted not yet due, £480,886 4s. 1d.; less expenses of management at the head office, London office, and 163 branches in Scotland, including salaries, income-tax and all other charges, £198,850 9s. 6d.; net profits for the year	282,035	14	7
	1,392,511	14	5

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UNION BANK OF SCOTLAND (LIMITED).

Interview with Robert Blyth, General Manager.

Q. When was the Union Bank of Scotland (Limited) founded?

A. In 1830.

Q. When does your present charter expire?

A. The Bank has no charter expiring at any specified time. It is incorporated under the companies acts.

Q. What is the par value and present selling price of your shares?

A. The par value is £10; and the present selling price is £34 5s.

Q. How many stockholders have you?

A. About 3,000.

Q. Is the stock fully paid?

A. No; the shares are of £50 each, £10 paid.

Q. Have your shareholders any liabilities in addition to the ownership of shares?

A. Their liability for the bank notes issued is unlimited.

Q. Is there any limit to the number of shares which may be held by any one person, and is your approval required before a transfer of your stock can be made?

A. There is no limit to the number of shares which may be held by any shareholder, but no shareholder is entitled to hold less than 10 shares. All shares require to be offered to the directors in the first instance before transfers are passed.

Q. How often do your shareholders meet?

A. Once every year, unless convened specially.

Q. Does every share have a vote at shareholders' meetings?

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A. One vote may be cast for every 10 shares; two votes for every 50 shares; three votes for every 100 shares; and one vote for every 100 shares and over.

Q. What control have the shareholders over the management and conduct of the business?

A. They have no actual control, unless through the directors, who are appointed by the shareholders.

Q. Has the Government any voice in the management of the bank or any interest in it through the ownership of shares?

A. No.

Q. Describe the organization and management of the Bank, stating the number of officers and directors, with their respective functions, and for what periods and by whom are they elected?

A. The Bank is administered by a board consisting of 11 directors, 2 of whom retire annually. There is also a general manager, a cashier, a secretary, an accountant, and a superintendent of branches, who are appointed by the directors. There are also 8 extraordinary directors, chosen by the management from among the more influential shareholders. A chairman and deputy chairman are elected yearly by the shareholders at the annual general meeting.

Q. Is it customary to re-elect directors at the expiration of their terms?

A. It is.

Q. Is there any custom restricting the class from which the directors may be selected?

A. No person who is engaged directly or indirectly in the business of stock broking is eligible.

Q. How frequently do the directors meet?

A. They meet twice weekly by committees, and once each month as a full board.

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Q. How many branches have you?

A. One hundred and fifty-eight.

Q. How are your branches managed?

A. An agent is in charge of each branch.

Q. Who names the managers of branches?

A. All appointments are made by the directors.

Q. Have the managers of the branches full control of the business in granting discounts, etc.; if not, what discretion is usually given them?

A. Unless for moderate amounts applications for advances are expected to be submitted for approval at the head office.

Q. Have you any system of distribution of profits among the managers of branches?

A. No.

Q. Are all your branches of the same class, or have you main and subsidiary branches?

A. There are only a few sub-branches, the branches being as a rule independent of one another.

Q. Is the business conducted at your branches of the same class as at your office in London?

A. The business conducted in the provinces is altogether different both in volume and character from that conducted at the Bank's London office.

Q. Do your branches have business relations with merchants, farmers, and all classes of people in their respective localities?

A. We have business relations with all classes of people.

Q. How frequently are you required by law to publish statements of condition?

A. A statement of accounts is required to be published half-yearly.

Q. How frequently is it your custom to publish them?

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A. Half-yearly, and also annually at the close of each financial year.

Q. Is either your issue or your banking department at any time examined by the Government, or in any way under its supervision?

A. The Crown has the right to examine the gold coin held to cover notes issued beyond the authorized circulation, but this right is never exercised. The Bank, however, is required to furnish the Government weekly with returns of the notes in circulation and the quantity of coin held.

Q. What local or general taxes are paid by the Bank?

A. All local and general taxes, and in addition the license duty of £30 for each place subject to the provisions of 7 and 8 (Vict. C., 32).

Q. Is the Bank a member of the London clearing house?

A. No; the clearing is made through the Bank of England.

Q. What is the law governing your note issues, and how are note issues limited and how secured?

A. The Bank is empowered by law to issue £454,346 without any security. It may also issue notes in excess of that amount on holding gold or silver coin at its registered office in Edinburgh for an amount equal to such excess. The silver coin must not exceed one-fourth part of the gold coin. There is otherwise no restriction as to the amount of notes which may be issued. The circulation of notes is regulated by the act of 1845.

Q. To what extent are your notes legal tender in Great Britain?

A. Bank notes issued by the Scotch banks are not legal tender in Great Britain.

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Q. What other banks have the right of issue in Scotland?

A. Bank of Scotland, Royal Bank, British Linen Bank, Commercial Bank, National Bank, Clydesdale Bank, North of Scotland and Town and County Bank.

Q. Are the notes of your issuing banks secured; and if so, how?

A. No special security is held except for the circulation in excess of the authorized issue in each case, but the liability of the shareholders is specially reserved for the whole of the notes in circulation.

Q. What is the total amount of their outstanding issues?

A. The total authorized circulation is £2,676,350; the actual circulation was £7,226,000, as at the close of 1908.

Q. Do you pay the Government in the form of taxes, or otherwise, either directly or indirectly, for your privilege of note issue?

A. A composition of 8s. 4d. per cent per annum is payable to the Government in lieu of stamp duties, and there is also the license duty of £30 per place, as already mentioned.

Q. Do other issuing banks pay at the same rate for the privilege of note issue?

A. All the Scottish banks pay at the same rate, but in England and Ireland the composition duty is 7s. per cent per annum only. In Ireland license duty is payable for four branches only.

Q. Have you acquired the right of issue from any other bank, and upon what terms?

A. The authorized circulation in 1845 of the Union Bank of Scotland was £327,223; add Perth Banking Company acquired, £38,656; and add Aberdeen Banking Company acquired, £88,467. These issues were acquired upon the banks in question being absorbed by the Union Bank.

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Q. To what do you attribute the weekly and seasonal fluctuations in the amount of outstanding notes, and are these fluctuations constant from year to year?

A. Fluctuations in note issues are due in great measure to trade conditions, except at the half-yearly terms in May and November, when investments are made, rents are collected, and general settlements take place. Apart from the half-yearly terms the fluctuations in note issues are by no means constant from year to year.

Q. Are you willing to inform us as to the expense of note issue and the profits derived therefrom?

A. On the basis of figures submitted to a parliamentary inquiry in 1875 the cost of maintaining the note issue in Scotland was £1 5s. per cent per annum. There is no direct profit now on the circulation, the actual result being a loss. The right to issue notes is, however, of considerable indirect value, as will be explained later. The profit on an authorized circulation of, say, £2,676,350 at 3 per cent is £80,289. Against this there falls to be placed expenses of maintaining the total amount of notes in circulation, say, £7,226,000, at 1¼ per cent which would be £90,325.

Q. Under what conditions or terms has your capital been increased from time to time?

A. The capital stock of the Bank was formerly £1,000,000 sterling in 10,000 shares of £100 each, having £50 per share paid up. In 1862 the shares were converted into stock, the amount of the capital remaining unaltered. In 1882 the stock was converted into 100,000 shares of £10 each fully paid. In 1882 (one month later) the capital was increased to £5,000,000 by the nominal amount of each share of £10 being increased to £50, the increased

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capital not being callable except in the event of the Bank being wound up.

Q. Have the obligations of the Bank to the public or to the Government been changed from time to time?

A. The liability of the shareholders was formerly unlimited, but when the Bank became registered under the companies act, 1879, the liability of the shareholders—unless in respect of notes—was limited to the amount of the uncalled capital.

Q. Are you required by law to invest your capital, or any part of it, in any particular securities? If so, in what class and to what amount?

A. The only regulations regarding investments are those contained in the Bank's contract of copartnery.

Q. Does the law require that before full distribution of profits you shall accumulate and maintain a certain amount of rest (surplus), and are you required to invest this in any particular way?

A. There are no legal provisions of this kind affecting banks in Great Britain.

Q. Do you allow interest upon deposits?

A. Yes.

Q. Are they subject to considerable fluctuations, and are these fluctuations regularly recurrent?

A. Deposits are subject to considerable fluctuations, which are by no means regularly recurrent, unless possibly at the half-yearly terms, as already mentioned.

Q. Are all deposits payable on demand?

A. Yes.

Q. Is it your custom to carry in your banking department a fixed amount in government securities?

A. A certain portion of the Bank's investments consists of government securities, but no fixed amount is maintained.

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Q. Can you state approximately the average length of time and the average size of bills discounted by you?

A. The bulk of the bills discounted do not exceed three months' currency. It would not be practicable to indicate the average size of bills discounted.

Q. Is the character of your discounts or loans regulated or restricted by law or fixed by the statutes of the Bank?

A. No.

Q. Will you state (*a*) the class of bills usually discounted by you, giving the number of names required; (*b*) the minimum size; and (*c*) the maximum length of time to run?

A. The bulk of the bills discounted represent ordinary mercantile transactions. In practically every case there are at least two obligants.

Q. What classes of collateral are accepted by you for loans?

A. Usually readily marketable, quoted, stock-exchange securities and life-assurance policies. Security is at times taken in the shape of goods or produce, iron warrants being in common use as a security in Glasgow.

Q. Will you state, approximately, the average length of time and the average size of loans on collateral?

A. Such loans vary widely in amount, and it would be of no real interest to indicate the average size of individual loans. Loans to stockbrokers are from account to account, usually fourteen days, those to the public being for thirty days and upward, but as a rule seldom exceeding two to three months.

Q. Do you discount any but prime bills?

A. Any bills which appear to be suitable are discounted, including "prime" bills, which are known to us here as "remittance" bills or "bank paper."

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Q. Do you discount to any considerable amount for individuals and merchants?

A. Yes.

Q. Is it your custom to employ surplus funds in purchase of bills from discount houses?

A. This is done occasionally, but only when rates are likely to fall and there is a scarcity of bills offered for discount privately.

Q. Do you rediscount bills for other banks?

A. Yes; but only to a very limited extent.

Q. Is it your custom to discount any bills payable in foreign countries?

A. Bills payable in foreign countries are discounted for the Bank's customers in the same way as other bills.

Q. To what extent does bank rate govern your discount and loan transactions?

A. Such transactions are necessarily affected by the bank rate, both discounts and loans tending to diminish when rates reach an exceptionally high level.

Q. Do you at times discount bills for parties having no account with you?

A. Agents are enjoined not to discount bills for parties who are not customers otherwise.

Q. Are a considerable number of your loans on call?

A. Except at our London office, loans are for fixed periods. At that office there is usually a considerable portion of money lent "at call."

Q. Explain the phrase "cash credits," and upon what conditions are they given.

A. A cash credit is simply a current account on which the holder may draw to a fixed amount, interest being calculated and paid on the daily balance. In security

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the applicant and his sureties, termed the "co-obligants," sign a formal bond under which they jointly and severally guarantee to repay to the Bank when called upon the amount of the debt and accrued interest.

Q. Is the Bank, through its branches, employed by other banks to any considerable extent for the transfer of funds from one city to another?

A. Yes; on towns where these banks are not themselves represented.

Q. Is it the practice of the bank in times of stress to discount bills of a satisfactory character for its customers freely?

A. Yes.

Q. Is it the policy of the Bank to discriminate against finance bills in times of financial crises?

A. Yes.

Q. Do you favor the issue of £1 notes? Why?

A. Yes; for their use at our branches enables us to dispense with keeping large balances in actual coin.

Q. What effect has a marked increase in the commercial and industrial activities of Great Britain on the volume of note issues?

A. It would necessarily tend to increase the amount of notes in circulation.

Q. It is customary in England we find to distinguish between current accounts and deposit accounts. Will you describe the distinction you make?

A. In Scotland all moneys lodged which bear interest are placed not on deposit account but on deposit receipt, the receipt being delivered up when any sums are withdrawn.

Q. What is the customary charge for acceptance of a ninety-day bill?

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A. Acceptances secured by special deposit of the amount are charged one-eighth of 1 per cent, irrespective of currency; if on other security, one-fourth of 1 per cent is charged.

Q. Your acceptance constitutes what is known in London as a "prime" bill?

A. It does.

Q. Is there discrimination in easy times between a merchandise or trade bill and a finance bill?

A. In Scotland it is always customary to charge a slightly higher rate of discount for finance bills as compared with ordinary mercantile bills.

Q. Is it your practice to employ your surplus funds in the purchase of prime bills through bill brokers?

A. Yes; but only occasionally.

Q. Is it the general practice in Scotland to make advances to very responsible people on a single name?

A. Overdrafts are at times granted without special security where the Bank is satisfied as to the undoubted sufficiency of the borrower, but the practice can not be described as general.

Q. Is it customary for you to receive as collateral for loans any securities which are listed on the exchange?

A. Yes.

Q. Do you pay interest on both current accounts and deposit accounts?

A. No interest is paid on current accounts by the Scotch banks.

Q. How does the bank rate affect the rate allowed by you on deposit?

A. The deposit rate fluctuates with the published bank rate and is usually 1½ per cent under the minimum bank rate.

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Q. Were most of your branches organized by you, or were most of them other institutions purchased by you?

A. The branches of the two banks taken over by the Union Bank numbered 33. Otherwise all the Bank's branches were opened and organized by the Union Bank.

Q. Have you in mind how many branches you had ten years ago?

A. One hundred and fory-three branches.

Q. The tendency is for the consolidation of banking in Great Britain, is it not?

A. It is, but this tendency set in at a much earlier period in Scotland than it has done in England.

Q. Do you believe that the customer of that bank gets as fair consideration from you—that is, that you are in a better position to judge fairly of his merits and his needs—as the private bank?

A. Yes; as a matter of fact, private banking in Scotland ceased to exist prior to 1845.

Q. Would you say the Bank of England is in any way a competitor of the other banks in Great Britain?

A. Yes.

Q. What relations do the Scotch banks bear to the Bank of England? Do they deal with it directly?

A. With the exception of the North of Scotland and Town and County Bank (Limited) it is believed that all the Scotch banks deal directly with the Bank of England, and keep accounts with that institution.

Q. What would you say are the most important functions of the Bank of England?

A. Acting as agents for other banks and holding the general gold reserves of the country. The issue department also performs the important function of conducting

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and managing the note circulation of England. The Bank of England also acts as the banker for the Government and takes charge of any loans or funded debt, including the payment of interest thereon.

Q. Does the Bank of England sometimes suggest the policy the Scotch banks should follow, say, in not accepting finance bills?

A. We are not aware of the practice of the Bank of England in regard to acceptances, but no prudent banker would accept finance bills unless ample cover in the way of security had been deposited with him.

Q. Is the question of the amount of reserves, either in specie or in bank, regarded as of importance by Scotch bankers?

A. Yes; of great importance.

Q. Do you regard your system of currency issue as sufficiently elastic for your needs?

A. Yes.

Q. In your statement of assets and liabilities you show "Cash in hand and at the Bank of England." I assume it is not your custom to publish the amount of cash in hand separately from the amount of cash in the Bank of England.

A. We do not publish the amount of cash in hand separately from our balance at the Bank of England.

Q. You regard your balance in the Bank of England the same as cash?

A. Yes.

Q. It is your practice to confine your investments in other than government securities to a small figure?

A. No; this practice is not now general, owing to the wide fluctuations within recent years, in the prices of

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government securities, and the somewhat inadequate return yielded by them.

Q. Do you ever buy any shares of railroad or industrial companies?

A. No.

Q. Do you ever own bank shares?

A. No.

Q. What does the form of obligation by the borrowers upon collateral take?

A. The obligation is constituted by a simple cheque from the borrower.

Q. Have you any idea of the percentage of actual cash or bank notes which is used in the transaction of business in the Kingdom?

A. The only information as to this is to be gained from the cash kept by the various banks, as shown by their published balance sheet. A comparative vidimus of nine banks is subjoined.

Table showing, in the case of nine representative joint-stock banks, the percentages of the various classes of assets, respectively, to the amount of liabilities to the public.

Bank.	Cash and bank balance.	Call and short money.	Investments.	Total of "liquid assets."	Bills, advances, premises, and sundries.	Total assets.
A	14.9	13.4	20.4	48.7	60	109
B	16.4	8.7	16.8	41.9	66	108
C	18.3	6.5	22.0	46.8	59	106
D	13.8	5.4	30.3	49.5	68	117
E	14.6	5.6	26.6	46.8	66	113
F	17.0	23.0	16.0	56.0	60	116
G	12.4	25.0	17.1	54.5	60	114
H	14.4	8.7	31.5	54.6	50	105
I	16.5	16.1	11.0	43.6	66	110

The averages of these percentages, respectively, are as 15.3, 12.6, 21.3, 49.2, 61.6, and 111.

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Abstract of the state of affairs of the Union Bank of Scotland (Limited) on April 2, 1909.

LIABILITIES.

Deposits and current accounts	£12,477,369	14	4
Current drafts on London	118,821	0	5
Acceptances by the bank	151,252	18	3
Notes in circulation	876,405	0	0
Total liabilities to the public	13,623,848	13	0
Capital, £5,000,000; reserve liability, £4,000,000—paid up, £1,000,000; rest account, £1,000,000; profit and loss account, £158,908 14s. 1d.; total liabilities to the shareholders	2,158,908	14	1
	15,782,757	7	1

ASSETS.

Bills under discount, less rebate, £2,305,521 15s. 6d.; advances on cash credits and current accounts, £2,792,873 19s. 1d.; loans on stocks and other securities, £2,143,022 10s. 2d	7,241,418	4	9
Liability of customers for bank's acceptance, per contra	151,252	18	3
Bank offices, Glasgow, Edinburgh, and branches	241,506	11	10
Heritable property yielding rent	107,008	13	11
London property	76,052	11	11
Consols and other British Government securities	1,143,404	10	7
Other securities and investments	2,439,740	1	10
Money at call and short notice	2,951,718	17	4
Cash balance due by banking correspondents and cash vouchers in transitu	325,959	2	10
Gold and silver coin, notes of other banks, and balances at Bank of England	1,104,695	13	10
	15,782,757	7	1

PROFIT AND LOSS ACCOUNT.

	Dr.		
Rest account	£75,000	0	0
Bank premises account	5,000	0	0
Balance as above	158,908	14	1
	238,908	14	1

	Cr.		
Gross profits, after providing for depreciation of securities, rebate of interest, and for all bad and doubtful debts	359,882	12	4
Deduct charges of management at head offices in Glasgow and Edinburgh, at London office, and 153 branches in Scotland	160,376	4	11
Net profit for year	199,506	7	5
Balance brought forward from April 2, 1908	39,402	6	8
	238,908	14	

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COMMERCIAL BANK OF SCOTLAND (LIMITED).

Interview with Alexander Bogie, General Manager.

Q. When was the Commercial Bank of Scotland (Limited) founded?

A. In the year 1810.

Q. When does your present charter expire?

A. It is not limited in point of time.

Q. What is the par value and present selling price of your shares?

A. The par value is £100, of which £20 is paid up. The present market price is £91 per share.

Q. How many stockholders have you?

A. About 4,400.

Q. Is the stock fully paid?

A. No. There is £80 per share uncalled, which is capable of being called up as follows: Forty pounds sterling for business purposes; £40 in the event of liquidation.

Q. Have your shareholders any liabilities in addition to the ownership of shares?

A. They are liable, in addition to the capital uncalled upon the shares, for the note issue of the Bank.

Q. Is there any limit to the number of shares which may be held by any one person, and is your approval required before a transfer of your stock can be made?

A. There is no limit at present fixed as to the number of shares which may be held by any one person. All transfers of shares require to be submitted to the directors of the Bank, and authorized by them before the transfer can be made.

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Q. How often do your shareholders meet?

A. They meet quarterly, in accordance with the constitution, but three of the meetings are purely formal, and only the annual general meeting is really attended by the shareholders.

Q. Does every share have a vote at shareholders' meetings?

A. No; voting is as follows: The holder of 5 shares has 1 vote; of 10 shares has 2 votes; of 15 shares has 3 votes; of 20 shares has 4 votes; of 25 shares has 5 votes; of 35 shares has 6 votes; of 45 shares has 7 votes; of 55 shares has 8 votes; of 65 shares has 9 votes; of 80 shares has 10 votes; of 95 shares has 11 votes; of 110 shares has 12 votes; of 130 shares has 13 votes; of 150 shares has 14 votes; of 175 shares has 15 votes; of 200 shares has 16 votes. The maximum number of votes for any one shareholder is 16.

Q. What control have the shareholders over the management and conduct of the business?

A. The directors are appointed by the shareholders in general meeting, but that power and the powers belonging to them under the companies acts constitute their (the shareholders) control over the management. In the actual conduct of the business they can take no part.

Q. Has the Government any voice in the management of the bank or any interest in it through the ownership of shares?

A. None.

Q. Describe the organization and management of the bank, stating the number of officers and directors with their respective functions, and for what periods and by whom are they elected?

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A. The nine directors decide all special questions of policy and the granting of advances (other than temporary), while the officials exercise general administrative powers under the directors. The officials are general manager, secretary, cashier, accountant, and superintendent of branches. There are besides the manager and assistant manager, an accountant, in London, while the other branches are managed by what in Scotland are called "agents." The directors are appointed by the shareholders. There are extraordinary directors, variable in number, at present 12. They are practically honorary, without fee, and only liable to be consulted on very special occasions. There are also a governor and deputy governor, who attend the annual meetings of shareholders. The governor presides.

Q. Is it customary to re-elect directors at the expiration of their terms?

A. The senior director (being the director at the top of the list for the year) retires at the end of the year and is not eligible for re-election for one year.

Q. Is there any custom restricting the class from which the directors may be selected?

A. They must not be directors of any other bank.

Q. How frequently do the directors meet?

A. The whole board meets weekly. A committee of the directors (the individual members changing weekly) meets four days a week. This is in addition to the weekly board meeting.

Q. How many branches have you?

A. One hundred and sixty-five branches and twenty-six sub-branches.

Q. How are your branches managed?

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A. By the agent of the branch, assisted by an accountant and clerical staff in accordance with the size of each branch. In the larger branches one or more tellers deal solely with the cash transactions over the counter.

Q. Who names the managers of branches?

A. Agents (managers) are appointed formally by the directors, but the actual selection of the officers is made by the general manager, who has the qualifications of candidates kept before him by the reports of the superintendent of branches and the staff of inspectors.

Q. Have the managers of the branches full control of the business in granting discounts, etc.; if not, what discretion is usually given them?

A. Agents have power to grant advances, but subject to the approval of head office. In advances of considerable amount, an agent's duty is to get authority from the head office before granting it. The discretion allowed is dependent on the size of the branch and the nature of the business and the class of customer, and on the record of the agent. By our system of reports on advances (weekly, monthly, and quarterly) we keep in close touch with the advances and means of borrowers. The London branch is, of course, on different lines, and our manager there has greater powers than an agent at a branch in Scotland.

Q. Have you any system of distribution of profits among the managers of branches?

A. No.

Q. Are all your branches of the same class, or have you main and subsidiary branches?

A. All our branches are of the same class, with the exception of the 26 sub-branches.

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Q. Is the business conducted at your branches of the same class as at your main office in Edinburgh?

A. Yes; very much the same. The head office has administrative work and supervision of branches, investment, etc., which does not, of course, arise elsewhere.

Q. Do your branches have business relations with merchants, farmers, and all classes of people in their respective localities?

A. Yes.

Q. How frequently are you required by law to publish statements of condition?

A. Twice a year. This is in addition to the publication and issue of the annual report and balance sheet.

Q. How frequently is it your custom to publish them?

A. Twice a year. In addition, the annual report and balance sheet is filed with the registrar of joint stock companies, in accordance with the companies acts.

Q. Is either your issue or your banking department at any time examined by the Government, or in any way under its supervision?

A. The answer to the first part of this query is "No." The commissioners of stamps and taxes have the power to inspect bankers' books for the purpose of ascertaining the accuracy of returns of note issues, but that power has never been exercised.

Q. What local or general taxes are paid by the Bank?

A. All local and imperial taxes exigible from an individual are payable, and are paid, by the Bank.

Q. Is the bank a member of the London clearing house?

A. No.

Q. What is the law governing your note issues, and how are note issues limited and how secured?

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A. "The issue of bank notes in Scotland," acts 8 and 9 (Vic., C. 38, 1845), regulates our note issue. By that act our authorized limit is fixed at £374,880, and all issue in excess of that sum must be covered by bullion lying in the head office of the Bank in Edinburgh. One-fourth of that bullion may be silver coin; the rest must be gold coin. The notes are secured by the coin mentioned, the general assets of the Bank, and the personal liability of the shareholders—their liability in respect of note issue being unlimited.

Q. To what extent are your notes legal tender in Great Britain?

A. They are not legal tender. But they are more popular than legal tender, which is gold and Bank of England notes and silver to a small amount.

Q. What other banks have the right of issue in Scotland?

A. Bank of Scotland, Royal Bank of Scotland, British Linen Bank, Commercial Bank, National Bank of Scotland (Limited), Union Bank of Scotland (Limited), Clydesdale Bank (Limited), North of Scotland and Town and County Bank (Limited).

Q. Are the notes of your issuing banks secured; and if so, how?

A. The act of 1845 governs the notes of all the above banks. For the security of these I am sorry I must refer you to the respective banks.

Q. What is the total amount of their outstanding issues?

A. Their average total circulation for the year 1908, was £7,113,683.

Q. Do you pay the Government in the form of taxes, or otherwise, either directly or indirectly, for your privilege of note issue?

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A. The bank pays 8 shillings per cent per annum on the average circulation taken weekly; a license duty of £60 per annum for all places at which we issued notes prior to 1845 and continue to issue, and of £30 per annum for each place at which we issue notes, commencing subsequent to 1845.

Q. Do other issuing banks pay at the same rate for the privilege of note issue?

A. Yes; all the other banks in Scotland.

Q. Have you acquired the right of issue from any other bank, and upon what terms?

A. We have not acquired the right of issue from any bank, since the act of 1845—which I have referred to—restricted note issues.

Q. To what do you attribute the weekly and seasonal fluctuations in the amount of outstanding notes, and are these fluctuations constant from year to year?

A. The condition of trade regulates the note issue, but comparison of year by year and consideration of trade position enable experienced bankers to guess fairly approximately how they should regulate their gold stock.

Q. Are you willing to inform us as to the expense of note issue and the profits derived therefrom?

A. This is a question we would rather not discuss in a public paper. It is rather an intricate one and requires much consideration, only approximate results being possible after all.

Q. Under what conditions or terms has your capital been increased from time to time?

A. In 1810, the subscribed capital was £3,000,000, of which £600,000 was paid up. In 1859, the amount of profits gathered £200,000, was added to the paid-up capital, making it £800,000. In 1864, another division of

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profits raised the paid-up capital to £1,000,000. In 1880, when the Bank was registered as limited, the capital was fixed at £5,000,000, in 50,000 £100-shares, £20 paid up on each.

Q. Have the obligations of the Bank to the public or to the Government been changed from time to time?

A. To the public constantly, to the Government only as regards collection of revenue.

Q. Are you required by law to invest your capital, or any part of it, in any particular securities; if so, in what class and to what amount?

A. There is no such restriction by law, but the Bank's constitution and by-laws govern the investment of capital, etc.

Q. Does the law require that before full distribution of profits you shall accumulate and maintain a certain amount of rest (surplus), and are you required to invest this in any particular way?

A. No.

Q. Do you allow interest upon deposits?

A. Yes.

Q. Are they subject to considerable fluctuations, and are these fluctuations regularly recurrent?

A. No.

Q. Are all deposits payable on demand?

A. Yes.

Q. Is it your custom to carry in your banking department a fixed amount in government securities?

A. We like to hold a considerable amount of such securities, and the fluctuation in amount is not great.

Q. Can you state approximately the average length of time and the average size of bills discounted by you?

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A. Two to three months' currency.

Q. Is the character of your discounts or loans regulated or restricted by law or fixed by the statutes of the Bank?

A. No.

Q. Will you state (*a*) the class of bills usually discounted by you, giving the number of names required; (*b*) the minimum size; and (*c*) the maximum length of time to run?

A. (*a*) Trade bills, with two names—the drawer and acceptor; (*b*) no minimum; (*c*) six months is the maximum in general.

Q. What classes of collateral are accepted by you for loans?

A. Good marketable securities, quoted officially in the stock exchange, is the usual security. But to a limited extent warrants for iron, etc., and for readily salable produce, are also taken, as well as shipping documents.

Q. Will you state approximately the average length of time and the average size of loans on collateral?

A. Stockbrokers' loans are usually from settlement to settlement (about a fortnight). Other loans are from one month to three, the average being probably a little over one month.

Q. Do you discount any but prime bills?

A. Our discounts are, generally speaking, trade bills of the best type.

Q. Do you discount to any considerable amount for individuals and merchants?

A. Yes; it would perhaps be well to point out that in Scotland a large portion of the advances made to traders are granted in the form of overdrafts on current accounts. The number and amount of bills in Scotland are less now

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than in former years. Cash payments for the purpose of obtaining discount are more frequent, and the number of bills discounted by wholesale houses is reduced in consequence.

Q. Is it your custom to employ surplus funds in purchase of bills from discount houses?

A. Only occasionally, when rates suit.

Q. Do you rediscount bills for other banks?

A. It is not our practice to do so.

Q. Is it your custom to discount any bills payable in foreign countries?

A. Not to any but a small extent, excepting bills payable in India and British colonies.

Q. To what extent does Bank rate govern your discount and loan transactions?

A. In ordinary transactions, altogether. In all transactions the bank rate governs as regards the minimum.

Q. Do you at times discount bills for parties having no account with you?

A. Our rule and practice is to the contrary, but in special circumstances an exception may be made.

Q. Are a considerable number of your loans on call?

A. Theoretically all are on call, but practically there is a small proportion fixed for a year and less.

Q. Explain the phrase "cash credits," and upon what conditions are they given?

A. A cash credit account is an operative current account in security of which the principal debtor and two or more co-obligants have granted a personal bond in favor of the Bank. The account is operated upon by the principal debtor, but all the parties bound as principals and are jointly and severally liable to the Bank.

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Q. Is the Bank, through its branches, employed by other banks to any considerable extent for the transfer of funds from one city to another?

A. We act as correspondents for the large English and Irish banks and for colonial and foreign banks.

Q. Is it the practice of the Bank in times of stress to discount bills of a satisfactory character for its customers freely?

A. That is the only way to allay panic and bring back normal conditions.

Q. Is it the policy of the Bank to discriminate against finance bills in times of financial crises?

A. In such times great care is exercised in choosing our paper.

Q. Do you favor the issue of £1 notes? Why?

A. Yes; under the Scottish system, as it enables the banks to plant branches at little expense and so to open up the trade of the country in all districts and directions.

Q. What, if any, artificial means are taken by you to secure changes in the volume of currency (notes and coin) to make it responsive to business demands?

A. None.

Q. What effect has a marked increase in the commercial and industrial activities of Great Britain on the volume of note issues?

A. It causes a corresponding expansion.

Q. It is customary in England, we find, to distinguish between current accounts and deposit accounts. Will you describe the distinction you make?

A. In Scotland the deposit account of England is represented by deposit receipts. No interest on current account is allowed in Scotland, whether the account be inoperative or not.

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Q. What is the customary charge for acceptance of a ninety-day bill?

A. It depends on the security given; it ranges from one-eighth to one-fourth of 1 per cent.

Q. Your acceptance constitutes what is known in London as a prime bill?

A. A bank acceptance of the highest class.

Q. Is there discrimination in easy times between a merchandise or trade bill and a finance bill?

A. Yes; in favor of the trade bill.

Q. It is your practice to employ your surplus funds in the purchase of prime bills through bill brokers?

A. We occasionally have such transactions.

Q. Is it the general practice in Scotland to make advances to very responsible people on a single name?

A. The general requirement is two good names; but each case is dealt with on its merits, and there are many instances where the full requirement is not insisted upon.

Q. Is it customary for you to receive as collateral for loans any securities which are listed on the exchange?

A. Yes.

Q. Do you pay interest on both current accounts and deposit accounts?

A. No interest is allowed on the creditor balances of current accounts. Deposit accounts, as known in England, do not obtain in Scotland. Deposit receipts—on which interest is allowed—take their place.

Q. How does the Bank rate affect the rate allowed by you on deposit?

A. It governs the rate allowed by the banks in Scotland, which is usually 1½ per cent below the bank rate.

Q. Were most of your branches organized by you, or were most of them other institutions purchased by you?

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A. All of them were organized by ourselves.

Q. Have you in mind how many branches you had ten years ago?

A. One hundred and thirty-seven.

Q. The tendency is for the consolidation of banking in Great Britain, is it not?

A. Yes.

Q. Has the conversion of a private bank into a branch of your bank generally met with favor in the community where that bank is located?

A. Only two banks have been taken over by us—one in 1825, the other in 1844—and both conversions were looked upon locally with favor, if we may judge by results. The lion's share of banking business in the two districts remains with us yet.

Q. Do you believe that the community is as well or better served through your bank than through the independent bank?

A. Better.

Q. Would you say the Bank of England is in any way a competitor of the other banks in Great Britain?

A. Not of the Scotch banks. I do not know the experience of our English friends.

Q. What relations do the Scotch banks bear to the Bank of England? Do they deal with it directly?

A. This Bank does.

Q. Does the Bank of England sometimes suggest the policy the Scotch banks should follow, say, in not accepting finance bills?

A. No.

Q. Is the question of the amount of reserves, either in specie or in bank, regarded as of importance by Scotch bankers?

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A. I should think so, though I only know positively my own opinion.

Q. Do you regard your system of currency issue as sufficiently elastic for your needs?

A. Yes.

Q. In your statement of liabilities you show "cash in hand and at the Bank of England." I assume it is not your custom to publish the amount of cash in hand separately from the amount of cash in the Bank of England?

A. No.

Q. You regard your balance in the Bank of England the same as cash?

A. Yes.

Q. It is your practice to confine your investments in other than government securities to a small figure?

A. I must refer you to our balance sheet submitted herewith. The amount does not vary very much.

Q. Do you ever buy any shares of railroad or industrial companies?

A. No industrial company shares and only gilt-edged railway stocks.

Q. Do you ever own bank shares?

A. No.

Q. What does the form of obligation by the borrowers upon collateral take?

A. The form of a letter of agreement, containing wide powers of sale, etc., and check drawn by the borrower upon the Bank—generally bearing reference to "loan account."

Q. Have you any idea of the percentage of actual cash or bank notes which is used in the transaction of business in the Kingdom?

A. No; the clearing-house figures in Scotland are not made public.

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Statement of the liabilities and assets of the Commercial Bank of Scotland (Ltd.), on October 31, 1908.

LIABILITIES.

Capital subscribed	£5,000,000	0	0
Less uncalled	4,000,000	0	0
Paid up	1,000,000	0	0
Rest	900,000	0	0
Officers' pension reserve fund	110,000	0	0
Deposits	14,626,241	3	11
Dividend payable January 2, 1908	100,000	0	0
Notes in circulation	974,797	0	0
Acceptances, indorsements, and marginal credits	310,322	2	7
Drafts, circular notes, and other liabilities	268,096	12	9
Profit and loss account	40,212	6	4
	18,329,669	5	7

ASSETS.

Specie at the head office and branches, and cash balances with the Bank of England and other banks	960,704	18	8
Notes of other banks and cash documents in hand and in course of transmission	951,503	11	5
Money in London at call and short notice	2,902,771	12	9
British government securities	994,538	8	11
Indian and colonial government securities, Bank of England stock, debenture stocks, and other investments	2,298,960	15	8
Short loans on securities	1,788,937	9	8
Bills discounted	3,036,477	11	11
Advances on accounts	4,563,095	18	10
Liability of customers for acceptances, indorsements, and marginal credits	310,322	2	7
Heritable property in Scotland not occupied by the Bank	175,234	2	11
Freehold property in Lombard street and Birchin lane, London	100,000	0	0
Bank premises at the head office and branches	247,122	12	3
	18,329,669	5	7

PROFIT AND LOSS ACCOUNT.

			Dr.	
Dividend for half year paid July 1. 1908			£100,000	0 0
Dividend for half year payable January 2, 1909			100,000	0 0
Applied in reduction of the cost of Bank premises			5,000	0 0
And to credit of Bank's investments			25,000	0 0
Balance to next account			40,212	6 4
			270,212	6 4
			Cr.	
Balance from last account			29,901	13 7
Profit of the year to October 31 1908			240,310	12 9
Thus:				
Balance after paying interest and income tax, and providing for accrued interest, rebate on bills current, and losses and contingencies	£414,310	7 10		
Charges at head office and branches, including licenses and stamp duty on notes	173,999	15 1		
	240,310	12 9		
			270,212	6 4

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FRANCE

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BANK OF FRANCE.

Interview with M. Pallain, Governor of the Bank of France.

Q. When was the Bank of France founded?

A. Its business commenced the 1st Ventose, year 8 (1800).

Q. For how long a period does your charter run?

A. The charter was renewed in 1897 and expires in 1920, but under its provisions Parliament, by taking action in 1911, may terminate the charter one year later, in 1912.

Q. Is the Bank of France ever attacked in the controversies between political parties?

A. No charge has ever been made that the Bank favored or aided any political party. There is never any claim that politics enters in any degree into the management of the Bank. Except for the renewal of the charter in 1897, no legislation affecting the Bank has been enacted since 1857. There is no sentiment for any change in banking methods nor for any new legislation. It should be added that neither the Governor nor Deputy Governor is permitted to be a member of either body of Parliament.

Q. The capital has been changed at different times?

A. It was at first 30,000,000 francs. It was successively increased, and amounted in 1857 to 91,250,000 francs, when it was doubled and finally fixed at 182,500,000 francs. The capital in reality only fills the office of a pledge, very important no doubt, as was so well set forth by Mollien, Minister of the Treasury, in his celebrated note from Havre in 1806.

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Q. Has the Government any interest in the ownership of the Bank? Does it own any shares?

A. No; the Bank is a private establishment.

Q. Then the capital is entirely private property?

A. Yes. All the shares are divided between 30,000 shareholders, of which about 10,000 have not more than one share.

Q. How often do the shareholders meet?

A. Once a year; the last Thursday in January.

Q. What do the shareholders do at this meeting?

A. They are told about the business of the Bank during the year and are called upon to elect or reelect the Regents and Censors.

Q. How many Regents and Censors are there?

A. There are fifteen Regents and three Censors. Five Regents and the three Censors must be chosen from among the commercial and industrial classes, and three Regents must be taken from among the *trésoriers payeurs généraux* (general paying treasurers).

Q. When do the Regents meet?

A. Usually once a week.

Q. Do they decide upon the changes in the rate of discount?

A. Yes, that is one of their most important duties.

Q. Can the Governor change the rate without the approval of the Regents?

A. No.

Q. Has each Regent a vote?

A. Yes.

Q. Are decisions taken by majority?

A. Yes; more often they are taken unanimously.

Q. What are the functions of the shareholders?

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A. They elect the Regents and Censors through whom they exercise their right of control over all the management of the Bank.

Q. Do all the shareholders have the right to vote?

A. Only the 200 largest shareholders are allowed to vote for the General Council of the Bank; that is, its Regents and its Censors.

Q. How are the Governors and Deputy Governors appointed?

A. The Governor and the two subgovernors are named by a decree of the President (*Chef de l'Etat*) upon the proposal of the Minister of Finance. Their terms of service are not for any fixed period.

Q. How many branches have you?

A. One hundred and eighty-eight branches (*comptoirs*), of which 127 are important (*succursales*) and the other 61 auxiliary. We also have 279 agencies.

Q. How are your branches managed?

A. Our branches are managed by a manager, assisted by a local board of directors, selected from among the best qualified commercial, industrial, and agricultural representatives in the region.

Q. Who names the managers?

A. The managers are named by decree of the Chief of State on the report of the Minister of Finance, upon the presentation made to him of three candidates by the Governor of the Bank.

Q. Have the managers of the branches full control of the business in granting discounts, etc.?

A. The Bank of France makes it a rule to leave as much initiative as possible to its managers for current business. They are assisted in their task by the collaboration of

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members of the board, in whom they find authorized and enlightened interpreters of the commercial needs of the region. Their management is submitted to the control of a regular inspection, and for operations of exceptional importance they must refer specially to the Central Bank, under whose supreme authority they always remain.

Q. We have found that certain banks have a system of distribution of profits among the managers of branches. Does anything of that kind exist at the Bank of France?

A. Our managers are remunerated by fixed salaries, which does not, however, prevent the Bank of France from letting all their staff participate in the results of particularly productive years by general and exceptional allowances. It should be added that there has existed at the Bank of France, since its origin, a system of pensions which is exceptionally advantageous; the pension guaranteed to each agent having a right thereto amounts to at least one-half the annual salary after thirty years' service, and the bank, in spite of the expense imposed upon it by the maintenance of these particularly favorable regulations, continues to add to the pensions benevolent allowances, which it gives out of its general resources, and which are fixed according to the services rendered and to the personal condition of the employees.

Q. How are the auxiliary offices managed?

A. The auxiliary offices are subjected to the same régime as the branches, except as concerns discount. The head of the office who is not assisted by a special board of directors refers all discounting operations to the manager and to the board of the branch to which he belongs.

Q. We should like to be informed as to the kind of business done in your branches. Is it the same as in Paris?

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A. The business done in the branches is exactly the same as that done in Paris.

Q. Do the branches have business relations with the merchants, farmers, and all classes of people of the locality?

A. Yes, they are open to everybody.

Q. You have, I suppose, in the branches regular clients who have an account with you?

A. Yes, and a considerable number of them.

Q. Do your branches do the same kind of business as the branches of the Crédit Lyonnais?

A. The Bank of France and its numerous branches do all banking business consistent with the laws properly regulating a bank of issue.

Q. You admit to discount certain classes of bills which are also discounted by the other banks, and with whom the Bank of France must therefore find itself in competition?

A. On certain points there may be competition, and it is on account of this salutary competition that wherever a branch of the Bank has been established the rate of discount has been perceptibly reduced, in the interest of commerce.

Q. In addition to your capital you have several classes of reserves (surplus) mentioned in your statement. Will you kindly explain to us the different classifications and if each of these classes of reserve (surplus) are required by law?

A. All the reserves which are detailed in the statement are required by the laws which govern us and constitute for us legal obligations. They are of four kinds and comprise:

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(1) Surplus or profits in addition to the capital accruing from raising the rate of discount above a certain fixed rate and which, according to the terms of the law, can not be distributed. It now amounts to 8,006,145 f. 84 (see the law of the 9th of June, 1857, art. 83, and the law of the 17th November, 1897, art. 12).

(2) The surplus coming from different sources and notably from profits accumulated before 1834; from the surplus of departmental banks absorbed in 1848; from the premium on the new shares issued at the time of the doubling of the capital in 1857; amounting in all to 22,105,750 f. 14, viz:

(a) 10,000,000 f. by virtue of the law of the 17th May, 1834.

(b) 2,980,750 f. 14, coming from the departmental banks which were united to the Bank of France (decree of the 27th April, 1848, art. 5).

(c) 9,125,000 f. (law of the 9th June, 1857, art. 4).

(3) Real estate surplus, representing in the books the value of the central bank building; 4,000,000 francs (law of the 17th May, 1834).

(4) The special surplus constituted in order to insure the relative stability of dividends.

Q. Does the law require that a portion of the capital and surplus of the Bank shall be invested in government funds?

A. In accordance with the statutes the Bank is obliged to keep invested in French rentes more than one-half of its capital and its legal reserve (surplus). We have therefore one hundred millions of the capital and an important part of the different classes of surplus invested in French rentes. The remainder of the surplus is also in a large degree invested in French funds, although there

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is no legal obligation to do so. Besides its legal surplus the Bank reserves, on the advice of the General Council, amounts set aside to meet exceptional needs, such as reconstruction of buildings, sinking fund, pensions for the staff, eventual losses on its loans and discounts, etc.

Q. What classes of bills are discounted by the Bank of France?

A. The Bank of France discounts for everyone who has obtained the opening of a current account, bills of exchange, checks, bills to order, and commercial and agricultural warrants of fixed maturity, which have not more than 3 months to run, and which bear the signatures of three persons, tradesmen, agricultural syndicates, or others, known to be solvent. The Bank and the branches accept without distinction bills which are payable in any one of the 467 towns where we undertake to collect bills.

Q. Do you require three names on all the bills you discount?

A. The statutory rule is that bills must have three signatures, but the Bank is also authorized to accept paper bearing only two signatures when the third signature is replaced by a deposit of securities belonging to one of the classes of securities admitted for loans, or by a warrant for merchandise (warehouse receipt). When I speak of bills bearing two signatures I mean French signatures, and I mean to say that bills with three signatures must have, among these three signatures, at least two signatures given by parties domiciled in France.

Q. In other words, a client having satisfactory collateral is only obliged to supply one supplementary signature?

A. Just so, and that supplementary signature can even be given once for all by means of what we call an "*Aval par acte séparé*" (guaranty by separate deed).

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We inaugurated a few years ago a system called "mixed accounts," for which the securities deposited serve alternately and according to the position of the account, to guarantee advances made or discount granted to the same customer. Although the securities which replace a statutory signature must belong to one of the classes admitted for loans, it sometimes happens exceptionally that we take other securities, American securities, for instance, as supplementary security for discounting bills with three signatures, which gives to certain customers the ability of obtaining larger credit than they would obtain on personal guarantees.

Q. A bill drawn in New York on France, on a bank, for instance, the Crédit Lyonnais at Paris, and accepted by it, would it be admissible?

A. Yes, if it bore, besides the signature of the French establishment accepting it, at least one other French signature; that of the person presenting it, for instance, having a current account at the Bank of France. In a word, under normal conditions the Bank confines the privilege of discount to bills bearing the signatures of at least two persons domiciled in France.

Q. Is it necessary that one of these signatures should be that of a bank?

A. That is not necessary, the Bank of France being able to be and in fact being in direct discounting relations with commercial and industrial people.

Q. Nevertheless, a part of your portfolio comes from rediscounting for banks.

A. Certainly, and it is an important part.

Q. If the Crédit Lyonnais needed money and brought you acceptable bills, you would discount them?

A. Certainly. We often do; and this possibility, always open, according to circumstances, is an invaluable

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resource for credit societies. The eminent founder of the Crédit Lyonnais, M. Germain, a very competent man in these matters, admitted frankly that if the Bank of France did not exist he would close the Crédit Lyonnais—in times of crisis, of course.

Q. Could you give us an estimate of the proportion of bills which are discounted for banks and those discounted for other customers?

A. No special statistics have been drawn up on this point, as it would necessitate a long investigation in all the offices of the Bank. I should estimate that about 70 per cent of the paper now held bears the signature of some bank as one of the indorsers; but it is manifest to us that the number of merchants and manufacturers who appreciate the facilities given by the Bank for direct discounting and who profit by it increases perceptibly every day.

Q. Does your annual report show the average life of your bills?

A. Yes; the last statement of operations indicates, like the preceding statements, the average time of bills discounted, which was for the year 1907—26 days.

Q. The law fixes a maximum time? You can not discount bills having more than 90 days to run?

A. The law does not say 90 days, but 3 months. This legal limit, which was fixed in order to always assure the liquidity of the portfolio, does not take from the Bank the capacity of renewal, which it can use without entering in any engagement in that respect under certain circumstances, subject to the judgment of the council.

Q. Does the statement of your operations give information as to the average size of bills in your portfolio?

A. Yes. The average value of discounted bills in 1907 was 732 francs; in 1906 it was 683 francs. The minimum

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amount of bills admitted to discount was lowered in 1898 to 5 francs, and the number of small bills discounted by the Bank has never ceased to increase since that time. In 1907 the number of bills below 100 francs was more than 3,500,000 in a total of 7,500,000. The percentage of small bills discounted increases, besides, in a continuous manner in proportion as the operations of the Bank become popular; it has gone from 33 per cent in 1897 to 48 per cent in 1907.

Q. Do you allow overdrafts or do you make advances of the kind made by the Scotch banks, called "cash credits?"

A. The law does not permit any overdraft (tirage à découvert), and we consider, moreover, that this operation is contrary to the principles which ought to govern an issue bank.

Q. Scotch banks take security in the form of a guarantee.

A. We also sometimes accept guarantees, but only when they apply to engagements for a fixed period, resulting from discounting operations.

Q. Is the rate of discount at all times the same at the Central Bank and at all the branches?

A. Yes.

Q. Is the rate the same at the Bank and the branches for loans on securities?

A. Yes.

Q. Does the Bank of France make the same charge for the discount of bills and for loans upon collateral?

A. The Bank usually charges somewhat more for loans upon collateral than for the discount of bills. The rates at present are 3 per cent and 4 per cent, respectively.

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Q. Do you think that it would perhaps be more advantageous for the Bank of France, considered simply as a bank, to impose different rates under different circumstances and at different places?

A. As a banking establishment, if we thought it advisable to apply different rates, we could easily become the masters of the market. But in our position of Bank of France, organized to serve the interests of public credit in a democratic country, we do not believe ourselves justified to use this option.

Q. Are the advances on collateral which appear in your balance sheet made on stock-exchange securities?

A. Yes.

Q. Are you restricted in the classes of securities on which you may make advances?

A. Securities which may be admitted as collateral are limited by the laws and decrees which govern the Bank and include collateral of easy conversion into cash, such as should at all times be required by a bank of issue. These securities are generally guaranteed by the State, the departments, municipalities, or French colonies.

Q. Can the same classes of securities be accepted by your branches?

A. Yes. The classes of securities admitted by the laws and decrees and the proportion of the loans fixed by the general council, and which varies according to the character of the securities from 60 per cent to 80 per cent, apply alike to operations in Paris or the country. I will furnish you the list of securities admitted now for loans, with the proportion of the loan for each of them.

Q. In your balance sheets for December 24 the amount of current accounts and deposits at Paris is stated at

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about 426,000,000 francs. Does this figure include the deposits of other banks?

A. This figure, as a matter of fact, includes the current accounts and deposits of all the large banks, railway companies, insurance companies, and other private accounts.

Q. Do these banks consider their deposits with the Bank as cash?

A. These sums are available at sight and can be considered as cash.

Q. Do you publish a statement of the amount of the deposits of the banks with the Bank of France?

A. The Bank of France does not publish any statistics on this point. But information as to the amount of cash and cash in bank may be found in the balance sheets of each of the establishments in question.

Q. Could we obtain an estimate of the percentage of the deposits of the other banks at the Bank of France in comparison with the whole of such deposits?

A. These figures are extremely variable; it would be necessary, in order to obtain even an approximate idea at any given moment, to make inquiries not only at the Central Bank, but also at the branches. Permit me, however, to ask you what interest you attach to this question?

Q. We should like to ascertain as accurately as possible the nature and amount of the cash reserves of the French banks other than the Bank of France. This is the reason why we wished to know the balances of the different credit establishments at the Bank of France.

A. As you must, with reason, continue your inquiries in the large credit establishments of Paris, it seems to me

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preferable that you obtain from them this information as to liquid assets, which, for that matter, appears in their balance sheets.

Q. We thought of obtaining this information by a different method. The published balance sheets of the banks do not state separately the amount in the Bank of France and the amount in their own vaults.

A. In the credit establishments which you will visit you will be able to establish the fact that the liquid cash is, in comparison with their turnover, relatively very small. In France we consider that the strength of a bank consists more in the composition of its portfolio, i. e., in the value of its commercial bills, rather than in the importance of its cash reserve.

Q. In America the question of the proper relation between cash in hand and liabilities is considered very important.

A. It appears to us that for French private banks the proportion of cash to liabilities is less significant on account of the facilities offered by the organization of the Bank of France for the rapid conversion—in a crisis—of a good portfolio into ready money.

Q. We are trying to inform ourselves as to the usages and customs of foreign banks. It is for this reason that we seek to ascertain the percentage of cash which the banks hold to their deposit liabilities.

A. I think I have already replied on this point. The part which the Bank of France plays toward the private establishments permits the latter, as has many a time been proved, to reduce to a minimum their cash reserves, and to devote, without exceptional risk, a larger part perhaps than elsewhere to productive commercial operations.

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Q. That may be true, but we wanted to find out, if possible, the percentage of the cash held by the banks of Paris in their vaults to their deposit liabilities.

A. I think you pay more attention to the quantity than to the quality.

Q. We may be agreed as to the quality, but I am trying at this time to make an inquiry as to the quantity.

A. It is a question, as a matter of fact, of the measures taken by each private bank to supply their cash requirements. The establishments which you will visit will be able to inform you on this point much better than we could.

Q. Are there any laws regulating the amount of the balance which the other banks must keep at the Bank of France?

A. None at all.

Q. You pay a certain tax on your notes in general and a certain other tax on the productive circulation. What is meant by "productive circulation?"

A. Productive circulation is the average amount of the portfolio and loans, and is subjected to an annual tax of 0.50 per 1,000 francs. The circulation in excess pays an annual tax of 0.20 per 1,000 francs.

Q. Then productive circulation is not the same thing as the notes issued in excess of specie held?

A. It is not exactly the same thing. The productive circulation is composed, as I have said, of discount and loans. The uncovered circulation comprises, besides the productive circulation, divers other elements, and notably the loans without interest which the Bank has made to the State, up to an amount of 180,000,000 francs.

Q. Is the amount of all taxes paid by the Bank to the State included in your report?

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A. Yes. The Bank is subjected to all the general taxes imposed on private companies, and which, for the last year's business, are divided up as follows:

	Francs.
1°. Direct taxes (land tax taxes on doors and windows, licenses, on mortmain property, etc.)	824,800
2°. Tax of 4 per cent on dividends	1,330,700
3°. Stamp tax on shares	55,000
4°. Tax of 4 per cent on the interest of loans granted to companies	41,600
Total	2,252,100

Besides the general taxes the Bank pays special taxes as follows:

	Francs.
(1) The stamp tax on notes, as above explained, and which amounted in 1907 to	1,473,000
(2) The royalty to the State, stipulated by article 5 of the law of November 17, 1897, and calculated by multiplying the average amount of the productive circulation by one-eighth of the average rate of discount. This amounted in 1907 to	7,357,000
Total	8,830,000

To sum up: The public charges of the Bank in 1907 were more than 11,000,000 francs, whereas the profits distributed were 31,000,000 francs. They therefore amounted, for the last year, to about a third of the net product.

Q. Have you a system of transfers similar to that used by the Reichsbank?

A. Yes, this system, in France, dates as far back as a century or more.

Q. If I were not a client of the bank, and should ask that 1,000 francs be transferred to Marseille, would you charge for the transfer?

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A. The transfer would cost 25 centimes. It is gratuitous for the sums coming from bills discounted or taken from loans advanced on security.

Q. Do you have a tariff of charges for transfers?

A. Yes. It is given in one of our publications.

Q. Suppose that I am a customer of the Bank of France, having a deposit, and wish to transfer 1,000 francs to Marseille. How would this be accomplished?

A. Nothing easier; and if you are a client of the Bank, and the sum which you want transferred is the product of discount or advances, no kind of commission is charged.

Q. Even if I wanted to transfer the sum to a person who is not a client of the Bank?

A. In this case the Bank gives a letter of exchange (or credit) payable at Marseille, and which is sent to the interested person. The commission is the same as for the *virements* (transfers).

Q. The Reichsbank has a list of all its clients in all its branches and it transfers funds without charge when the sender and the receiver are both its clients. Is there a list in existence published by the Bank of France containing the names of its clients?

A. With us this list is a document for the use of the Bank only, deposited in all our branches, and to which we refer in order to reply to people asking for transfers.

Q. In Germany the transfer operations of the Reichsbank are considered as one of its most important functions. They transfer funds to all parts of the Empire, either without commission or for a small one. Is this class of operations an important one for the Bank of France?

A. Extremely important, since the transfers made between our clients in 1907 amounted to 180 milliards of francs.

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Q. Does the Bank of France transfer funds for all the other banks, Crédit Lyonnais, Société Générale, etc.?

A. Yes; it also transfers sums for the Public Treasury. It is an expensive thing for us, but it constitutes one of the obligations of our privilege.

Q. What is your method of transfer? If I wish to transfer 500,000 francs to a firm in Lyon, and I deposit the 500,000 francs at Paris, what steps do you take? In Germany the Reichsbank simply notifies the branch in question of the transfer, and the branch places the amount to the credit of the beneficiary. Is that the method employed here?

A. The system is the same in principle, and transfers from place to place are also made by simple notification to branches. Nevertheless the person who deposits the sum to be transferred can obtain a receipt, in duplicate, if he desires, so as to send one, as an identification paper, to the beneficiary of the transfer. The beneficiary can use this document in order to confirm his right to the sum to be transferred to him, but he is not obliged to produce it.

Q. Are the other banks accustomed to use the Bank of France in order to transfer their funds? If a credit establishment wants to transfer 100,000 francs from its branch at Marseille to that at Havre, would it use the Bank of France for that purpose?

A. Certainly; all the credit establishments use us for this purpose to the largest extent.

Q. Instead of using their own machinery they use the Bank of France?

A. The greater part of the banks use no other method.

Q. Would they use the transfer facilities of the Bank of France to increase the cash in one of their branches in a remote part of France?

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A. Certainly.

Q. Is there any agitation in France for more frequent or fuller publication of reports by the banks?

A. People are generally agreed that the balance sheets presented by private banks are too brief.

Q. Do the other banks publish any statements aside from the annual statements required by law?

A. The big credit establishments publish monthly a statement drawn up the last day of the month.

Q. There is no provision of law which requires banks to publish a monthly statement, is there?

A. No.

Q. But the law does require an annual statement?

A. Yes. But only for banks organized under the law of July 24, 1867. The Bank of France, subjected, on this point, to a special law, is only obliged to publish quarterly statements; but as it seeks for the greatest amount of publicity, it has published for a long time past weekly statements.

Q. Is the Bank of France subject to examination by the Government?

A. There is no regular system of examination, but the Minister of Finance has the right to ask for information whenever he chooses.

Q. I suppose the relations of the Bank of France with the other banks are cordial; there is no friction?

A. We have as a principle to be on good terms with everybody, and better with certain persons.

Q. Do the banks rely implicitly on the Bank of France to grant them credit when they require it?

A. They know very well that in times of difficulty we are the supreme resource.

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Q. Does the amount and the character of credit granted to other banks depend on the amount and the character of their accounts at the Bank of France?

A. There is no fixed rule, and although the balance of the account is not a matter of indifference, it is more especially the quality of the paper presented which fixes the extent of the credit. In periods of crisis, in 1830, in 1848, in 1870, in 1889, the general council of the Bank did not hesitate to come to the assistance of establishments which were in difficulties, but which held assets of unquestioned character and value, by extending to them the largest possible credits.

Q. Then you would grant discount to a bank without taking into consideration the importance of its balance with you?

A. That is not exact. And the council, when it decides discounts, has every day before it the statement of the balances of all our clients, and this examination certainly exercises an influence on the extent of the credit given. But, I repeat, there is not a fixed rule in this respect; it is a question of judgment.

Q. Let us suppose a bank at Marseille having no account with you, and which never had one, applied for credit, would you grant it?

A. Our discount is reserved for our current accounts, but the bank in question could obtain the opening of a current account on condition that the request it should make must be accepted by the council.

Q. Is the Bank of France regarded as a bank for banks or as a bank for the people?

A. The Bank of France remained for a long time, indeed, the bank for banks, but since it has covered so much territory with its numerous branches; since the

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minimum amount of all its operations has been lowered; since it has opened deposit accounts to all; since it has tried to simplify and minimize the formalities required by its special charter, the industrial and commercial world has come to use the Bank directly to a much larger degree. At the same time its credit has come out stronger, firmer, more popular from all the political and financial crises, so much so that to-day one can reply without hesitation that it is already and that it tends to become more and more—as you ask—the bank of all the French public.

Q. Nevertheless it does more business with banks than with private individuals?

A. That is only true for discounting operations, but for loans and all operations on securities its clientele is composed, in great majority, of individuals. The number of small loans is specially important, and the number of depositors of securities reaches almost 100,000.

Q. Is there any limitation in the size of the accounts which will be taken at the Bank?

A. Anyone can open an account who is known to the Bank, the minimum being 500 francs. After an account is once opened the depositor may discount paper as low as 5 francs, provided it meets with all of the other requirements.

Q. What are the relations of the Bank to the State and the Treasury?

A. At the time of the successive renewals of the privilege of the Bank the State asked for the concession of a certain number of advantages besides the taxes I have indicated. It is thus that the Bank granted to the Treasury loans without interest amounting to 180,000,000 francs and reimbursable only at the end of the concession.

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In 1840 and in 1870–71 the Bank made to the State temporary loans of far greater importance. The Bank also acts, without remuneration, as the Cashier of the Treasury, whose accountants can all pay in or draw upon the account of the Treasury in all the establishments of the Bank of France; the latter making, without charge, the necessary transfers in order to centralize all these operations for the account of the Treasury in Paris. In 1897 the Bank was obliged, in addition, to assume all the expenses of transportation necessary to furnish the country with the different kinds of coin, to furnish the necessary service for the issue of treasury bills, and to pay the coupons of public securities at the same time as the government "caisses." All these services are rendered by the Bank without remuneration.

Q. In your statement of December 24, 1907, you mention 258,000,000 francs as due from the Bank to the Treasury. Does that refer to deposits of the Public Treasury?

A. Yes; it is the balance of the current account of the Treasury with the Bank.

Q. Does the Treasury have a deposit in any other banks than the Bank of France?

A. No; in no other bank in ordinary times. There are, however, certain relations existing between the Treasury and the Caisse des Dépôts et Consignations, which is a different public establishment and which holds in France the money of the savings banks.

Q. Is the French public satisfied with the monopoly of the note issue granted to the Bank of France?

A. We have every reason to believe so, and we do not think that your inquiries elsewhere will meet with any other reply on this point.

Q. Is there any agitation in any quarter for a change?

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A. No, but they are always inclined to ask more from the Bank of France; that is to say, to open new branches and subbranches; to extend the benefit of its credit to a larger number of places; to increase the facilities of every kind that it offers to its customers. But, in principle, one can say that the general opinion of commerce, industry, and agriculture is unanimously favorable to the maintenance of a system which all comparisons lead us to appreciate more and more. However that may be, the best itself can always be improved, and we do not forget it.

Q. Is there any contention in banking or economic circles that it is necessary to restore or extend the right of issue to banks, other than the Bank of France, to enable them to increase their own profits or to afford adequate facilities to borrowers or to meet legitimate business demands?

A. The unity of issue was achieved in France in 1848, and at no time since then has there been any question, in responsible circles, of a possible return to plurality of issue. The same tendency is leading, little by little, to an absolute monopoly in England, Germany, and even in Italy. I think that it would also be interesting for you to examine the recent example of Switzerland, which had its note-issue system founded, as in America, on the plurality of banks and which has now substituted for this system one single privileged bank. This transformation has received popular approval by referendum.

Q. We have in America a numerous class of people who think that the discount banks could better serve the interests of their customers if they had an additional right of note issue based on commercial assets. What is your opinion?

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A. My opinion is very clearly favorable to the principle of the unity of issue. In normal times the available funds arising from note issue should only be employed with moderation so as to retain their efficacy in periods of crisis, and it appears to me that this moderation would be less well assured by the competition of a large number of establishments than by the control of a sole responsible bank, which would become the supreme refuge of all the others in times of peril.

Q. How is your note issue limited?

A. The maximum note issue at present authorized is 5,800,000,000 francs. The actual note issue on August 24 was 4,600,000,000 francs.

Q. What effect does a marked increase in the commercial or industrial activity of France have on the note issue?

A. The commercial development of France is accompanied by monetary needs which grow in proportion, which explains that the note issue has risen unceasingly through all the fluctuations of these last fifty years. In 1897, when the privilege of the Bank of France was last renewed, the limit of issue was fixed at 5 milliards of francs. Two years ago it was necessary to increase it to 5,800 millions, but the increase has been accompanied by an equal increase in the metallic reserve of the Bank, and is not reflected in any increase in productive operations, so that the increase instead of being an additional source of profit has imposed an appreciable expense upon the Bank. The needs which exercise a permanent influence for a long period are more monetary needs, due to the general development of commerce, rather than needs of credit due to passing fluctuations of its activity.

Q. In other words, the Bank seeks to regulate the amount of its issue by the demands of business?

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A. By virtue of the statutory machinery, the emissions of the Bank are essentially variable and are commanded precisely by the discount or loan operations. It is therefore the bills presented for discount and the requests for loans—that is to say, the requirements of business—which fix the amount of the issue.

Q. Do crises in other countries like that of October and November, last year, in America, have any effect on the note issue of the Bank of France?

A. I can reply to you by figures. On October 21, the date of the beginning of what was called the American crisis, the circulation of the notes of the Bank of France amounted to 4,843,000,000 francs. This circulation increased until the end of October, but on December 31 the circulation had been reduced to 4,800,000,000. It is therefore very apparent that a crisis of the kind of which you speak has more effect on the portfolio and on the gold reserve than on the circulation of notes. As a matter of fact, in the case of a foreign crisis, the demand is for exportation capital; that is to say, gold.

Q. Does the export of gold reduce the volume of notes?

A. Not necessarily. It may happen that among our assets a certain fraction of the gold is replaced by an equal amount of bills in our portfolio, and that without changing the total of notes in circulation.

Q. I see from your reports for a series of years that there are similar fluctuations from time to time in each year in the volume of your note issue. What are the causes of these fluctuations?

A. It is the sun, or, it would perhaps be more correct to say, the alternating seasons.

Q. Through what agencies do you feel a demand for increased note issue? Does it come from the banks or from your own customers?

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A. As I told you a moment ago, it is the bills presented for discount and the requests for loans which regulate automatically the movements of issue.

Q. Does this demand for increase come more largely from the banks or from customers in general?

A. Both banks and other clients. The demands of the banks are particularly important, as they centralize the demands of their numerous clients.

Q. The fluctuations are more or less automatic? If there is an excess of notes, it is, I assume, soon taken care of by presentation for redemption?

A. The mechanism is quite automatic. When circumstances demand a reduction of issue the notes are naturally presented for redemption, and it seems to us that as long as this redemption is made without difficulty, there can never be an excess of notes in circulation.

Q. There is nothing in the law requiring your notes to be covered by a certain proportion of gold?

A. No regulation of this kind exists in our legislation.

Q. There is no provision that you should hold either cash or bills of a certain character against the note issue?

A. As regards cash, we have no particular obligation. The bills must simply have the maturity and the signatures stipulated in the statutes, of which I have already spoken. But the more latitude that is allowed us the more we feel ourselves bound to insure by the character of our management and by the constitution of very strong reserves the complete security of the bank note. It is a very remarkable historical fact that after the events of 1848, which modified the economic conditions of Europe, the only two banks which were not involved in considerable difficulties were the Bank of Prussia and the Bank of Piedmont. The Bank of Piedmont had a reserve (surplus) of 80,000,000 francs. By the word "reserve" we mean an

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accumulation of undistributed profits added to the capital, and invested—like the capital—in government bonds, in order to constitute a substantial pledge for the holders of notes.

Q. Is there anything in the law requiring your notes to be covered either by cash or bills?

A. The Bank of France can only issue notes as against cash or against statutory discounts or loans. Every note has therefore its counterpart, either in the metallic reserve or in the portfolio of discounts or in loans. As these latter operations are subjected to special conditions of security, one can say that the French legislator—as I have already pointed out to you—gave more thought to the quality than to the quantity of securities offered to noteholders.

Q. What measures are taken by the Bank of France if it wishes to increase its stock of gold or to stimulate the importation of gold?

A. The importation of gold does not need to be stimulated in France. It takes place naturally under the influence of the position of a creditor which France always holds toward the principal foreign markets. Certain intermediaries have sometimes asked us to facilitate their operations of arbitrage in precious metals by advancing money without interest for the time required in transportation. We have done so several times by crediting the importers from the day of shipment, but this operation, which has its limits in its own conditions, can not be considered as a premium for importation. Such premiums, we repeat, would be useless, in consideration of the current importation which normally overabundantly supplies the French market

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Q. It is customary elsewhere to advance money without interest to importers of gold for the time that it takes in transportation, say, for instance, from New York or Australia, the time required may reach fifty days; I understand that you adopt the same policy?

A. It is a question of degree, and we would point out this difference that inasmuch as our most distant arrivals come from New York, the time of shipment can never be nearly so long. However, these facilities are only granted in periods of complete prostration of exchange. During all the period of the American crisis the Bank carefully abstained from granting them. I personally would have thought it a discourteous act to facilitate, during a difficult period, operations which might increase the difficulties of the American market.

Q. Do you rely upon raising the rate of discount to stimulate the importation and to prevent the exportation of gold?

A. It is a principle consecrated by experience that the supreme means of defense for an issue bank, to protect its metallic reserve, is to raise the rate of discount, and we never lose sight of this principle. However, the extent of our reserves allows us to contemplate without emotion important variations of our metallic stock, and we only exceptionally have recourse to a measure which is always painful for commerce and industry. The stability and the moderation of the rate of discount are considered as precious advantages, which the French market owes to the organization and traditional conduct of the Bank of France.

Q. Would you like to express an opinion as to why the Bank of France is able to hold its gold with a bank rate of 4 per cent when the rates elsewhere are higher?

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A. The causes of this phenomenon are multiple. Theory teaches us that capital goes where it can obtain the highest remuneration, but in considering this remuneration account must be taken of risks; these are numerous and of different kinds; I mean, of course, commercial risks; risk of losing on exchange when the capital is brought back, etc. This at once explains why it is possible in France to maintain a rate of discount lower than elsewhere. French capitalists might fear, perhaps, that the higher interest obtainable outside might be offset or more than offset by the risks incurred. Account must be taken, secondly, of the situation always held by France as a creditor nation, which I have already mentioned, and which by the constant income of capital which it assures to us certainly contributes to counterbalance the current of exportation which might result from the lowering of the rate of discount.

Q. You believe that the balance of payments in the world is in favor of France?

A. The purely commercial balance is not always in our favor, but the balance of payments most certainly is.

Q. In order to discourage the exportation of gold does the Bank of France sometimes exercise the right it possesses to refuse payment in gold and to offer to pay its notes in silver?

A. The Bank of France can not, of course, renounce its right to redeem its notes in gold or in silver, since gold pieces and silver coins of 5 francs are equally legal tender in France. But it only uses this right with discretion and to the extent that it appears necessary in order to prevent an unjustifiable weakening of its reserves. In no case, however, whatever may have been said, have we ever

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charged any premium on French gold in redemption of notes.

Q. Does the Bank of France sometimes take steps to maintain the bank rate by the purchase of bills in the market or otherwise?

A. No, never. Such measures would appear to us to be absolutely contrary to the mission of the Bank, which is to moderate, as much as possible, the conditions of credit. The accomplishment of what it considers as its own particular task would appear to it incomparably more desirable than the profits which it might obtain by measures such as those to which you allude.

Q. The tradition and reputation of the Bank of France make it important that it should hold a larger reserve than any other bank in the world?

A. It is true that France keeps locked up in its Bank a proportionately larger amount of specie than any other country, but this policy is not without important compensations. Suppose the French public, changing its mind, should reduce by one-half its monetary reserve of which the Bank is the guardian. It would gain thereafter the interest on perhaps 2 milliards of francs released and which would have become productive—that is to say, a saving of from 80 to 100 millions of francs per year at the maximum—but if one reflects that it would lose the advantage of the reduced rates of discount which the extent and character of our reserves enable us to maintain and from which all French production profits; that it would lose, in addition, the sentiment of absolute security, of complete financial independence, which every crisis has strengthened, one would be less tempted to conclude—with certain critics—that the policy of maintaining heavy

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reserves, the natural expression of the country's instincts, is an unwise policy from an economic and practical standpoint.

Q. You have, I believe, no requirement of law by which the Bank of France is obliged to purchase gold at a certain fixed price?

A. The bank buys gold according to the tariff of the Mint, but it is not obliged to do so.

Q. Is the Bank of France, so to speak, an agent of the French Mint to purchase gold and put it in circulation?

A. The Bank of France is more a customer, we may even say the principal customer, of the Mint. Private individuals, instead of having their money coined for themselves, find it more advantageous to sell their ingots to the Bank, which has them coined when needed.

Q. Have you ever made any estimate of the amount of specie in France?

A. No statistics have been made on this special point, but every five years a census is made of the currency at a given date in the state depositories, in the Bank of France, and in all the large credit banks. This inquiry allows one to form an idea of the proportion existing between the different instruments of payment circulating in France, and one is able, by the ingenious use of statistics, to deduce an approximate estimate of the French monetary supply. It is generally estimated that the amount of gold in France is from 5 to 6 milliards of francs (1,000 to 1,200 million dollars), an amount considerably smaller than that which is generally attributed to the United States. The Bank of France holds 3,225,000,000 francs and the remainder is in the pockets of the people.

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BANK OF FRANCE.

Bilan de la Banque de France et de ses succursales au 24 décembre 1907.

ACTIF.

Numéraire et lingots à Paris et dans les succursales		Fr. 3,615,349,735.62
Effets échus hier à recevoir ce jour		49,104.05
Portefeuille de Paris	505,749,698.39	
Portefeuille des succursales	710,243,811.00	
		1,215,993,509.39
Avances sur lingots et monnaies à Paris	2,152,000.00	
Avances sur lingots et monnaies dans les succursales		
		2,152,000.00
Avances sur titres à Paris	188,352,284.24	
Avances sur titres dans les succursales	389,515,131.00	
		577,867,415.24
Avances à l'État (lois des 9 juin 1857, 13 juin 1878, 17 novembre 1897)		180,000,000.00
Rentes de la réserve		12,980,750.14
Rentes disponibles		99,626,950.08
Rentes immobilisées (loi du 9 juin 1857)		100,000,000.00
Hôtel et mobilier de la banque et immeubles des succles		33,290,992.07
Emploi de la réserve spéciale		8,407,444.16
		5,845,717,900.75

PASSIF.

Capital de la banque		Fr. 182,500,000.00
Bénéfices en addition au capital (art. 8, loi du 9 juin 1857)		8,002,313.54
Réserves mobilières		22,105,750.14
Réserve immobilière de la banque		4,000,000.00
Réserve spéciale		8,407,444.16
Billets au porteur en circulation (banque et succursales)		4,800,581,450.00
Arrérages de valeurs déposées ou transférées		17,105,372.69
Billets à ordre et récépissés payables à Paris et dans les sles		5,032,828.20
Compte courant du trésor		258,036,285.40
Comptes courants et comptes de dépôts de fonds Paris	426,298,229.77	
Comptes courants et comptes de dépôts de fonds sles	62,677,837.00	
		488,976,066.77
Dividendes à payer		1,528,263.34
Réescompte des effets escomptés non échus		4,117,461.00
Solde de divers comptes		20,813,040.08
Profits et pertes:		
Dividende brut: 93 fr. 750 (net 90 fr.)	17,109,375.00	
Allocation exceptionnelle d'un douzième de traitement au personnel	990,000.00	
Provision pour agrandissement de la Banque Centrale	5,000,000.00	
Dotation aux réserves	1,300,000.00	
	7,290,000.00	
Excédent de bénéfices non réparti	112,250.46	
		24,511,625.46
		5,845,717,900.75

Balance sheet of the Bank of France and its branches December 24, 1907.

ASSETS.

Coin and bullion at Paris and in the branches		$697,762,499
Bills receivable		9,477
Discounts at Paris	$97,609,692	
Discounts at the branches	137,077,055	
		234,686,747
Advances upon coin and bullion at Paris	415,336	
Advances upon coin and bullion in the branches		415,336
Advances upon securities at Paris	36,351,991	
Advances upon securities in the branches	75,176,420	
		111,528,411
Advances to the government (laws of June 9, 1857, June 13, 1878, November 17, 1897)		34,740,000
Government bonds for the surplus reserve		2,505,285
Disposable government bonds		19,228,001
Fixed government debt (law of June 9, 1857)		19,300,000
Real estate of the bank and branches		6,425,161
Employment of the special surplus (réserve spéciale)		1,622,638
		1,128,223,555

LIABILITIES.

Capital of the bank		$35,222,500
Profits in addition to capital (art. 8, law of June 9, 1857)		1,544,447
Movable surplus		4,266,410
Fixed surplus		772,000
Special surplus		1,622,637
Outstanding circulation (bank and branches)		926,512,220
Interest collected on securities deposited or transferred		3,301,337
Outstanding checks payable at Paris and at branches		971,336
Current account of the treasury		49,801,003
Current accounts and deposit accounts at Paris	$82,275,558	
Current accounts and deposit accounts at branches	12,096,823	
		94,372,381
Dividends unpaid		294,955
Unearned discount		794,670
Sundry accounts		4,016,917
Profit and loss:		
Gross dividend: $18.08 (net $17.37)	$3,302,108	
Special allotment of one-twelfth of salary to employees	$191,070	
Provision for enlargement of central bank building	965,000	
Allotment to surplus	250,900	
	1,406,970	
Excess of profits not divided	21,664	
		4,730,742
		1,128,223,155

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CRÉDIT LYONNAIS.

Interviews with Baron Brincard, administrateur délégué and other officials of the Crédit Lyonnais.

Q. What is the date of the organization of the Crédit Lyonnais?

A. July 6, 1863. It was organized on that date by M. Henri Germain, who remained president of the *conseil d'administration* (board of directors) up to his death in 1905.

Q. Under what law was it organized?

A. There is no special law; it is subject to the law for joint stock companies. Our legislation has been changed since it was first organized. The law which governs the Crédit Lyonnais now is the law of 1867 as amended. We have no special concession; we are under the general law.

Q. Is it a banking law or a general companies law?

A. It is a general companies law, not particularly a banking law.

Q. That is, it would cover an industrial company as well as a bank?

A. Quite so.

Q. How many individuals must associate together to start a joint stock bank?

A. At least seven. Not only every bank, but every corporation (*société anonyme*), must have at least seven shareholders.

Q. What is the minimum amount of capital required?

A. There is no minimum, but at least one-fourth of the capital is required by law to be actually paid in.

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Q. Is the entire capital usually paid in?

A. No; it depends on circumstances.

Q. Does the Government take any steps to see that at least one-fourth of the capital is paid in?

A. Strict measures are prescribed by law for carrying out these regulations.

Q. What is the liability of stockho.ders?

A. It is limited to the par value of the shares for which they have subscribed.

Q. Does the Government give any further attention to the management of the bank besides requiring an annual report?

A. No.

Q. How long does your charter run; is it perpetual?

A. The duration of our company, which may always be extended by a vote of the shareholders, will expire in 1960.

Q. How many shareholders have you?

A. Our capital is divided into 500,000 shares, but as many of these shares are issued to "bearer" we do not know how many shareholders we have.

Q. What is the amount of a share?

A. Five hundred francs, and they are worth now 1,200 francs on the stock exchange.

Q. Briefly, what is your organization?

A. We have a council of administration composed of at least 10 and not more than 15 members, one of whom is president and two others are vice-presidents; we have at the present time only 12 administrators.

Q. Are the administrators active in the conduct of the business? Do they devote their entire time to it?

A. Our council of administration has a very direct and a very active part in the management of the bank. There are two kinds of administrators; there are the "*administra-*

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teurs délégués," entrusted with the management of some special department of the bank, and the administrators who are not "délégués," and who are not entrusted with the management of a particular department. It is not forbidden for an administrator to be also administrator of some other concern, but every administrator devotes the largest part of his time to our bank.

Q. The active men are called administrateurs délégués?

A. Yes; there are two of them engaged with the central management, one with the department of financial studies, another with the service of foreign branches, another with the service of the departmental branches, and one of the vice-presidents and two administrateurs (one of whom is délégué) are at Lyon in charge of the home office and the branches of that region. The Crédit Lyonnais has a special organization, because it was founded in Lyon, and Lyon remains the home office. At first it was developed in the southeastern part of France, and only later, in 1865, it created a branch in Paris. Now Paris is the central office, but we always have the home office in Lyon. Thus we have, first, in Lyon, the home office of the company and the management of the branches of the southeastern region; second, in Paris, the central office, with the management of the Paris local offices and the departmental branches of the north, east, and west. The management of our foreign branches also centers in Paris. The general meetings are held in Lyon.

Q. You have, in fact, but one president and two vice-presidents and one council of administration?

A. Yes.

Q. Have you in addition to your council of administration any other board of directors?

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A. No; the administrators living in Paris meet here every day.

Q. Is the council of administration composed of shareholders?

A. Each administrator must own at least 300 shares of the company.

Q. What class of men do you have as members of the council of administration?

A. The administrators are often old heads of departments. The President has been employed here ever since the institution was founded. One of the vice-presidents has been in the bank since 1878.

Q. How often are your elections held and for what period are the members of the council elected?

A. For five years, one-fifth of the total number of administrators being elected every year; they may be reelected at the expiration of their terms.

Q. Do your stockholders hold an annual meeting?

A. Yes.

Q. What is the purpose of that meeting?

A. They receive reports of the transactions of the year, they fix the rate of the dividend, and they elect one-fifth of the administrators every year.

Q. For what period are the president and vice-president elected?

A. Every year the council of administration select from among their number a president, two vice-presidents, a secretary, and the administrateurs délégués.

Q. Is there any restriction under law or under your by-laws as to loans made to administrators or officers of the bank?

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A. So far as the law is concerned, there is none; but, as a matter of fact, no director or officer would ever apply for a loan. They could, but they never do.

Q. How frequently do you publish your statements?

A. Every month.

Q. Are you required by law to do so?

A. No; that is regulated by our own statutes.

Q. The law requires you to publish an annual statement?

A. Yes.

Q. In your statement of December 31, 1907, you show cash on hand and in bank of approximately $29,000,000, a portion of which is in cash in vault and a portion in the Bank of France.

A. Yes, the proportion between cash in vault and in the Bank of France is variable.

Q. But this item includes both?

A. Yes.

Q. Do you publish the amount of the cash in vault?

A. No.

Q. Is it customary for you to carry quite a large amount of cash in your vault?

A. Every day the amount of cash which is to be kept here in our vaults is fixed according to the payments to be made during the day. Sometimes our holdings are greatly in excess of our forecast for disbursements. This happens when we do not find ready use for amounts available.

Q. So that you are guided as to the amount of cash in vault by the character of your daily business?

A. Yes.

Q. You would not carry a larger amount of cash in vault than required by your daily needs in order that it may serve as a part of your reserve?

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A. There is no legal requirement for a reserve in cash; the bank is quite free to keep the amount of cash that it judges necessary. It is the practical business experience of many years which indicates how much cash is needed for the day.

Q. So the cash in hand is merely carried for the necessities of business?

A. Yes; this is the point on which the French situation is quite different from the American, because in France bankers are free to have in their vaults any amount of cash they like. In France we have the Bank of France which regulates the currency of the whole country, and any bank, if it has need for additional cash, may present for rediscount at the Bank of France the bills and other commercial paper which it has in its vaults. The amount we carry in the Bank of France may vary greatly according to circumstances. It is not to our advantage to have too large a sum at the Bank, because the Bank of France does not allow any interest.

Q. What per cent of your deposits do you intend to carry in cash either in your own vaults or in other banks?

A. Eight to 10 per cent on the average. The excess of deposits is invested almost entirely in commercial paper available for discount with the Bank of France at any moment and in "reports" (loans or securities from one stock exchange settlement to another).

Q. You have nearly 10 per cent in this statement?

A. That is perhaps more than we need. It is a matter of practical experience. There is no legal proportion.

Q. Will you describe the character of the items constituting your portfolio of bills discounted which amount to about $211,000,000?

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A. The bills discounted are commercial or industrial bills, representing normal transactions and bearing satisfactory signatures as drawers, drawees, and endorsers.

Q. With two names or more?

A. Always at least two, often three or four signatures; but never only one.

Q. What is the size of your bills discounted?

A. It is very variable; the average is perhaps about 600 francs.

Q. While you do not accept a bill with one name, you sometimes arrange with your customers to extend credit to them without guarantee, or without collateral, and that appears in your current accounts?

A. Yes; that is quite right. A small proportion of our accounts current is granted without any special guaranty. This is what we call "*credits à découvert.*"

Q. Can you give us an estimate as to the average life of bills discounted?

A. The average maturity of the paper which we purchase daily is about 55 to 60 days. The average maturity of the bills which we hold at a given moment is about 45 days. It must be borne in mind that our holdings comprise bills discounted three months ago as well as bills discounted yesterday.

Q. Does the Bank of France rediscount bills for the other banks in France?

A. The Bank of France rediscounts all bills when the person presenting the bill is admitted to discount and when the bills have the necessary three signatures, have less than three months to run, and are payable in cities where the Bank has a branch. It is not legally obliged to discount all bills presented, but, as a matter of fact, nobody has ever complained of its way of proceeding.

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Q. If the Crédit Lyonnais were to take bills to the Bank of France for rediscount, would the Bank of France scrutinize those bills beyond the number of signatures and the time they have to run?

A. It would scrutinize the number of signatures and the time. In every branch of the Bank of France there is a committee called the discount committee, which is charged to make inquiries as to the quality of the industrial and business men of the region, and on their advice those persons are or are not admitted to discount. When once a person is admitted to discount the question of his credit is not raised every time that he presents a bill for discount; but if he should offer too many bills the Bank would doubtless call his attention to the fact. In practice no one has ever complained that the Bank of France would not discount a normal bill presented by a proper person.

Q. As a matter of fact, bills offered by the Crédit Lyonnais would not be investigated very carefully?

A. No.

Q. You regard that item of bills discounted as your practical reserve because of your ability to rediscount the bills at the Bank of France?

A. Yes; bills discounted and cash are, for an establishment such as ours, the most essential part of our liquid assets.

Q. Does the Bank of France often discount for private parties, or do most of their bills come from the credit societies?

A. The Bank of France discounts both for individuals and for credit societies; we do not know exactly in what proportion. But, in either case, there must be three commercial signatures—those of the drawer, the drawee,

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and the endorser. In place of one of those signatures, however, stocks or bonds may be deposited as security.

Q. Let us take up the question of discount rates. Do your large banks follow the Bank of France rate?

A. We have two discount rates in France—that of the Bank of France, which is the official one, and then the rate outside of the Bank of France. At the present moment our discount rate is 1 per cent, the official rate being about 3 per cent.

Q. Does the Bank of France ever loan below its published rate?

A. No; it never does.

Q. In this item are there to be found only bills discountable at the Bank of France?

A. Yes, in the main; but some bills are drawn on places "not bankable," and those we call "*papier deplacé.*"

Q. Included in this item are certain public securities. Are these French rentes?

A. No; only treasury bills. They are like your New York city revenue bonds.

Q. Have you actually in this very item any New York revenue bonds?

A. Yes; they are temporary bonds in anticipation of revenue, repayable in one or two months. Also, we have treasury bills of foreign countries.

Q. How many New York City revenue bonds do you carry?

A. Sometimes two or three million dollars.

Q. What proportion of your portfolio is commercial paper?

A. It is almost entirely commercial paper. The proportion varies, but it is always very largely commercial paper.

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Q. It is not, I believe, the policy of your bank to buy public securities in large amounts?

A. No; our idea is to buy all the commercial paper that we can get. That is our business. At present it is almost impossible to get any commercial paper because business is so slack; therefore, we are obliged to go outside and buy treasury bills.

Q. Do not the French public own most of the French rentes?

A. Yes.

Q. You show about $57,000,000 of loans on collateral. What classes of securities are accepted for these loans?

A. Government bonds, railroad stocks, mining stocks like the Transvaal stocks, etc., etc. We advance money on every sort of security that is good, whereas the Bank of France is restricted in this regard, only being able to lend on French government securities, on French railroads, and on certain securities issued by the departments, communes, and municipalities. The main thing with us is the man or institution to which we are lending. We pay at least as much attention to that as to the security.

Q. How much margin do you require, say, on a railroad bond?

A. For a French railway bond about 20 per cent; in general, 30 to 40 per cent; it depends upon the collateral, upon the individual to whom the loan is made, and upon the condition of the market. The better the individual and the better his collateral, the less margin is asked; but we always require at least 20 per cent. That is the margin that is required by the Bank of France for the securities upon which it is authorized to lend.

Q. Are these loans made mostly in Paris?

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A. An important part is made in Paris, but all of our branches make such loans.

Q. Do you loan to stock brokers generally?

A. We use large sums on the Bourse for operations called "reports," and for which one of our guaranties is the broker through whom the transaction is made. On the Paris Bourse all brokers are responsible for each other.

Q. Will you please describe the transaction called a "report?"

A. A "report" consists of a purchase of a security for cash and a sale on account simultaneously through a broker on the exchange. The difference between the price of the purchase and the price of the sale for future delivery covers the interest for carrying and the profit to the bank. For certain securities which are not quoted on the Bourse the purchase is made through the "coulisse" (on the curb).

Q. How does the rate on loans compare with that on bills?

A. It varies; it depends upon the condition of the Bourse and upon the kind of stock or bond given as security.

Q. Take a first-class bill and a first-class loan of the same maturity, what would be the difference in the rate?

A. Generally, at the Bank of France, the rate for loans on collateral is one-half per cent above the discount rate, but in the private banks there is no rule; they fix the rate according to the condition of the market.

Q. But in practice it is customary to charge a little higher rate than on prime bills?

A. Yes.

Q. Do you receive a good many collateral loans from small customers?

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A. Yes. Our loans are greatly distributed. They are granted to a great many people. A single loan may be made against assorted collateral.

Q. About what is the average time of these loans?

A. It varies. They never exceed three months, and generally they are granted for a month.

Q. Accounts current, about $110,000,000; will you kindly describe that item?

A. They are credits given to customers and to banks; some are given with security and some without.

Q. When you say security do you refer to guarantors?

A. We mean either stocks or bonds, or merchandise and occasionally guarantors.

Q. Are advances made to your customers on their own credit?

A. If they have a credit open at the bank, when they ask for a certain sum, they are debited for that sum in their current account; this is quite a different operation from the discounting of a bill. It is called "*credit à découvert.*"

Q. You have, for instance, a customer who wants to borrow 100,000 francs; you have confidence in him and believe he is good; you open an account with him and credit his account with 100,000 francs, and that would go in that item?

A. We would not have any book entry for the credit of 100,000 francs; only as he gradually avails himself of the accommodation the sums for which he draws will be debited to him up to the 100,000 francs.

Q. Are these overdrafts?

A. Yes. They are overdrafts.

Q. Well, now to make this clear, I come here and arrange to borrow 100,000 francs to be drawn upon as I

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want. I draw the next day 10,000 francs; you would then open an account with me and my account would show a debit of 10,000 francs?

A. Yes.

Q. So that in fact they are what we would call overdrafts; they are funds advanced with or without security?

A. There would generally be security; it is only with very good customers and exceptionally that securities are not required.

Q. What is the distinction between your bills discounted and your current accounts?

A. The bills discounted can be rediscounted at the Bank of France. They bear several signatures which represent as many guarantees.

Q. What class of people are represented by the "*comptes courants*," and what by "*avances sur garantie*?"

A. In a general way loans on securities are made to individuals; comptes courants are opened to merchants and manufacturers, but this distinction is by no means absolute.

Q. Why should merchants borrow on demand?

A. This class of loans occurs only for a short time during the busy season. Our theory is that every merchant ought to have enough capital to go on by himself in normal times, but there are times in the busy season—say three or four months—when he will need more capital, and then he comes to us and we lend him money under this item.

Q. To what kinds of banks do you lend on collateral?

A. Mostly foreign banks; for instance, banks in New Orleans during the cotton season. We do not lend to banks in this country under this item, but to a great many French merchants. It is not to our interest to lend to

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French banks. We lend money to foreign banks and to French merchants, but never to foreign merchants or to French banks. We never lend on real estate. That is the business of the Credit Foncier.

Q. For how long can a credit be opened in account current?

A. For three months at the most.

Q. Is there any relation between the accounts current on the two sides of the balance sheet?

A. No.

Q. In your statement you show stocks and bonds approximately $1,600,000. Will you kindly describe the character of the securities included in this item?

A. About one-half of that item represents securities deposited as a "pledge," for instance for our foreign agencies; the remainder represents bonds which are to be sold to the public who come to buy them, such as bonds of the city of Paris, bonds of the Crédit Foncier, and generally premium bonds. We purchase new lots of these securities, as we dispose of them in order to keep a supply at the disposal of the public.

Q. Do you not usually carry a much larger amount of securities than is shown by this statement?

A. No.

Q. Our information is that the Crédit Lyonnais always endeavor to have a certain class of securities which they can recommend to their depositors, and that their recommendation is practically equivalent to a sale, and that they sell an enormous amount of securities and at times undertake large issues. Can you state the largest issue that you have recently purchased?

A. There are two kinds of such operations; first, when the Crédit Lyonnais is alone interested in the operation;

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and second, when others of the Paris bankers are interested with us. The largest recent issue, in connection with other bankers, was the 5 per cent Russian loan of 1906 of 1,200,000,000 francs ($240,000,000). What is very important in our way of floating a loan is that the sales are made in small quantities; the transaction is completed in a very few days, and each of our customers buys only the number of bonds corresponding to his investment requirement.

Q. As a matter of fact, anything you recommend they will buy?

A. Yes, and even with a very large issue; the bonds do not remain long in the market, because in our country savings are very extended. Everyone saves his money. The small savings of France are the wealth of the country. By examining the balances of the accounts of our customers we can know whether they want to invest or not, and then we endeavor to have stocks and bonds to offer to them as they require them, but this is variable, and sometimes we might have a large issue, 40 or 50 millions of francs, taken by the public in four or five days.

Q. In America we have large distributing houses, who sell bonds throughout the country. Our information is that the banks here do practically all of that class of business and that there are no bond houses; is that so?

A. In the United States and in France there are establishments which make large issues, but in America they do not sell stocks and bonds to the customers direct; they have brokers who sell to their own customers. In France these investments are made through the agencies of large companies, such as the Crédit Lyonnais, which extend over the whole area of France. This can be done because over the whole of France there are savings. Everybody saves here.

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Q. Do you own all of the securities you sell, or do you take orders and buy and sell them on commission?

A. The greater part of our transactions are made on commission.

Q. Will you kindly name three or four of your most recent offerings?

A. The Crédit Foncier d'Egypte, the Métropolitain of Paris, the Crédit Foncier de France, and le Creusot. This year they have been more especially French issues.

Q. Is the Metropolitan Railway guaranteed by the city?

A. No; it is a private corporation not guaranteed by the city.

Q. Might you offer the securities of a manufacturing concern?

A. Yes; we have, for instance, recently made an issue of bonds of the Coal Company of Dourges.

Q. You sold their bonds?

A. Yes; and the Creusot bonds—30,000,000 francs.

Q. Have you a fixed percentage of profit, or do you buy them as you can and sell them at a price satisfactory to yourselves?

A. Naturally the commission varies.

Q. Are you familiar with the requirements of the Bourse as to the listing of securities?

A. There are two markets in France, the official or brokers' market (the broker is an official named by the Minister), and the coulisse market (the curb). We will furnish you a copy of the rules which are imposed for admission to the list in both markets. For admission to the official quotation list, the stockbrokers must ask for the authorization of the Government.

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Q. What constitutes your item "sundries" about $260,000?

A. These are expenses incurred up to December 31, but concerning the following year.

Q. In your statement of liabilities you show deposits about $132,000,000, and current accounts about $168,000,000. Will you kindly explain the difference between these two accounts?

A. Deposits are sums of money deposited, especially by private people. Accounts current represent the balances to the credit of business people.

Q. If I come here and open an account with you and make a deposit and say I want to transact business with you, borrowing money from time to time, and depositing and drawing daily, would you put that account in your "accounts current?"

A. If you were not a merchant, you would have a deposit account opened for your daily deposits and drawings. Your account could never show a debit balance and the amounts which you might borrow would have to be secured by deposit of securities and would be placed under the item "loans on securities." If you were a merchant, an account current would be opened for the requirements of your business, and this account could become debtor, as explained above.

Q. Are most of your deposits received from your branches?

A. Paris gives about one-third of the current accounts and almost one-half of deposit accounts.

Q. Do you pay the same rate of interest on deposits and current accounts?

A. No, on deposit accounts one-half per cent, and on current accounts it depends on the rate of discount at the

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Bank of France and in the open market; as an average, 1¾ per cent under the rate of the Bank of France.

Q. What is the minimum amount for an account?

A. There is no minimum amount either for an account current or for a deposit account.

Q. Some of the deposits are on time?

A. They are all on demand under this heading.

Q. You do not receive any deposits on time?

A. We receive deposits on time, we give a certificate for them, they are not included in those figures, and they are not classed as deposits.

Q. Deposits and current accounts are payable on demand?

A. Yes; on demand. Deposits are made up of sums deposited by customers whose accounts are not active; they are more in the nature of reserve deposits, whereas current accounts represent deposits made by customers mostly in active business.

Q. Do you allow the same interest on deposits in Paris that you do in your branches in small country towns?

A. It is about the same; there are very few differences. Local conditions may sometimes be taken into account, but the difference is trifling.

Q. Do you pay interest on practically all of your deposits and current accounts?

A. Yes.

Q. What do your time certificates, $9,600,000, represent?

A. They are sums deposited with the establishment for a certain time.

Q. What rate of interest do you usually allow upon these deposit certificates?

A. It varies.

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Q. Are they ever sold in the market?

A. No.

Q. About what is the usual time?

A. Six months, one year, eighteen months, or two years; generally six months.

Q. You receive money for a period at a higher rate of interest?

A. The rate of interest paid on these certificates is higher than for the deposits payable at sight.

Q. Would you charge a customer having a small inactive balance for the stationery you furnish him—his check book?

A. No; only for the stamps.

Q. Do your acceptances, $25,500,000, represent the bills drawn upon you by your customers and accepted by you?

A. Yes.

Q. What is the commission for accepting bills?

A. That commission varies. It is about one-quarter of 1 per cent; sometimes three-sixteenths per cent.

Q. For a three-months' bill?

A. They are generally for three months.

Q. Is it customary for the banks to show in their statements the amount of bills that they have rediscounted with the Bank of France?

A. No.

Q. What is included in the item of sundry accounts of about $1,400,000?

A. Expenses incurred during that year but the payment of which will only take place the following year, the rediscount on bills, etc.

Q. How many branches have you?

A. 266; 54 in Paris and 212 outside. In 1898 the total number of branches, including Paris and outside, was 214.

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Q. Have most of these branches been organized by you as new branches, or were they established banks which were taken over by you?

A. They have been established by us.

Q. How are the managers of branches appointed and what are their powers?

A. The managers of the branches are appointed by the Council of Administration, and they are empowered to transact all ordinary business, but, of course, they are controlled by the management of the group of branches to which they belong.

Q. Do you have branches and then subbranches from them, or are all of your branches of like character?

A. Sometimes two or three branches are under the direction of a principal branch.

Q. What is the system of audit and examination practiced by the bank in these branches?

A. There is a special service of inspectors for each group of branches, who visit every branch without warning, and they examine all the accounts of the branches. These examinations of accounts are very thoroughly made. Moreover, the central office also sends inspectors who work independently of the others.

Q. Have you branches in many places where branches of the Bank of France are also located?

A. Yes; but our branches are not all in places where the Bank of France has branches. The Bank of France has been obliged by the law to open branches in the capitals of each department, and these capitals are not now all of them centers of industry, whereas we have established branches wherever there is an industrial center. Thus we may have branches where the Bank of France has none, or vice versa.

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Q. Do you find that the Bank of France competes with you in any way?

A. In no way.

Q. They receive accounts from individuals and small tradesmen in the branches, do they not?

A. Yes; but they do not grant uncovered credits. There is no competition between the Bank of France and the other banks, because they do not do the same kind of business. The Bank of France receives deposits, but does not allow interest upon them; it only discounts bills with three signatures; it is the bankers' bank; it acts as the regulator of the money market.

Q. Do its branches receive deposits?

A. Yes; they receive deposits, without allowing any interest. In times when money is cheap the rate of discount of the Bank of France is rarely below 3 per cent, and in the Crédit Lyonnais and other banks the rate may be sensibly below that of the Bank of France.

Q. The rate of your branches is sometimes higher than the rate of the Bank of France?

A. For discounts, rarely. At present it is much below. There would be competition between the Bank of France and the other banks if the Bank of France had a very low rate of discount, but as a matter of fact it does not lower its rate. For loans on collateral the Bank of France only accepts certain classes of securities, and all other classes of securities are left for the other banks.

Q. Why should the Bank of France have a branch in a town where you have a branch?

A. The Bank of France is obliged by law to have branches in certain places. In many towns there is a branch of the Bank of France and also a branch of the

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Crédit Lyonnais, but the services rendered by the two establishments are different.

Q. Can you tell us what proportion of the bills discounted by the Bank of France bear the signature of another bank?

A. We have no data permitting us to give you that information.

Q. What is the proportion of "reports" to your advances?

A. It varies very much, according to the rates, money, and the requirements of the stock exchange.

Q. Do you publish the number of the accounts you have?

A. Yes; 458,353, according to our statement for 1907.

Q. Can you state the number of employees in the Crédit Lyonnais?

A. About 14,000. It varies according to the time of year.

Q. I assume that there is a comparatively small number of country checks in circulation?

A. Yes; very small compared with yours in America.

Q. If you were to receive a check drawn on the Comptoir d'Escompte of Lyon, would you send it to your branch in Lyon for collection, or would you send it to the Comptoir d'Escompte here in Paris?

A. It would be sent to Lyon.

Q. Do you use the Bank of France for transferring your funds to any considerable extent? If you want to make a payment in Rouen would you make it through your branch or through the Bank of France?

A. We often avail ourselves of the Bank of France to send funds to our branches; but payments within the city are effected through our branches.

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Q. Are all of the important banks in the city of Paris members of the clearing house?

A. Yes; about 13 of the most important.

Q. How frequently are the clearings made?

A. Three times a day. As a matter of fact, our clearing house is not so important as yours in America.

Q. The clearing houses in the cities of France are in no sense a factor; they are merely the machinery through which the checks are cleared, are they not?

A. To our knowledge there is but one clearing house; it is in Paris and is merely a mechanism for settling balances.

Q. Are there statistics showing the aggregate amount of deposits and liabilities of banks that are members of the clearing house?

A. No. It would be impossible to prepare them, because there are private banks that are members of the clearing house who do not publish any balance sheet.

Q. Are you examined at any time and in any way by the Government?

A. No. The control of the Government is limited to the supervision for taxes, to which every company is subject.

Q. What dividend do you pay?

A. Fifty-five francs for a share of 500 francs. The par value of the stock is 500, so that the dividend is equal to 11 per cent.

Q. What is the market value of your stock to-day?

A. 1,206 francs, coupons detached.

Q. On about a 4½ per cent basis?

A. Yes; about that, from which taxes must be deducted (except the stamp tax which is borne by the company, unless there is an agreement to the contrary).

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Q. The stockholder receives 11 per cent on the par value, and from that he has to pay to the Government a tax?

A. Yes, there are three taxes: A stamp tax of 0.06 per cent on the par value of the share; an income tax of 4 per cent for a share paying 5 per cent—this would be 20 centimes per cent; and the transmission tax, which is a tax collected on sales and purchases. It is paid when there is a change of ownership in the registered shares, and its amount is 0.75 per cent on the transfer price. It is collected yearly on the "bearer" shares at the rate of 0.25 per cent of the average market price during the preceding year. In case of bonds issued below the par value there is a fourth tax on the premium of reimbursement; that is, the difference between the issuing rate and the nominal rate, which is paid once for all at the time of reimbursement. It is 4 per cent of the difference. All these taxes are collected on foreign securities, issued by towns or companies, and that is one reason why American securities are not easily introduced in our markets, because they must pay all of these taxes, and that makes it a large charge.

Q. A stockholder, owning one share of your stock, would receive 55 francs at the end of the year; he would have to pay to the Government approximately 5 francs?

A. The stamp duty is generally paid by the company; the income tax is at the charge of the shareholder. The dividend for 1907 was 55 francs, or for a bearer share net 50.47 francs, and net 52.80 for a registered share.

Q. Approximately, what taxes does the Crédit Lyonnais pay?

A. The tax on real estate (*impôt foncier*); the tax on windows and doors; the license tax (*impôt sur patente*); the tax on its shares. The Crédit Lyonnais, as well as

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any other company, pays in advances the taxes due by its shareholders (for instance, the income tax on shares and bonds), and deducts the same from the coupon, as all other companies do.

Q. In New York a bank pays about 1 per cent on its capital and undivided profits. Have you in mind the percentage that the total taxes aggregate?

A. No; but the total of taxes paid by the Crédit Lyonnais certainly represents a larger amount.

Q. Your relations with the Bank of France are very intimate and cordial, are they not?

A. Yes.

Q. Is that true with all the banks in France?

A. The Bank of France is quite impartial; it gives no preference to anyone; there is no favoritism.

Q. What would you say are the particular functions of the Bank of France aside from the note issue?

A. It regulates the rate of discount and in the exercise of its functions it automatically distributes the money in the country where it is required, and this rôle is perhaps as important as that of regulating the rate of discount. The Bank of France discounts bills in every part of the country, and it gives notes, gold, and silver in the proportions that they are wanted in every part of the country. It is the public itself which indicates the distribution of the money in France by presenting bills for discount, and by asking the Bank of France for the kind of money it needs, and turning in the kinds it does not need. The Bank of France does not assure the distribution of the small coins, and it often happens that this small money is insufficient in different parts of France, but this has never been the case for other currency, viz, notes, gold, and silver.

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Q. Your fractional currency is issued by the Mint?

A. Yes; and is sent to the provinces by the Government, and it is sometimes difficult to know what amount will be required.

Q. Which is the most important factor in taking care of the business requirements of the interior of France, the large Paris banks through their branches or the private country banks?

A. In most towns the branches of the important Paris banks are more important than the private banks. With their whole network of branches they have equalized the rate of discount for the whole territory.

Q. Is the banking system of France centralized in Paris?

A. Yes, as far as the management of the great financial institutions is concerned; but there are several important banks in certain industrial centers.

Q. Have there been any suggestions of change in the system of the Bank of France, or is it regarded as satisfactory?

A. We regard it as the best system in the world.

Q. What proportion of the business of France is done by checks and what by actual money?

A. I do not know.

Q. I understand none of the farmers or peasants will use checks?

A. The use is extremely rare.

Q. How about your tradesmen all through the small towns, and the doctor and lawyer and professional man; would they draw the money out and pay their bills in cash?

A. Certainly; most of them.

Q. How about the pay rolls of manufacturers?

A. Always in money.

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Q. How do you pay your own employees?

A. Always in money.

Q. When you establish a branch in a small town, you generally find a local independent bank there. Can this local bank compete with you?

A. There are certain places where the private banks have kept on, but the tendency is for the private banker to disappear. We take small sums and have numerous branches. One great distinction is that the private bank is always in the hands of a family. A man who originally starts a private bank may be a good banker, financier, and business man, but it does not always follow that his son, who in all likelihood will inherit the business, will be capable of running it. Our joint stock banks do not go from father to son, but are always under efficient management.

Q. What proportion of your own payments are made in gold?

A. A very small proportion. The people prefer notes.

Q. Do the French people hoard money as much as formerly?

A. No; it is becoming more the custom to put money in the banks. Thirty years ago they kept the money at home.

Q. Then people are hoarding money less as banks and branches increase?

A. Yes.

Q. Have you ever had any runs on any of your branches by depositors?

A. Several times, particularly when there was a panic here many years ago, caused by the failure of the Union Générale. In 1889, when the Comptoir d'Escompte

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failed, the people drew out 80,000,000 francs from our bank, but the next day they brought back 120,000,000 francs.

Q. Are there any small joint stock banks in the small towns?

A. In the small towns there are very few.

Q. How about the larger cities, like Lyon?

A. There is one in Marseille and one in Lyon, but the business is comparatively small and there are no branches.

Q. Do merchants and manufacturers in the small towns favor the branch banks, or do they prefer the local banks?

A. The field covered by the two is entirely different. The private banks lend on anything—houses, furniture, etc. We will not lend on anything that is not immediately realizable.

Q. Do you add new capital when you establish new branches?

A. We have gradually enlarged our capital from 200 million to 250 million francs, and our reserves to 125 millions, in all 375 millions, but this was on account of general business and not on account of the opening of new branches.

Q. Are the managers of your branch banks usually people from the immediate locality in which the branch is situated, or do you send men from the central office as managers?

A. We generally take our employees from some other place than that in which the branch is located.

Q. Do the three great joint stock banks cooperate in the matter of rates of discount or do they have any agreement or understanding about such matters?

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A. No; they never consult with each other in any way. They are on very good terms, but they do not consult together. There is no agreement on rates of discount. The mere fact of competition compels each of them to offer the most favorable terms possible.

Q. Would these joint stock banks like to have the right of note issue restored to them?

A. They never had it and they consider that the system of note issue by the Bank of France is by far the best for this country.

Q. Is there any sentiment among the people for any change in your banking system along any lines?

A. We feel that the public appreciate the present financial organization of their country and do not desire any change. The joint stock banks were created for and have accommodated themselves to the needs of the people of France.

Q. Do you keep large amounts of money in your branches, or is it your policy to bring the money from the branches to Paris?

A. Our branches keep on hand sufficient cash for their current daily requirements. In case of need, they may ask us for remittances or rediscount some of the commercial paper they hold with the branch of the Bank of France. We keep one-fourth of all our cash in Paris.

Q. To what extent do managers of the branches make loans on their own responsibility?

A. Every one of our branches is a complete little bank in itself with regulations of its own, and the managers do not consult much with the main bank. They are completely equipped as banks on their own account.

Q. Do they keep their own deposits?

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A. In the country districts they keep an important part of their deposits in cash and bankable bills, but in Paris they send their money to the main bank.

Q. Are they able to loan all of their deposits in the country?

A. There is no relation between their deposits and their loans; these loans, that is, advances against collaterals, or in account currents, are made almost exclusively with our capital, our reserves and the time deposits: We distribute these funds to our agencies according to the requirements of their clients.

Q. The elasticity in your system is furnished by the note issue of the Bank of France?

A. Yes; the Bank of France is the basis of our banking system, and banks to rediscount, our organization presents a maximum of safety.

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CRÉDIT LYONNAIS.

Crédit Lyonnais. Résumé du Bilan général définitif au 31 décembre, 1907.

ACTIF.		PASSIF.	
Espèces en caisse et dans les banques	Fr. 150,060,798.98	Dépôts et bons à vue	Fr. 682,082,403.06
Portefeuille	1,094,966,467.70	Comptes courants	871,953,524.01
Avances sur garanties et reports	297,155,630.58	Acceptations	132,203,529.05
Comptes courants	568,448,897.90	Bons à échéance	50,115,293.43
Portefeuille titres (actions, bons, obligations et rente)	8,280,206.97	Comptes d'ordre et divers	7,319,983.81
Comptes d'ordre et divers	1,342,578.84	Profits et pertes "bénéfices de l'exercice 1907"	34,110,630.05
Immeubles	35,000,000.00	Solde du compte "profits et pertes" des exercices antérieurs	2,469,217.56
		Réserves diverses	125,000,000.00
		Capital entièrement versé	250,000,000.00
Total	2,155,254,580.97	Total	2,155,254,580.97

Balance sheet of the Credit Lyonnais December 31, 1907.

ASSETS.		LIABILITIES.	
Cash on hand and in the banks	$28,961,734	Deposits and sight drafts	$131,641,904
Bills discounted	211,328,528	Current accounts	168,287,030
Loans upon collateral	57,351,037	Acceptances	25,515,281
Current accounts	109,710,637	Time deposit certificates	9,672,252
Stocks, bonds, certificates, etc	1,598,080	Sundry accounts	1,412,757
Sundry accounts	259,118	Profit and loss (from operations of 1907)	6,583,351
Real estate	6,755,000	Balance of profit and loss from earlier years	476,559
		Surplus	24,125,000
		Capital paid in	48,250,000
Total	415,964,134	Total	415,964,134

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COMPTOIR D'ESCOMPTE.

Interview with M. Ullmann, Director of the Comptoir d'Escompte.

Q. One of the things that we have in mind is to inquire in regard to the character of the business done by your branches. What kind of advances or loans do you make, and to what class of people, and what is the general average rate which you charge them? Do you advance money in your small agencies or branches to farmers?

A. To farmers? No.

Q. To small tradesmen?

A. Yes. We are especially a discount bank and our customers are mostly commercial people engaged in commerce and industry, so that our principal business in our branch offices consists in discounting commercial paper, in making advances against securities, goods, or warehouse receipts, or sometimes giving blank credits to our customers for commercial requirements.

Q. Do you require those to whom you make advances to keep an account with you; i. e., to have a certain amount on deposit?

A. They are customers who deposit with us all the year round. It is not usual in France to keep a certain amount on deposit without interest.

Q. Do you charge those customers for the turnover, as they do in England?

A. We generally do not charge a commission for the turnover. The terms of our advances are above the rate of the Bank of France—1 to 2 per cent above the bank rate;

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when the bank rate is 3 per cent, we would charge 4 to 5 per cent. I may mention that the Bank of France has two different rates—the rate for discounting commercial bills, which is now 3 per cent, and the rate for advances on securities, which is now 4 per cent. The Bank of France advances on government securities or railway bonds guaranteed by the French Government. We are not limited, as the Bank of France is, and we advance as well on foreign stocks. On the basis of that kind of security we charge somewhat more than the Bank of France.

Q. Would you charge a small tradesman, say, in one of your smaller branches a higher rate of discount than a man to whom you were advancing a large sum in Paris?

A. There might be a small difference, but not much. The Bank of France admits only for discount commercial bills with three signatures—the drawer, drawee, and an indorser; private banks like ours accept two names on bills, only the drawer and drawee, and the bill is drawn to our order, so that we have only two signatures when the Bank of France requires three; we add the third signature if we discount the bill at the Bank of France, so in addition to the Bank of France's discount rate we add a commission of our own for the service we render in indorsing the bill.

Q. Take the account of a small tradesman who does not borrow; his account is not a very large or very active one; when you receive that account do you arrange that he shall pay you a certain percentage on his turnover to compensate you for carrying that account?

A. Generally we do not charge any commission on the turnover of simple deposits in current account.

Q. But do you pay him any interest?

A. A very low interest.

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Q. How much?

A. Our rule is from one-half of 1 per cent to 1 per cent or call money.

Q. That is, money payable on demand?

A. Yes.

Q. Is that the same in the country as in the city?

A. As a rule, yes; but in the provinces money is sometimes at a somewhat higher rate because the local private banks generally pay somewhat higher rates, so in the provinces we are sometimes obliged to follow the private banks in paying a better rate of interest.

Q. Is it customary for you and for other banks in France to charge your customers for the check books that you give them?

A. No; only the stamp duty.

Q. The deposit account on your statement includes two classes. We do not understand the difference between them—"comptes de chèque" and "comptes d'escompte."

A. The comptes de chèques are what you have been asking about, sums deposited at call, subject to check from private people or commercial people who do not discount with us. The comptes d'escompte are generally the proceeds of discounted paper, but comptes de chèques are simply deposits. They are put together because they are both payable on demand. Comptes courants créditeurs are accounts with our customers in the provinces and abroad.

Q. Subject to check?

A. Yes; they are the accounts of banks.

Q. Of French banks?

A. Yes.

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Q. But not of mercantile firms?

A. Yes; mercantile firms abroad, accounts of other banks, and foreign firms.

Q. Are those deposits of foreign firms in your foreign branches?

A. In Paris also.

Q. Is there any difference in the treatment of those two items; are they both subject to payment on demand?

A. Yes; the accounts of our foreign correspondents are ruled by special conditions; we have different terms for New York firms for doing their business in Paris.

Q. You pay interest, I suppose, on some of these deposits?

A. Yes; as I told you, on simple deposits, which do not yield any other sort of profit than the employment of the funds, we give from one-half of 1 per cent to 1 per cent; comptes d'escompte, which give another profit by the discounting of bills, are generally treated somewhat on more advantageous terms.

Q. How much do you pay in the provinces?

A. The same, with some exceptions, as I told you, where we are obliged to take into consideration the competition of the local bankers.

Q. If the Bank rate should be 4 per cent during the whole year, would you probably have to pay more than one-half of 1 per cent on deposits?

A. When the Bank of France rate goes as high as 4 per cent the conditions of the market are somewhat abnormal; we would be obliged to pay more interest on our deposits.

Q. Will you explain what is meant by "bons à échéance fixe?"

A. Time deposits for one, two, or three years.

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Q. You pay something on them?

A. We pay up to 2 per cent for one year, 2½ per cent for two years, and 3 per cent for three years.

Q. Have you any idea of the proportion of the small accounts that you carry?

A. No.

Q. Does your general report state the number of accounts?

A. Including comptes de chèques, comptes d'escompte, and comptes créditeurs there are about 100,000.

Q. Please explain comptes débiteurs par acceptation. Are they bills drawn on you and accepted? Do you usually require securities on those acceptances?

A. Yes, except for first-rate foreign banks.

Q. Do you charge your customers for accepting their drafts?

A. Yes, a commission; the usual rate is one-fourth per cent for three months.

Q. You loan your credit, you do not furnish them the cash?

A. Our foreign correspondents prefer to draw on us, taking our acceptances in place of cash. You see, the New York banker who draws on us and pays us one-fourth per cent when discounting here gets his money at about 3½ per cent; we would not loan him money under 4½ per cent.

Q. Who passes on these securities and where are they held?

A. Generally the securities are held here. We have no branch in New York, but we have an agent there who passes upon the character of the securities, and sometimes they are deposited with New York trust companies.

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Q. These bills may be discounted here at the Bank of France?

A. Yes; certainly.

Q. At some of the other banks also?

A. We discount acceptances of other banks and they discount bills of ours.

Q. They would not be likely to be discounted in New York, Belgium, or London?

A. Yes; they might be discounted there.

Q. What percentage of these bills are of foreign origin?

A. About 75 per cent of them are foreign.

Q. The first item in your statement of assets is espèces en caisse et en banque. Do you make a statement or report showing the relative amount of cash in hand or in bank?

A. No; we consider our balances in the Bank of France as money. The Bank of France is obliged to give us cash or Bank of France notes.

Q. What is included in the next item—portefeuille?

A. They are commercial bills of various classes.

Q. Is the average of bills in your portfolio larger in amount than the bills taken by the Bank of France, which we understand average 600 to 700 francs?

A. Our bills average about 500 francs. We get many bills at small places in the provinces which the Bank of France would not accept. The Bank of France has something like 120 branches, but they are only in the larger towns. Our customers discount bills with us in the smaller places.

Q. How small bills do you discount?

A. For any amount.

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Q. For 5 francs?

A. Yes; not for discount, but for collection.

Q. For instance if a man brings you a 5-franc bill, you charge him a certain rate and a commission for doing his business?

A. For cashing the smallest bill in Paris we take 10 centimes (2 cents), and in the provinces somewhat more—25 or 50 centimes, according to locality.

Q. Take a bill of 100 francs, what charge would you make for that?

A. What sort of a bill do you mean?

Q. A small tradesman's bill in the country.

A. We have our regular tariff for that—a copy of which I hand you. You will find that the charge varies according to the locality.

(NOTE.—The document referred to is a volume of 205 pages, entitled "*Tarif de Recouvrements*" and can be found in the files of the Commission.)

Q. Please explain the next item, "Reports."

A. Those are practically loans on stock exchange securities.

Q. What do you charge for these loans?

A. We charge what we can get; it depends on the state of the market.

Q. Are they on call?

A. No; from month to month, according to settlement.

Q. When are settlements made in Paris?

A. Partly fortnightly, partly from month to month.

Q. Are the market rates for bills and for advances quoted in your daily papers as they are in New York or in London?

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A. The bank rate is officially quoted.

Q. You will find in London in all the leading papers the market rates quoted, say on sixty-day bills. Do the Paris papers quote the market rate in the same way?

A. There are financial newspapers which quote the private rates.

Q. Are the "reports" amounts paid by you for securities purchased by you for account of brokers the sums to be repaid to you at settlement time?

A. Yes; we hold the title to the stock. We buy for cash and we sell for delivery at a fortnight; the difference represents our interest charge for carrying. The practical difference between the "reports" and the advances is that in the first case we are allowed to return other stocks than the identical ones that we have purchased, while for advances it is quite the contrary. We are only the depositaries for the stock, which we are obliged to return at the maturity of the loan.

Q. What rate would you charge on a guaranteed advance to-day? Say, for a period of thirty days; on the very highest class?

A. Four and one-half to 5 per cent.

Q. If I should come here to-day with a bill of 100,000 francs accepted by the Crédit Lyonnais to run sixty days and also French securities upon which I wanted to borrow 100,000 francs to run sixty days, what rate would you charge me; would it be different on these two transactions?

A. There is a very great difference in our appreciation of the two kinds of business. If you discount with us a bill which in case of need we can rediscount and give to the Bank of France, we charge the rate of the Bank of France because we have the means of obtaining the money which we advance to you by rediscounting, so the

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maximum of the charge is the official rate of the Bank of France—3 per cent. But on the other kind of business, when you want to get money against securities on the condition that we must wait until the maturity of your loan to be paid back we should charge at least 4 per cent.

Q. We should like to see some of the actual bills in your portfolio—particularly the small ones. [After examining the portfolio.] We find here a bill of 50 francs not accepted by the person on whom it is drawn.

A. It is too small an amount. We do not, as a rule, present bills for acceptance below 500 francs.

Q. Then that really is as yet but a one-name bill?

A. It may become a two-name bill, but as yet it is but a one-name bill.

Q. Here is a bill for 10 francs running about two months. Is the drawer a customer of yours?

A. Yes.

Q. At what rate of discount was that bill taken?

A. The minimum charge is 25 centimes.

Q. And this box only contains the Paris bills?

A. There are 150 boxes which contain bills, Paris and country.

Q. You do not keep the bills of the branches here?

A. No; only for Paris.

Q. Do you buy bonds and stock for your customers when they want them?

A. Yes; charging a very small commission.

Q. You have your representatives on the Bourse?

A. Yes; we transmit the orders of our customers to the stockbrokers.

Q. We found that the Deutsche Bank, at Berlin, had about 50 representatives on the Bourse.

A. We have only two or three.

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Q. Effets à l'encaissement. What are these?

A. They are bills for collection; bills which we send for collection to private bankers in the country; abroad, too.

Q. Is it your practice to charge to your correspondent the bill when you send it or when it matures? When you send a bill for collection to South America, on the day that it matures do you then charge it to your correspondent and credit your bills discounted?

A. We charge our correspondents when the bill is posted to them; we must take it out of our portfolio, so we have a special division called "Bills sent for collection," which is included in the item "Comptes courants débiteur." It is the contrary of what you have seen in comptes courants créditeurs, who owe us money.

Q. The next item is "Rentes, obligations, et valeurs diverses."

A. They are securities belonging to us.

Q. They are largely government securities, I suppose?

A. Chiefly; yes.

Q. Have you stock in other banks which you control?

A. We are interested in the Banque de l'Indo Chine, which is an issue bank in the French colonies, but we do not control it; we hold a certain amount of shares.

Q. Are there any other banks which you control?

A. No.

Q. You have not been in the habit of buying up other banks?

A. No. The system here is to establish agencies of our own; the Germans, on the contrary, control other banks in order to arrive at the same result, viz, to get as much influence as possible throughout the country. We try to come to the same result by establishing our own agencies.

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Q. Is that true of the Crédit Lyonnais?

A. The Crédit Lyonnais and the Société Générale have the same system.

Q. Please define the next item, "Participations financieres."

A. This is our interest in foreign loans which are not yet wound up.

Q. Do you do any underwriting business?

A. Yes; for instance, we took an interest in the New York and New Haven bonds and at the end of December the business was not yet settled, so we still have an interest in that business and the money invested in those bonds is included in that item.

Q. That might include stocks also?

A. No; we only deal in bonds as a rule.

Q. You do not engage in industrial enterprises?

A. No.

Q. What is the item "Agences hors d'Europe?"

A. They are our foreign agencies; we have agencies in Madagascar, Tunis, Belgium, England, Egypt, and Australia.

Q. Is it usual for large banks in Paris to confine their underwriting operations to bond syndicates?

A. Yes; banks receiving deposits, such as the Crédit Lyonnais and the Société Générale, do not usually participate in syndicate operations covering the shares of industrial concerns; other banks, such as the Banque de Paris et des Pays-Bas, do so, but they are not deposit banks. They have more liberty to engage their own capital in any enterprise.

Q. You are not restricted by law in doing any business you please?

A. No; it is only the custom and rules of our society.

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Q. These industrial and commercial companies whose coupons you pay are not necessarily those whose bond issues you sell?

A. No; they are customers of ours.

Q. Do you handle the bonds of industrial companies?

A. Yes.

Q. What institutions in Paris would take an interest, for instance, in London Underground Railway enterprises? What class of banks?

A. It is more in the line of the Banque de Paris et des Pays-Bas or the Union Parisienne.

Q. What class of institution in Paris would subscribe to the Brazilian coffee loans?

A. If it is a government loan which interests the credit of Brazil it might be presented to any bank in France; up to the present time the Rothschilds have been the leading firm for Brazilian bonds, and lately the Société Générale and the Banque de Paris et des Pays-Bas have taken an interest in them; but we have never dealt in Brazilian loans.

Q. If there were a large industrial corporation in France which wanted to develop its business and issue bonds upon it, and if they were customers of yours of unquestioned financial standing, would you take their bonds and sell them?

A. Yes.

Q. But not their stocks?

A. If they were a well-known concern we would sell their shares too; we have done so.

Q. Is there cooperation between the large banks?

A. We meet very often and often have common interests in business.

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Q. Do you, in a sense, divide the field? I suppose you have a certain field in which you do business and other banks do not; Turkey, for instance?

A. Turkey is reserved for the Banque Ottomane.

Q. Take the electrical business, for instance?

A. As far as we are concerned we are connected with the Thomson-Houston; and it is natural if the Thomson-Houston and their friends any have business to do, that they deal with us.

Q. Do you make a statement monthly?

A. Yes; monthly.

Q. Are you required by law to do so?

A. Not by law, but it is our custom.

Q. You have a commission of control. By whom are they elected?

A. They are elected by the general meeting of shareholders.

Q. Some banks have examiners called "censors."

A. We have also something like that; we have the commissioners named by the shareholders, who verify the accounts once a year, but as we found that was not sufficient we have, instead of "censors," what we call a "Commission de controle," who meet every week and examine our books; they are appointed by the general meeting from year to year, and are paid by the bank.

Q. There is no government supervision of your bank?

A. No.

Q. There is nothing in the law which restricts you to any class of investment?

A. No.

Q. And nothing that requires you to keep any reserve; that is, any amount of cash as against your liabilities?

A. No.

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Q. How are the managers of the bank elected?

A. They are elected by the board; the board is elected by the shareholders, and the board elects the managers, who remain in office during the pleasure of the board.

Q. Are your shares fully paid up?

A. Yes.

Q. Have the shareholders any further liability?

A. No.

Q. What is the par value of your shares?

A. Five hundred francs.

Q. What is the character of the shares? Do you know who your shareholders are?

A. We know a great many of them, but not all. We have both registered shares and bearer shares.

Q. You know in a general way where the control is?

A. At the general meetings we know generally where 30 per cent or 40 per cent of our shares are. About 20 per cent are registered.

Q. Do the bearer shares have to be deposited for voting in advance of the meeting?

A. Yes.

Q. How many shares give the right to one vote?

A. Every ten shares have one vote.

Q. Is the Bank of France your principal reliance in case you need money? Do you think it necessary to carry any additional reserve?

A. Under our French system we consider the commercial paper we keep in the portfolio a cash reserve, as we can rediscount it at the Bank of France. We know the Bank of France will discount these bills and thus enable us to convert the bills instantly into cash; this is the basis of the French banking system.

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Q. In case you want to transfer money, say from Marseille to Lyon, would you do it through your own branches or through the Bank of France?

A. Generally through our own branches. It might happen that we would apply to the Bank of France if we have a special payment to make at Marseille or Lyon in order to avoid sending bank notes.

Q. But under ordinary conditions you make the transfer yourselves?

A. Yes; of course the Bank of France can make the transfer. The Bank of France does not receive money here in order to pay in cash at Lyon; but if you bring to the Bank of France bills to be discounted for a million of francs the Bank of France is as willing to pay you at Lyon as at Paris. If our agencies are not well supplied with funds, we apply to the Bank of France to transfer.

Q. Are you familiar with the transfer business of the Reichsbank?

A. The Bank of France does the same thing when the proceeds of discounts of paper are to be transferred.

Q. The Reichsbank transfers for everybody.

A. The Bank of France does it for everybody who discounts bills.

Q. But this method of transfer is not employed to the same degree in France?

A. As the important business of France is transacted in Paris, and as the principal houses have their accounts there, transfers are not as frequent in France as in Germany.

Q. Outside of Paris it happens that you have branches at many of the same places as the Bank of France; is there competition between the branches of the Bank of France and your own branches?

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A. No; the Bank of France does more rediscounting than discounting, and the Bank of France also has more conservative rules than the other banks. We may lend under the Bank of France rate, so our clients have an interest in keeping their account with us.

Q. You do not consider the Bank of France as an active competitor?

A. No; competition is greater with the Crédit Lyonnais and with the other private banks than with the Bank of France.

Q. Are there many independent private banks in the country?

A. Yes.

Q. Take a private bank in Lyon, where do they carry their cash in bank?

A. With the Bank of France.

Q. If it were not for the Bank of France, perhaps they would keep their reserve with you?

A. Possibly. We are on good terms with the private banks, but they do not like us to know who their customers are.

Q. Then the bank reserves of the banks in all parts of France are carried with the Bank of France?

A. Yes.

Q. Do any banks have an account with you?

A. We have business relations with them. They send us their bills for discount, but they do not leave the money on deposit.

Q. You do considerable rediscounting of bills, I take it?

A. Yes.

Q. At a lower rate than the Bank of France?

A. Frequently.

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Q. Is the development of branches a matter of recent times?

A. Yes; we began the system of establishing branches about twenty years ago.

Q. You had, however, from the start a number of branches?

A. No; for a long time we had only two or three branches, at Marseille, Lyon, and Nantes, and about twenty years ago we saw that we must develop our system of branches.

Q. Are there any statistics in existence which show the total amount of deposits in all the banks of France?

A. No; but you will find that some of the large banks publish monthly statements.

Q. Are there any other institutions that you would call government banks, except the Bank of France and the Crédit Foncier?

A. No. We have large private deposit banks, the Crédit Industriel, Crédit Lyonnais, Société Générale. The Banque de Paris et des Pays-Bas, and the Banque de l'Union Parisienne are business banks; and there are country banks such as the Crédit du Nord and others.

Q. Are there clearing houses in France?

A. Yes; we have a clearing house between the banks here.

Q. In various parts of France?

A. No.

Q. Is the Chambre de Compensation here connected with the Bank of France?

A. No; the Bank of France is a member of the Chambre de Compensation, and every morning the members meet and make exchanges.

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Q. Is there any agitation in France for a different system of note issue?

A. No.

Q. The people are contented?

A. Yes; they are satisfied with the monopoly of issue in the Bank of France.

Q. Is there no disposition on the part of the other banks to acquire a right to issue notes?

A. No.

Q. Your monopoly system is satisfactory to the people of France and to the banks?

A. Yes.

Q. Are the relations between the Bank of France and the other banks cordial?

A. Yes; very cordial.

Q. In case you rediscount bills at the Bank of France, what entry do you make in your accounts?

A. It does not appear any more in our statements. We do not publish any items which are no longer included in our balance.

Q. What dividend do you pay?

A. Six per cent.

Q. What is the character of your surplus? You have reserves, supplementary reserves, special reserves, etc.?

A. They are reserves accumulated from the earnings and from the issue of shares. When we increase our capital we generally ask the new shareholders to pay a premium, and that premium is the special reserve fund.

Q. What is the statutory reserve?

A. We are obliged to put 5 per cent of the earnings in the legal reserve, which can not be divided unless there is a loss.

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COMPTOIR D'ESCOMPTE.

Comptoir National d'Escompte de Paris. Bilan au 31 décembre 1907.

ACTIF.		PASSIF.		
Espèces en caisse et en banque	Fr. 70,784,748.06	Capital		Fr. 150,000,000.00
Portefeuille	633,525,065.75	Reserves:		
Reports	41,073,450.30	Statutaire	Fr. 5,294,749.55	
Correspondants "effets à l'encaissement"	56,450,075.33	Diverses	6,875,000.00	
Comptes courants débiteurs	83,575,399.03	Spéciale	5,000,000.00	
Rentes, obligations et valeurs diverses	14,152,791.43	Supplémentaire	1,100,000.00	
Participations financières	10,880,841.65	Immobilière	1,796,449.15	
Avances garanties	126,323,386.85			20,066,198.70
Comptes débiteurs par acceptations	142,433,767.83	Comptes de chèques et comptes d'escompte		507,640,021.92
Agences hors d'Europe	14,600,549.04	Comptes courants créditeurs		313,007,144.71
Comptes d'ordre et divers	14,555,222.78	Bons à échéance fixe		61,417,677.70
Immeubles	15,841,544.00	Acceptations		142,034,779.54
		Comptes d'ordre et divers		19,613,187.01
		Compte des actionnaires		378,549.86
		Profits et pertes (exercice 1907)		10,039,282.61
Total	1,224,196,842.05	Total		1,224,196,842.05

Balance sheet of the Comptoir National d'Escompte de Paris, December 31, 1907.

ASSETS.		LIABILITIES.		
Cash on hand and in bank	$13,661,456.00	Capital		$28,950,000.00
Bills discounted	122,270,338.00	Surplus:		
Securities carried for customers for settlement on the Stock Exchange	7,927,176.00	Legal	$1,021,887.00	
Bills for collection	10,894,864.00	Diverse	1,326,875.00	
Current accounts	16,130,052.00	Special	965,000.00	
Stocks, bonds, etc	2,731,489.00	Supplementary	212,300.00	
Financial participations	2,100,002.00	Real estate	346,715.00	
Loans on collateral	24,380,414.00			3,872,777.00
Acceptances	27,489,717.00	Check and discount accounts		97,974,524.00
Agencies outside of Europe	2,817,906.00	Credit current accounts		60,410,379.06
Sundry accounts	2,809,158.00	Time deposits		11,853,612.00
Real estate	3,057,418.00	Acceptances		27,412,713.00
		Sundry accounts		3,785,345.00
		Stockholders' account		73,060.00
		Profit and loss (operations of 1907)		1,937,580.00
Total	236,269,990.00	Total		236,269,990.00

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Q. Do you include the bank buildings in the undivided reserves?

A. No; we have put aside 1,700,000 francs in order to reduce the book value of our buildings; it is a sort of sinking fund.

Q. How many employees have you?

A. Including the country, something like 5,000.

Q. Have you a pension system for your employees?

A. Our clerks consent to a rebate of 5 per cent on their salaries, and we duplicate this rebate by a voluntary contribution, in order to constitute a pension fund; it amounts now to about 7,000,000 francs.

Q. If a new bank were to be organized here, would it be admitted as a member of the clearing house?

A. Certainly.

Q. You have no new banks except the Union Parisienne?

A. There is also the Banque Française, managed by Mr. Rouvier, who formerly was Premier.

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BANQUE DE PARIS ET DES PAYS-BAS.

Interview with M. Moret, Manager of the Banque de Paris et des Pays-Bas.

Q. We assume that your business is in many respects quite unlike that of the other joint-stock banks?

A. Yes; in some respects.

Q. What is the difference?

A. The Société Générale, Crédit Lyonnais, etc., receive deposits from the public; they invest these deposits and try to make the most of them, paying a small rate of interest on them; they also loan money on commercial paper which can be rediscounted at the Bank of France. Here we are more a business bank; we do not care for deposits from the public; we work with our own money, with the money which is the capital of the bank, and we are occasionally assisted by the capital of the directors, the people who sit around this table, who are all rich people and some of them bankers. As a rule we do not receive deposits from the public.

Q. But you do receive some deposits?

A. We receive the deposits of big companies which we have created or promoted or whose stock we have issued—they are our customers—but we do not receive deposits of small accounts from the public.

Q. What is your capital?

A. Our statement showed a capital of 75,000,000 francs and a legal surplus of 6,250,000 francs on December 31, 1907. We have special reserves, 21,250,000 francs, and provident or sinking funds of 36,300,000 francs.

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Q. So that in fact you have practically 150,000,000 francs ($30,000,000) capital and surplus? Are these reserves (surplus) earned from the profits of the business?

A. Yes, with the exception of 21,250,000 francs, which is the premium paid on the new shares of the bank issued lately.

Q. By whom are the acceptances mentioned in your report drawn?

A. By big companies and big societies.

Q. You are organized under the same laws as the general joint stock companies in France?

A. Yes.

Q. Have you a special charter?

A. No; only state institutions have a special charter.

Q. You make an annual statement to the shareholders?

A. Yes.

Q. And you are not examined by the Government in any way?

A. We are examined by people appointed by the stockholders, who are called commissaires.

Q. You have current accounts—190,000,000 francs?

A. They are current accounts from big societies or governments.

Q. Can you give us an idea of these societies?

A. They are manufacturing concerns, railway companies, big organizations of any kind.

Q. You have no government deposits?

A. No; we have nothing from the Government.

Q. Is most of your business conducted in France?

A. Yes.

Q. But you have a considerable foreign business?

A. We have connections all over the world, and very often we take an interest in business done abroad.

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Q. Do you operate more particularly in one part of the world than in another?

A. No.

Q. The item "branches," 66,900,000 francs, what does that mean?

A. We have branches—one in Brussels, one in Amsterdam, and one in Geneva. The amount named represents the capital assigned to these three branches and deposits from customers.

Q. You have three branches?

A. Yes.

Q. Have you any subbranches in Paris?

A. No; we have no branches in Paris or in France.

Q. Among your assets you show cash in vault and at the Bank of France, 17,000,000 francs. Do you show the amount of cash in your vault and the amount of your balance at the Bank of France? Do you separate these items?

A. No; we have very little cash on hand in our vault; all our cash is in the Bank of France; if we want money we send to the Bank of France and we have it at once.

Q. Do you endeavor to carry any special amount at the Bank of France? Or are you indifferent as to the amount of balance you have there?

A. We always calculate what sum each day will be likely to be withdrawn; besides which we always have a large amount of commercial paper which we could rediscount at the Bank of France at once. Therefore we keep just enough cash in vault to meet any checks which may be presented.

Q. If you were to carry but a very small balance at the Bank of France and should go to them with a request for a very large discount would they consider the balance

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that you had carried with them; that is, would they say, "We can not extend to you this amount because you are not entitled to it?"

A. No; they would not think of that; they would simply look at the commercial paper which we brought to them; that paper would always bear at least two signatures besides our own signature.

Q. The Bank of France is practically indifferent as to the amount of money you carry on deposit with them?

A. Entirely.

Q. We wanted to determine whether the Bank of France cares for deposits from other banks; whether their business is to accumulate deposits and to employ them by discounting elsewhere and therefore make profits for their stockholders.

A. No; that is not the policy of the Bank of France.

Q. Your portfolio shows commercial paper on Paris and on France 46,000,000 francs and foreign bills 26,000,000. Are those received from your customers or purchased by you?

A. Both. They are received from customers and we discount them. If we have too much money we buy through brokers commercial bills, French or foreign.

Q. Among your assets, what is your comptes courant correspondants, 198,000,000 francs?

A. That is money deposited by us with correspondents in current accounts.

Q. You have these funds deposited elsewhere?

A. Yes, sometimes.

Q. Do you mean that in other banking institutions you have deposits aggregating practically 200,000,000 francs?

A. In many places, yes. They are all call or time loans or deposits in financial institutions.

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Q. Why do you carry such a very large amount of money in other institutions?

A. So as to obtain good interest on it.

Q. That may be in London, Berlin, New York?

A. Anywhere.

Q. Do you carry an account in New York?

A. We lend money to some people there, mostly against securities of different kinds

Q. Are they necessarily loaned to bankers, only bankers, or to corporations sometimes, or simply correspondents?

A. Most of them are loans to bankers. Different kinds of loans, some are at sixty days or ninety days.

Q. So that really that item constitutes balances due you from bankers, financial institutions, and large concerns?

A. Yes.

Q. Industrial corporations?

A. Not often.

Q. On securities?

A. Yes; most of them.

Q. You are not restricted in any way as to the character of the undertakings you may make?

A. No; we can do as we like.

Q. Do you specialize in practice or do you consider propositions of various kinds?

A. All sorts of propositions, railway building, harbors, tramways, electrical enterprises, etc.

Q. Is it your practice to take entire issues of securities and then offer them for sale?

A. Very often, more for provincial and government loans.

Q. Is it your practice to handle securities listed on the exchange or unlisted?

A. We handle them and often get them listed afterwards.

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Q. Do you usually sell by public offering or through various agencies that you have?

A. We have no special agencies. We sell to the public which applies to our offices or sometimes by public subscription; it depends on the nature of the business.

Q. Do you sometimes take an interest in business such as placing Pennsylvania Railroad and Union Pacific bonds?

A. Yes.

Q. Is it not a fact that you are one of the leading factors in that class of business?

A. We have taken some interest in that class of business; we have been associated with some of our friends to take up such bonds and float them.

Q. You do not sell your securities as the Crédit Lyonnais does; they have an enormous clientele through their branches?

A. No; we have clients who apply here because they know our name; we place our name on the prospectus and the public comes to us, but we have no people to propose them as the other establishments have, and we have not the very numerous branches that they have.

Q. You frequently act as managers of syndicates which might include the other banks of France?

A. Very often we take the head of syndicates.

Q. You are the leading bank in that business in France?

A. They say so.

Q. Is there cordial cooperation between the banks of Paris and of France, generally speaking?

A. Yes; business as a rule is done, when it is a big business, with several of these big societies or banks, and perhaps with all of them together.

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Q. What agency is there in Paris that brings the bankers together; is it through the clearing house or through the business that develops?

A. There is a kind of clearing house for bankers, but it does not amount to much. Checks are not all cleared as they are in New York or London.

Q. Do the bankers meet occasionally to consider some general banking situation or do you only meet as business develops?

A. As business develops, generally.

Q. There is no agency that brings you together?

A. Only if some occasion arises.

Q. In each of our important cities we have a clearing house, with a president, who is a banker, and who would be the one to call the bankers together if there was any important matter to be considered.

A. We have nothing corresponding to that.

Q. What influence has the rate of the Bank of France upon your rates in the conduct of your business here?

A. Of course, it is not wholly immaterial to us, but it is not of much importance.

Q. Your business is of a character which would not be governed by that?

A. No; because we have no public deposits.

Q. Do you carry shares of industrial concerns in your business, such as of our United States Steel Company?

A. Yes, sometimes.

Q. Are there particular corporations in which you have a permanent interest?

A. Yes; so as to have some control in certain large companies.

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Q. Do you own the shares of any other financial institution which gives you a control over them?

A. No.

Q. What other institutions of this sort are there?

A. The Union Parisienne, the Banque Française.

Q. You are quite an old institution?

A. It was created in 1872 by the union of the Bank of Paris and of the Banque des Pays-Bas; the union of a Dutch bank and of a Paris bank.

Q. The other two banks that you mention are of recent development?

A. Yes; only a few years old. The Union Parisienne was formerly called the Banque Parisienne, which was reorganized and developed.

Q. What have you to say of the Bank of France?

A. We regard it as the first bank of the world. Its organization, to my mind, is better and more suitable to present requirements than the organization of any other national bank.

Q. The management of the Bank of France since its organization has been very wise; there has been wonderful sagacity shown, it has been conservatively managed, and therefore it is a great institution. There is nothing, however, in the law that requires that it be conducted on the lines upon which it has been conducted; that is, with bad management your reserves of gold and silver might be dissipated, and your note issues might not have a coin reserve; the law does not require any kind of reserve?

A. Any institution is to be judged by the way it is managed. That is true of all human things. However the Bank of France does not issue notes unless such notes

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have their counterpart either in a certain quantity of the capital of the Bank, or in gold or silver deposited in the Bank, or in commercial paper which represents goods, merchandise, going from one part of the world to another part; therefore you can safely say that the Bank of France's note has always its full representation, either in capital, gold, silver, or goods which are in transportation, and secured besides by at least two signatures, and with the double standard I say that this Bank meets the requirements of modern commerce better than any other bank. The Bank of England has sometimes been obliged to borrow money from the Bank of France. Our system is more elastic, more up to date.

Q. What is the restriction on the coinage of silver?

A. It is the restriction which has been made by the Latin Union, that the coinage of silver shall not exceed a certain amount per capita.

Q. What do you think of the attitude of the Government toward the Bank of France? That is to say, are they exacting more and more from it?

A. I do not think that they exact too much from it.

Q. They have a loan from the Bank of France of 180,000,000 francs without interest, and they have required the Bank of France to pay over to them 40,000,000 francs for the Crédit Agricole.

A. Yes; but that is not too heavy for the Bank of France.

Q. You do not criticise the attitude of the Government?

A. No; it was the price of the renewal of their privilege, and the shares of the Bank of France are always very high in price; it has not hurt at all the Bank's development.

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BANQUE DE PARIS ET DES PAYS-BAS.

Banque de Paris et des Pays-Bas, Bilan Général au 31 décembre, 1907.

ACTIF.	Siège social.	Succursales à l'étranger.	Total.
	Francs.	*Francs.*	*Francs.*
Espèces en caisse et à la banque	15,330,161.03	1,726,037.99	17,056,199.02
Portefeuille:			
Paris et province	45,882,052.47	202,823.32	46,084,875.79
Étranger	15,657,486.25	11,207,527.46	26,865,013.71
Fonds disponibles dans les banques à l'étranger	1,122,444.00	279,482.10	1,401,926.10
Succursales:			
Comptes fixes	8,000,000.00		66,902,796.78
Comptes courants	58,902,796.78		
Comptes courants des syndicats	1,318,184.65	83,193.70	1,401,378.35
Correspondants et comptes courants	132,597,641.92	65,861,308.83	198,458,950.75
Reports	33,702,675.88	8,958,501.75	42,661,177.63
Liquidation, 31 décembre, 1907	927,955.70		927,955.70
Coupons à encaisser	72,449.29	1,230.45	73,679.74
Avances sur garanties	809,809.05	1,283,409.50	2,093,218.55
Fonds d'états	8,058,405.48	305,525.85	8,363,931.33
Actions et obligations	58,862,545.52	6,384,302.65	65,246,848.17
Participations diverses	18,633,169.92	7,419,296.04	26,052,465.96
Comptes divers	1,404,961.22	1,639,110.33	3,044,071.55
Immeubles de la société	7,264,167.39	687,111.85	7,951,279.24
Total	408,546,906.55	106,038,861.82	514,585,768.37

PASSIF.	Siège social.	Succursales à l'étranger.	Total.
	Francs.	*Francs.*	*Francs.*
Capital social	75,000,000.00		75,000,000.00
Réserve légale	6,250,000.00		6,250,000.00
Appartenant aux actionnaires:			
Réserve extraordinaire	21,250,000.00		60,733,102.63
Fonds de prévoyance	36,300,000.00		
Prévoyance appartenant aux administrateurs en exercice	3,183,102.63		
Effets à payer	70,964,755.86	1,472,288.43	72,437,044.29
Succursales:			
Comptes fixes		8,000,000.00	66,902,796.78
Comptes courants		58,902,796.78	
Correspondants et comptes courants	154,566,206.65	35,607,880.86	190,174,087.51
Coupons à payer	15,234,086.74	81,307.29	15,315,394.03
Comptes divers	7,359,318.59	1,024,859.16	8,384,177.75
Profits et pertes—Report de l'exercice 1906	9,644,187.47		9,644,187.47
Profits et pertes—Exercice 1907	8,795,248.61	949,729.30	9,744,977.91
Total	408,546,906.55	106,038,861.82	514,585,768.37

Balance sheet of the Banque de Paris et des Pays-Bas, December 31, 1907.

ASSETS.	Central office.	Branches abroad.	Total.
Cash on hand and at the bank	$2,958,721	$333,125	$3,291,846
Discounts:			
Paris and departments	8,855,236	39,145	8,894,381
Abroad	3,021,895	2,163,053	5,184,948
Due from foreign banks	216,632	53,940	270,572
Branches:			
Fixed accounts	1,544,000		12,912,240
Current accounts	11,368,240		
Due from syndicates	254,410	16,056	270,466
Due from correspondents	25,591,345	12,711,232	38,302,577
Securities carried for customers for settlement on the Stock Exchange	6,504,616	1,728,991	8,233,607
Liquidation, Dec. 31, 1907	179,095		179,095
Coupons matured	13,983	237	14,220
Loans upon collateral	156,293	247,698	403,991
Government bonds	1,555,273	58,966	1,614,239
Stocks and bonds	11,360,471	1,232,170	12,592,641
Sundry participations	3,596,202	1,431,924	5,028,126
Sundry accounts	271,157	316,348	587,505
Real estate	1,401,984	132,613	1,534,597
Total	78,849,553	20,465,498	99,315,051

LIABILITIES.	Central office.	Branches abroad.	Total.
Capital	$14,475,000		$14,475,000
Legal surplus	1,206,250		1,206,250
Extraordinary surplus	4,101,250		11,721,489
Provident fund of stockholders	7,005,900		
Provident fund for administrators	614,339		
Bills payable	13,696,198	$284,151	13,980,349
Branches:			
Fixed accounts		1,544,000	12,912,240
Current accounts	11,368,240		
Current accounts	29,831,278	6,872,321	36,703,599
Coupons payable	2,940,179	15,692	2,955,871
Sundry accounts	1,420,348	197,797	1,618,145
Profit and loss from operations of 1906	1,861,328		1,861,328
Profit and loss from operations of 1907	1,697,483	183,297	1,880,780
Total	78,849,553	20,465,498	93,315,051

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CRÉDIT FONCIER DE FRANCE.

Interview with M. Touchard, Secretary.

Q. Is the Crédit Foncier a public institution?

A. Yes, it is a mixed institution; it is at the same time a joint stock-company and a society under the control of the Government by reason of privileges which the Government has granted to it.

Q. Who are the shareholders?

A. Anyone; the shares are dealt in on the Bourse. The firm capital is at present 200,000,000 francs; the shares are issued at 500 francs.

Q. What dividend do you pay?

A. We now pay 6 per cent; for several years it was only 5 per cent.

Q. Does the Government receive no income from it?

A. No; on the contrary, the Government began by giving us a subsidy of 10,000,000 francs, which was paid to the society in the proportion of one-twentieth of the first 200,000,000 francs realized on loans. That was at the beginning, in 1852, in order to help us make loans at a rate advantageous for that time. This subsidy was not renewed, and the State does not intervene now, except occasionally to exercise its control.

Q. Does the company appoint the officers?

A. The Government appoints the governor and the two subgovernors. There must also be three treasurers-general among the 23 members of the council of adminis-

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tration. These treasurers, as well as the other administrators, are named by the general assembly of stockholders; but before presenting their names to this assembly, it is customary to obtain the approval of the Minister of Finance.

Q. Are the governors and subgovernors permanent officers?

A. There is nothing in the statutes about that; they usually remain a very long time, but it is possible to remove them.

Q. You are the secretary-general. Are you a government official?

A. No.

Q. You are appointed by the board?

A. No; but by the governor, who, according to the terms of article 21 of the statutes, appoints and dismisses all the officials and attends to organizing the service. The governor and subgovernors alone are named by the Government, though they are paid by the society.

Q. Do you pay the same taxes as the other banks?

A. Yes. We are treated like any ordinary bank. We have the special privilege of issuing bonds secured by mortgages. It is a very complicated system in France; there are legal complications which would render it impossible for any corporation to undertake the business unless it had special privileges.

Q. Are you confined by law to business with mortgages?

A. We have two principal kinds of operations—mortgage loans and communal loans. The total business of the two branches of operations amounts at present to about 4,000,000,000 francs. Operations on so large a scale involve a considerable transfer of funds, and make neces-

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sary a treasury service requiring, of course, the use of banking methods. Our statutes, therefore, recognize our right to carry on ordinary banking operations, within certain rather sharply defined limits.

Q. How is your banking business limited?

A. We are allowed to receive deposits up to a maximum of 100,000,000 francs. At least a quarter of these deposits must be used in payments in the form of accounts current to the treasury or in deposits of securities approved by the Minister of Finance. Bills of exchange or commercial paper which we discount must not run longer than three months, and must bear at least two signatures.

Loans on securities can not be made except on communal or land bonds, and on other securities accepted by the Bank of France as collateral. Communal loans are made without mortgage.

Q. Do you invest in securities other than mortgages?

A. We employ our deposit funds in discounting commercial bills on condition that they have two signatures and can be presented to the Bank of France; that is to say, they must not run over three months. We are obliged to hold 50,000,000 francs of our funds in government bonds or treasury bills. We have the privilege of investing our surplus funds in securities guaranteed by the Government, such as railroad bonds, etc., but as a matter of fact we do not take much advantage of that privilege because we consider it bad business, as there is always a possibility that the price might fall when we needed to realize, and we prefer to use our surplus funds in discounting bills, although sometimes there might be a larger profit in buying stocks and bonds.

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Q. But at the Bank of France commercial paper to be discounted must have three signatures?

A. But we may take two; we can give our own signature as the third.

Q. You take mortgages on private estates?

A. Our mortgages may be on houses or on rural property.

Q. Are your bond issues limited?

A. The capital realized on bonds in circulation must not exceed 20 times the total of the nominal capital in shares. At present we have nearly reached the limit. As soon as it is necessary we will increase our capital.

Q. Are you limited in percentage in making mortgage loans as to the value of the property?

A. We can only loan to one-half the value of the property.

Q. And this is the same for town property, for farms, etc.?

A. Except in the case of planted land, such as woods and vineyards, which are perishable, where we only give one-third.

Q. Who decides the value?

A. We have about 60 inspectors who examine property offered for mortgage and make estimates. The reports made by these inspectors are examined by a commission and submitted to the council of administration, which alone has the authority to decide on the amount to be loaned.

Q. Are the 60 inspectors distributed over France?

A. Most of them live in Paris and travel from there all over France. By exception, however, we have several

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inspectors who live in the provinces, in regions where property offers the greatest difficulties to appraisement.

Q. Have you branches?

A. The society is represented in the provinces (1) by the General-Treasury Agents and Paying Tellers (*Trésoriers-Payeurs-Généraux*) who are our financial agents for receipts, payments, and treasury operations made in the provinces on the account of the Crédit Foncier (2) by directors of branches, named by the governor (numbering 76), whose only duty is to solicit mortgage and communal loans, and help realize on them.

Q. Are your rates uniform for all kinds of property?

A. For mortgages, yes, in a general way the rate is the same, with several very rare exceptions. It is a question whether this is a good policy; it might be better, perhaps, to vary the rate slightly according to the risk and the importance of the loan.

Q. What is the present rate?

A. Four and one-half per cent for mortgages. But this rate is accidental, and it will return to 4.30 per cent as soon as the conditions of the money market are improved.

Q. What is the rate for communal loans?

A. Three and eighty-five hundredths per cent, but for large loans it has often gone down to 3.75 per cent.

Q. Just what are communes?

A. Towns, cities, municipalities. In the group of communal loans we include likewise the loans made to departments and public institutions, such as almshouses, chambers of commerce, etc.

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Q. Can all the property in the commune be held for the loan?

A. The commune gives no security; our only security is that resulting from the budget regularly voted and approved by the proper authorities.

Q. In America all the property in the territory is liable.

A. The case has never arisen in France; no commune has ever become bankrupt.

Q. Does the Government approve the loan before the issue of the bond?

A. So far as communal loans are concerned, the sanction of the prefect, the government, or even the law may be necessary, as the case may be, to give the commune the right to borrow.

But in the matter of mortgage loans, the government does not intervene; the notarial act which describes the mortgage does not require any previous permission.

Q. But in Germany it is necessary to submit the question of the security and of the sum loaned to a special officer of the Government.

A. We have entire liberty.

Q. Who decides whether mortgages shall be taken? Can the Governor decide without submitting the question to the council of administration?

A. The council of administration decides.

Q. But in practice is it the Governor?

A. No; everything goes to the council; there is a meeting of the council once a week and a list of all loans is submitted to it.

Q. Who prepares the list?

A. This list is prepared by the bureaus of the central board of administration, under the supervision of the

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governors, and according to the reports of the inspectors who have appraised the property.

Q. What is the precise relationship of the stockholders to the business of the company? Have they really a voice in the administration?

A. The two hundred largest stockholders meet once a year to ratify accounts, vote the dividend, and consider the questions docketed for the day of the meeting. But the Governor has the right to veto the decisions made. The general assembly of stockholders influences the management of the company more especially by its right to elect the council of administration.

The Governor also has the right to oppose the carrying out of a measure adopted by the council of administration, so that he is armed with very considerable power. But, of course, he does not use this right of veto except in very unusual circumstances, of which only a few examples are on record.

Q. Is your stock fully paid up? How much is paid in?

A. It is fully paid and all registered; 500 francs.

Q. What are they quoted for now at the Bourse?

A. Seven hundred and thirty francs; they pay 6 per cent dividends. It is an investment at about 4 per cent now.

Q. What is the usual length of time for mortgages on real estate?

A. Our statutes allow us to loan for seventy-five years on ordinary rural or city property. In the case of summer resorts and certain other property liable to depreciate rapidly, for the sake of prudence we do not generally lend for more than thirty years; besides, the borrowers always

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have the right to repay at any time, and they often avail themselves of this right, so that the average length of our loans is much less—hardly exceeding fifteen or twenty years.

Q. What is the cost for amortization in the long mortgages on property in the country, say, for seventy-five years?

A. The amortization is spread over the whole duration of the loan, so that the total of the interest paid and the capital reimbursed forms a constant yearly annuity. Under these conditions, the cost of amortization (in addition to the annual interest) depends both on the length of time of the loan and the rate of interest. At the 4.5 per cent rate of interest, the annuity in seventy-five years is 4.666 per cent; the cost of amortization in this case does not exceed 0.166 per cent; it would be 0.184 at the 4.3 per cent rate for the same time.

This seventy-five-year period is too long; the amortization is much too slow during the whole first period of the loan.

Q. What is the actual practice?

A. Seventy-five years is the actual practice.

Q. What part of the charge is for rate and what part for amortization?

A. Four and one-half per cent for rate and 40 centimes for amortization, approximately.

Q. But is that the rate for shorter mortgages?

A. The amortization increases as the period decreases, but the interest rate is the same.

Q. Is there provision for amortization in the case of the communal loans?

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A. It is exactly the same, but communal loans are not often for more than thirty years; with the interest rate at 3.85 per cent, the annuity is 5.65 per cent, so that the cost of amortization is 1.80 per cent.

Q. What do you do with the amortization funds?

A. The principle of our institution is that the capital realized by the issue of bonds shall never exceed the total of loans on mortgages or communal loans made by the society. We are therefore obliged to use the funds accruing from the normal amortization or anticipated payments, either to amortize or redeem bonds, or to make new loans.

Q. So you employ your amortization funds to buy new mortgages?

A. Yes; we lend again.

Q. But you have an account with the mortgagor, in which the amount of the amortization appears?

A. Yes; every mortgagor has an account here in which we credit him with sums paid on account of amortization, etc.

Q. How long do your obligations run?

A. According to the statutes, our bonds are issued without fixed time limit for reimbursing the capital, and this provision is a necessary result of the principle that the bonds in circulation must never exceed the capital still due on loans.

In practice, when the issues are made, a maximum time limit for reimbursement is mentioned in the prospectus (generally seventy to seventy-five years). Each year or half year, at the time fixed in the prospectus, a certain number of bonds of each issue are reimbursed by

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lot. The bonds thus called in are repaid at par or with a prize.

Q. What rate do they bear?

A. In general (for all recent loans) 3 per cent of the nominal capital. In addition, when the bond is called in by lot, the bearer has the right to a premium (the difference between par value and the price of the issue) and possibly to a prize.

The total interest, premiums and prizes, promised to the bearers of the same issue, represents for our recent loans an annual cost of about 3.60 per cent of the paid-in capital which may be used for loans. But previous issues, made under less favorable conditions, bring the average annual expense on the whole of the 3,500,000,000 francs in circulation up to nearly 4 per cent at the present time.

Q. You pay 3 per cent interest on the bonds, which are amortized in the same way as the mortgages are, so much a year? And the average is 4 per cent?

A. Those we emit now only pay about 3.60 per cent everything included, interest and amortization, but a few years ago they had to be placed under very much less favorable conditions and then their charge went up to above 4 per cent.

Q. How do you sell those bonds?

A. Generally by public subscription. About every three years we are obliged to make an issue of the number of bonds necessary to form a capital of from 300,000,000 to 350,000,000 francs, payable in graduated instalments every three or four months.

Q. The holder of your bond has no interest in the amortization of the bond?

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A. Yes; if it is a question of an original subscriber, since, when his bond comes out of the lottery, he is reimbursed either at par (that is to say, by paying him not only the price of issue, but also the premium) or with a prize. The case is different, of course, if the bearer bought his bond at the Bourse above par.

Q. May you call your bonds at par? Are they payable at par at your option?

A. In our recent issue we have put that clause in, viz, that we can redeem our bonds at par. Generally we only redeem a certain portion of them each year, which are drawn by lottery.

Q. Are you obliged by the terms of issue to pay some each year?

A. Generally, no. However, for several of our old loans, the certificates bear a table of amortization that we follow for drawing lots, reserving the right to apply the statutory clause which authorizes us to repay a greater number of bonds in case it is necessary for maintaining the balance between loans and bonds issued.

Q. Is that required by law?

A. The law, or rather our statutes, merely require us to maintain this balance.

Q. But they can be reimbursed by a prize?

A. A bond can be reimbursed either at par or by a prize. The bearer of a bond may, if his bond is drawn, receive either the par value of his bond, or a more or less considerable sum in addition. In the drawing for last January, for instance, there were 140 bonds repaid above par; one received 150,000 francs, another one 30,000 francs, eight received 5,000 francs, and 130 received 1,000 francs.

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Q. How can the company afford to do that? From what funds are they paid?

A. The average annual expense for the company, which, as was stated above, is about 3.60 per cent for our recent issues, and about 4 per cent for the total of our former and recent issues, includes in addition to the interest (generally 3 per cent of the nominal capital) the amount necessary to cover the premiums and prizes to be paid each year.

Q. Are we correct in understanding that the total cost to you on your bonds, including the interest payment, the expenses of issue, and the prizes awarded to the public, is approximately 4 per cent and that the interest received by you upon the mortgages which secure these bonds is approximately 4½ per cent?

A. Yes; about that; say 4.45. The difference between the 3 per cent and the 4 is in the prizes, expenses of issue, etc.

Q. What is the average size of your mortgages on private estates?

A. It varies; perhaps 30,000 francs, but the average would not tell you much, because along with a lot of very small mortgages we have some very large ones.

Q. What is the minimum?

A. There is no minimum; but we do not care to make very small loans because it costs too much to foreclose.

Q. What percentage of your total business is in the country and what in the city?

A. About one-half in Paris, and our best business is in Paris.

Q. Has there been an appreciable change in that proportion during the fifty years?

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A. Not much; the urban mortgages cause us less difficulty, and the tendency is for the proportion of them to increase.

Q. What amount of your obligations do you pay each year and upon what principle do you decide to do so?

A. At the present moment we pay back about 30,000,000 francs a year, according to the table of amortization of each issue. But, let me repeat, we have the right to change the amount of redemptions if this becomes necessary in order to keep the balance between our bonds and our loans.

Q. Who are the subscribers to these bonds, and what are the usual sums subscribed? Are they small or large?

A. They are bought by small people, and generally remain in the hands of persons of small capital. This is one of the reasons why their quotations show so little fluctuation.

Q. Do you lend on farms?

A. Yes. Up to one-half, except on forest land, vineyards, and the like, on which we lend only one-third. We do not lend on mines. On factory buildings we lend only on the value of the ground and of the building, independently of its industrial value.

Q. Is the amount which you lend on unimproved country real estate, such as forests, etc., important?

A. We lend as little as possible on that class of ground. So much additional inspection would be necessary, as the value depends on the number of trees.

Q. What other institutions of this character are there in France?

A. There are no others; we no longer have a legal monopoly, but we very nearly have a practical monopoly.

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There are private individuals who make mortgage loans, but no large company makes this the principal feature of its business.

Q. The other mortgages are taken by private bankers?

A. By notaries; very seldom by private bankers.

Q. For individuals?

A. Yes; but the notary is responsible in that case; he acts as a trustee.

Q. What is the Crédit Foncier d'Algérie?

A. It is a stock company with headquarters in Algiers, and its principal branch in Paris. It acts as our agent, and makes in participation with us and under our control our communal and mortgage loans for Algiers, for which we furnish the funds.

Independently of the loans made in connection with us, the Crédit Foncier d'Algérie lends its own funds on property that does not fulfill the requirements of our statutes. In addition to this it carries on banking operations.

Q. Have you an idea of the amount of mortgages in France?

A. Fourteen billion francs, perhaps. The total value of the property is estimated at about 120,000,000,000 francs.

Q. How long has it been the privilege of the Crédit Foncier to add lotteries to its loans?

A. It has done so from the beginning, although we are obliged to ask the permission of the Minister, but it is on that account that we have been able to place our bonds so low.

Q. You have the monopoly of this privilege?

A. Yes; under these conditions, with the exception that certain big cities, particularly Paris, get permission to attach lotteries to their loans; in such cases a special law

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CRÉDIT FONCIER DE FRANCE.

Crédit Foncier de France. Situation au 31 décembre 1907.

ACTIF.

			Francs.
Espèces en caisse et à la Banque de France			7,492,912.72
Effets et valeurs diverses			182,079,740.06
Trésor public			20,869,362.36
Avances sur dépôts de titres			37,252,985.38
Correspondants			9,630,259.25
Banque Hypothécaire en liquidation			21,538,876.02
Emprunteurs:			
Prêts hypothécaires	Francs. 2,103,895,406.84		
Prêts communaux	1,788,514,067.27		
		Francs. 3,892,409,474.11	
Prêts réalisés avec les fonds du Capital social et des Réserves		57,657,502.35	
Semestres d'annuités échus		29,804,580.88	
			3,979,871,557.34
Obligations retirées de la circulation, soit par tirages spéciaux, soit par rachats en Bourse (articles 63 et 87 des Statuts):			
Obligations foncières		133,098,648.57	
Obligations communales		49,605,383.10	
			182,704,031.67
Immeubles acquis par la Société à la suite d'expropriations			14,039,858.93
Hôtels et mobilier:			
Prix des hôtels		16,255,216.85	
Frais d'appropriation et mobilier		236,996.68	
			16,492,213.53
Divers			27,754,059.58
Intérêts acquis, mais non échus			55,143,822.03
Dépenses d'administration			4,201,984.96
Total de l'actif			4,559,071,663.83

PASSIF.

			Francs.
Capital social			200,000,000.00
Réserve obligatoire			19,918,826.70
Provisions pour l'amortissement des emprunts:		Francs.	
Provision ordinaire		102,962,837.71	
Provision extraordinaire		102,151,503.64	
			205,114,341.35
Réserves et provisions diverses:			
Réserve pour l'amortissement des immeubles du siège social		4,388,707.00	
Réserve spéciale provenant de la Banque Hypothécaire		133,574.86	
Réserve commune avec le Crédit Foncier et Agricole d'Algérie		266,804.93	
Réserves sans affectation		2,626,644.23	
Provision pour faire face à l'excédent des créances hypothécaires sur la valeur estimative des immeubles acquis par la Société		5,800,000.00	
Provision pour créances douteuses		7,754,556.74	
			20,970,287.76
Dépôts en comptes courants			69,022,317.36
Correspondants			63,817,357.92
Sous-Comptoir des entrepreneurs			4,148,530.80
Versements différés:			
Sur prêts hypothécaires		19,564,805.95	
Sur prêts communaux		159,779,105.76	
			179,343,911.71
Obligations foncières:			
Montant au pair—	Francs.		
Des obligations en circulation	2,339,690,000.00		
Des obligations retirées de la circulation	157,130,000.00		
		2,496,820,000.00	
A déduire—			
Versements à recevoir des obligataires	999,560.00		
Primes à amortir à recouvrer des emprunteurs	474,584,658.00		
		475,584,218.00	
		2,021,235,782.00	
Obligations communales:			
Montant au pair—			
Des obligations en circulation	1,709,073,700.00		
Des obligations retirées de la circulation	50,322,600.00		
		1,759,396,300.00	
A déduire—			
Versements à recevoir des obligataires	640,645.00		
Primes à amortir à recouvrer des emprunteurs	145,830,383.14		
		146,471,028.14	
		1,612,925,271.86	
			3,634,161,053.86
Bons à lots en circulation			33,648,991.73
Obligations à rembourser et intérêts échus à payer			22,454,453.20
Semestres d'annuités reçus par anticipation			8,341,496.06
Divers			40,450,259.64
Intérêts dus, mais non échus			41,268,373.36
Profits et pertes:			
Reliquat de l'exercice 1906		117,164.93	
Exercice 1907		16,294,297.45	
			16,411,462.38
Total du passif			4,559,071,663.83

Balance sheet of the Crédit Foncier de France December 31, 1907.

ASSETS.

Cash on hand and at the Bank of France			$1,446,132
Bills and various securities			35,141,389
Balance with treasury			4,027,787
Loans upon securities			7,189,826
Due from correspondents			1,858,640
Banque Hypothecaire in liquidation			4,157,003
Loans:			
Loans on mortgage	$406,051,814		
Communal loans	345,183,215		
		$751,235,029	
Loans made from capital and surplus		11,127,898	
Matured annuities		5,752,284	
			768,115,211
Obligations withdrawn from circulation by special drawing or by purchase in the market (Statutes, secs. 63, 87):			
Mortgage obligations		25,688,039	
Communal obligations		9,573,839	
			35,261,878
Real estate acquired by foreclosure			2,709,693
Real estate and furniture:			
Cost of buildings		3,137,257	
Cost of furnishing		45,740	
			3,182,997
Sundry accounts			5,356,533
Interest earned but not matured			10,642,758
Expense of administration			810,984
Total			879,900,831

LIABILITIES.

Capital			$38,600,000
Required surplus			3,844,334
Amortization funds:			
Ordinary		$19,871,828	
Extraordinary		19,715,240	
			39,587,068
Surplus:			
Surplus for amortization of real estate		847,020	
Special surplus from the Banque Hypothecaire		25,780	
Surplus in conjunction with the Crédit Foncier et Agricole d'Algérie		51,494	
Unassigned surplus		506,943	
Surplus to cover the excess of mortgages above the estimated value of real estate acquired		1,119,400	
Surplus for doubtful loans		1,496,629	
			4,047,266
Current accounts			13,321,307
Due to correspondents			12,316,750
Due to subagencies			800,666
Deferred payments:			
Upon mortgage loans		3,776,008	
Upon communal loans		30,837,367	
			34,613,375
Mortgage obligations:			
Amount at par—			
Of the obligations in circulation	$451,560,170		
Of the obligations withdrawn from circulation	30,326,090		
		$481,886,260	
To be deducted—			
Payments due from borrowers	192,915		
Amortization premiums to be recovered from borrowers	91,594,839		
		91,787,754	
		390,098,506	
Communal obligations:			
Amount at par—			
Of the obligations in circulation	329,851,224		
Of the obligations withdrawn from circulation	9,712,262		
		339,563,486	
To be deducted—			
Payments due from borrowers	123,644		
Amortization premiums to be recovered from borrowers	28,145,264		
		28,268,908	
		311,294,578	
			701,393,084
Lottery premiums in circulation			6,494,254
Obligations and interest payable			4,333,709
Annuities received in anticipation			1,609,909
Sundry accounts			7,806,900
Interest due but not matured			7,964,796
Profit and loss:			
Remaining from operations of 1906		22,613	
Remaining from operations of 1907		3,144,799	
			3,167,412
Total			879,900,830

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must be passed giving this privilege. However, the direct issue of bonds by towns is the exception; most of them come to us or to the *Caisse des Dépôts*.

Q. And instead of selling their own bonds they sell the bonds of the Crédit Foncier?

A. No. The loans of the Crédit Foncier are always made in cash, and it attends to selling its own bonds in order to procure the necessary money.

Q. Does the State own any of your stock?

A. No; the intervention of the State is limited to inspecting us.

Q. There is no system of government examination?

A. Inspection, when there is occasion for it, is confined to the general inspection of finances. But in practice, this auditing is quite accidental, and is made only with a view to clearing up some particular question.

Q. Are your obligations offered in large blocks through an anouncement?

A. Yes; usually. We always have a few here for sale, but most of them are disposed of by public subscription. This was the way we made our last issue of land certificates November 24, 1903, amounting to 300,000,000 francs. This issue was subscribed for twenty times over, and the number of subscribers almost equaled the number of bonds to be issued. Thus the certificates offered to the public were nearly all taken up by small savers.

The number of subscribers amounted to 586,517, and the number of bonds called for to 12,349,698. They were distributed as follows: One bond to subscribers for 1 to 500 bonds; two bonds to subscribers for 501 to 1,000 bonds; and so on, at the rate of 2 per 1,000, and an additional bond for each fraction.

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Interview with M. Sergent, Chef des Mouvements des Fonds, Ministère des Finances.

Q. Will you kindly define the duties of the Treasurers-General?

A. They are at the same time state officials and bankers. Their functions as bankers are now very limited; they used to be very important; at the beginning of the nineteenth century they performed the double functions of bankers and receivers of taxes, and important people were chosen as treasurers-general. When the organization of the financial system was changed, under Napoleon I, this system was changed. To-day the treasurers-general are still authorized to receive deposits from private people on the condition that they place these funds at the disposal of the Treasury; and also to receive stock-exchange orders for all French stocks, but not for foreign stocks.

Q. How many treasurers-general are there?

A. There are 86 treasurers-general, one for each department, and in the early history they were very often independent bankers; they were rich men to whom the Government appealed for funds, but gradually, with the development of the other banks, their functions were reduced; they are no longer allowed to discount paper or to make advances upon collateral; they are confined in their banking operations to the receiving of money from individuals and the purchase for individuals of French securities. The deposits held by them to-day amount only to about 30,000,000 francs.

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Q. Does the Government allow interest on these deposits?

A. The Government allows 1¾ per cent to the treasurers-general, and the treasurers-general usually hold back one-fourth of 1 per cent, sometimes one-half. The treasurer-general pays 1½ per cent, retaining one-fourth per cent for his commission. For the purchase of stock he is entitled to charge a commission, the same commission as a member of the stock exchange would charge, except for the French "rente." The deposits are withdrawable on demand.

Q. These 86 men are agents of the Government, and represent the Government in their various functions, but their banking functions are of comparatively small importance to-day?

A. Yes. I believe they are destined to disappear as bankers; they will only be state officials.

Q. What is done with the deposits received by them?

A. The deposits are paid into the Bank of France for the account of the Treasury, as is also whatever they collect for taxes.

Q. Where are the funds of the Treasury of France kept?

A. All in the Bank of France. There is here in Paris a "Caisse des Payeurs Centrals du Trésor" (central paying office of the Treasury), but they only make payments; they have perhaps enough money for the next day or two, perhaps 7,000,000 francs, but most of their payments are made by drafts on the Bank.

Q. Does the Treasury publish a statement showing the amount of its deposits in the Bank of France?

A. Every week the official journal publishes the amount of the Treasury account, because the Bank of France publishes a balance sheet every week, and in

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their balance sheet there is the item "current account of the Treasury."

Q. Practically all the funds of the Government are carried in the Bank of France?

A. Yes.

Q. Is it the practice of the Government to carry any gold as a reserve in any vault separate from the Bank of France?

A. No; we have no War Treasury here as the Germans have, and when the Government's money is deposited with the Bank of France it is mixed with all other moneys.

Q. Then, as a matter of fact, there is no gold reserve in the country belonging to the Government?

A. No.

Q. The treasurers-general now receive the taxes of the country?

A. One can say that practically all the receipts of the Government pass to the Bank of France through the intervention of the treasurers-general.

Q. What is the relation between this institution and the Caisse des Dépôts et Consignations?

A. The treasurers-general are the representatives of the Caisse des Dépôts et Consignations. The treasurers-general are both bank officials and representatives of a certain number of public corporations. They act as agents for the Crédit Foncier, in that they receive the annuities paid by the different municipalities to the Crédit Foncier and deposit them in turn with the Bank of France to the account of the Crédit Foncier. They act also as intermediaries between the savings banks and the Caisse des Dépôts et Consignations, in that they will receive the funds of the savings banks and deposit them in the Bank of France to the account of the Caisse des

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Dépôts et Consignations; they also act as intermediaries for the city of Paris; they pay the coupons on other municipal bonds.

Q. Does the Bank of France pay the coupons for the French "rente?"

A. Yes; but the Bank of France, while performing innumerable functions in handling the Government funds, does not pay the coupons of any other bonds than the French rente. The treasurers-general are not only receivers of taxes, but they are the dispensers of the funds of the Government and they draw on the Bank of France.

Q. What are the public functions of notaries?

A. They are public officers, sworn agents, who have power to give authenticity to deeds they receive. They are authorized to receive funds from private people, which they do not keep themselves, but place in the Caisse des Dépôts et Consignations. They receive ligitated sums on deposit.

Q. Do they perform any banking operations?

A. No; they do not do any banking business, but they may be called upon to manage, for the time being, an estate, to sell shares, etc.

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CAISSE DES DÉPÔTS ET CONSIGNATIONS.

Interview with M. Delatour, general director of the Caisse des Dépôts et Consignations.

Q. We should like to know the general character of the business conducted by your institution.

A. The mission of the Caisse des Dépôts et Consignations is to receive, hold, and repay all private funds intrusted to the State either voluntarily or under compulsion.

The Caisse was created to permit the segregation of the private funds in question from the State's own resources intended to meet public expenses, in order to avoid any possible confusion between these two kinds of funds. Originally the Caisse, as sole legal depositary, had the exclusive charge of receiving sums in litigation (consignments), voluntary deposits of individuals or public institutions, and the pension funds of public offices. But the legislature has gradually extended the powers of the Caisse by intrusting it with the management of the funds of the ordinary savings banks, of the national or postal savings bank, and of the mutual benefit societies, the surety bonds deposited by contractors for supplies and work undertaken for account of the State, of departments and of municipalities, deposits of properties sequestered and other court orders, of notaries, etc. In fine, the legislature has intrusted the Caisse des Dépôts et Consignations with the management of the national provident institutions from the time of their foundation, the national old-age pension fund (1850), and the national life and accident insurance fund (1868), the latter being qualified, in 1899, to extend

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its operations in order to cover risk for accidents to employees while at work. All these powers are derived from the same principle, since in all these cases private funds are concerned.

Q. You say that you also do an insurance business. What do you mean by that?

A. The insurance office, managed by the Caisse, issues policies of life insurance, insurance payable after death or in case of accident, like any private insurance company. The national old-age pension office pays annuities from the age of fifty to those who have paid the contracted assessments. The death insurance office pays a certain sum after the death of every insured person, in consideration of single or annual premiums, and the accident insurance office pays annuities to the insured persons who have annual policies on the basis of a fixed premium. As regards accidents to employees while at work, it insures only against such accidents as cause death or permanent total or partial incapacity for work.

Q. You do a regular insurance business?

A. A distinction should be made. The funds belonging to the several insurance offices appear on accounts separate from those of the Caisse des Dépôts et Consignations of which we have spoken. Each of these national offices has a distinct entity, subject to special rules, but under one general management.

Q. But does this company issue life insurance just as any other insurance company would do?

A. Absolutely in the same way, but the object in view is not the same. In creating its provident institutions, the State especially aimed to favor the people's thrift by facilitating payments down to the smallest installments. Thus the national old age pension fund receives install-

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ments as low as 1 franc. On the other hand, the total of installments during any one year by any one person can not exceed 500 francs, and the maximum of annuities purchasable must not exceed 1,200 francs.

In the same way, the life insurance office insures for a sum not exceeding 3,000 francs, payable after death. Moreover, owing to their philanthropic purpose, these institutions no not seek profit, but provide insurance at cost.

Q. Is this a corporation?

A. The Caisse des Dépôts et Consignations is not a corporation. It is a state organism, but, while charging the Caisse with the management of all private funds, which may be turned over to it by the State under different headings, the legislature bestows upon it full autonomy, in order to avoid even a semblance of possible confusion in the handling of private moneys with the handling of public moneys. Moreover, it has placed the Caisse under the direct supervision and the guaranty of the legislative powers. The result thereof is quite a special organization. At the head is a director-general appointed by the Government, who can not be removed, like other state officials, except on the motion of the board of supervisors of the institution. That board consists of two senators, two deputies, the governor of the Bank of France, two members of the council of state, one of the presiding judges of the court of accounts, the president or one member of the chamber of commerce of Paris, and the director of the general transfer of funds in the Ministry of Finance. That board can appear in both chambers, to report upon the materia and moral condition of the institution.

Q. What is done with the profits realized from the business?

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A. As far as insurance is concerned, the national offices do not seek to make profits. When there are profits they are added to the reserves and thereby increase the guaranty for all insured.

Profits earned by the Caisse on deposits of the savings banks are turned over to the reserve and guaranty fund of savings banks. As regards the mutual benefit societies, there are no profits, because the societies receive credit for the same interest as earned. As to the profits earned by the management of other deposits and consignments, they belong to the Caisse; but since 1837 the Caisse turns them into the treasury.

Q. What does the treasury do with them?

A. It books them under the heading of "sundry receipts" in the general budget.

Q. What is the amount of your deposits, independently of the insurance department?

A. About 5,000,000,000 francs, without counting deposits of rentes and securities, among which should be included the holdings of the national savings banks—about 1,500,000,000 francs.

Q. Are some of these deposits on time and some on demand?

A. We never pay positively on demand. This is owing to the nature of the institution. It is not within its duties to offer individuals the same facilities for payment as a bank. Even if it receives voluntary deposits, and this is only done in Paris, it is because the legislature thought that an establishment, which was a national depositary for private funds, paid in to the estate under compulsion, should also be prepared to keep funds of those who desire to avail themselves of the security offered by such depositary. But these deposits, which are not subject to check, can

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only be withdrawn at ten days' notice and yield only 1 per cent interest per annum.

Q. What interest do you pay on trustee funds?

A. We have no deposits corresponding exactly to your deposits of "trustees," but we have something similar in "consignments"—that is to say, sums in dispute—which are left on deposit with us during the entire period of litigation, until a final decision is rendered by the courts. They amount to 310,000,000 francs.

Q. Do you pay the same interest?

A. On all sums thus deposited we allow interest at the rate of 2 per cent from the sixty-first day of deposit up to but not including the date of repayment. That rate has been determined by law, enacted on July 26, 1893. But concerning voluntary deposits of individuals as well as public institutions, sums sequestered and other sundry deposits, the director-general fixes the conditions and the rate of interest by decisions, rendered with the consent of the board of supervisors, and approved by the Minister of Finance. In this way, the director-general may, according to circumstances, and in order to maintain the equilibrium of his finances, cause the terms to vary.

Q. What restrictions govern the investment of your funds?

A. That depends on the source they come from. There is no law regarding the manner in which funds accruing from deposits and consignments are to be invested. As regards the savings banks, the mutual benefit societies and insurance funds, the investments are made in accordance with the provisions of the respective laws.

Q. In what manner do you usually invest money received from those sources where you are not restricted?

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A. According to circumstances, and owing to the proportionate importance of the various elements constituting our liabilities. As long-term investments, we make loans to departments and municipalities, sometimes to the State; we take government rentes, treasury securities, guaranteed railroad bonds, etc. As short-term investments, we take treasury bonds, bonds of the Monte de Piété of Paris (municipal pawn shop), etc. Finally, we keep large sums in cash, either in our own vaults or to our credit in the treasury and the Bank of France, which, for that purpose, keep account currents on demand for us.

Q. What are some of the investments which may be made for the other departments? The caisses d'epargne (savings banks), for instance?

A. The above-mentioned investments also apply to the different departments managed by the Caisse. Of course, the proportion of each kind applied to the holdings of each department depends upon the nature of its operations.

Thus, as regards the old-age pension fund, for instance, which does not exactly require quick assets, the larger part of the holdings, representing the standard reserves, consists of bonds of departments and municipalities.

On the contrary, for savings funds we especially select securities more easily convertible into cash, and in that respect none are preferable to French rentes, because of their large market. Moreover, it is difficult for us to buy securities having but a narrow market, owing to the influence our operations would have on the price.

Q. In practice, then, you confine yourselves to government securities or securities guaranteed by the Government?

A. Almost entirely. For the investment of funds accruing from the deposits of ordinary savings banks, which

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exceed 3,500,000,000 francs (aside from the account of the postal savings bank) about 3,000,000,000 are invested in rentes, and the balance is represented by sundry securities, treasury bonds, railroad bonds, and bonds of the Credit Foncier de France. The moneys of the insurance office are invested in loans to the departments and municipalities and in rentes.

The Caisse also grants loans to public institutions, and makes advances on treasury bonds.

Q. You do not, as a rule, invest in mortgages?

A. No; owing to the difficulty in disposing of such investments.

Q. You purchase no bills and do no commercial business whatever?

A. No; that rôle is played by the Bank of France. Sometimes we make advances on securities, but only on treasury bonds.

Q. Have you any branches?

A. The Caisse has no branches. Its operations in the departments are effected by officials who are treasury agents.

Q. So that your business is done practically over the entire country?

A. Yes; and even in Algeria and the colonies.

Q. Do you receive deposits at any other office than this?

A. Wherever there are treasury agents. The treasury agents, acting as officials of the Caisse, effect our transactions in the provinces as if they were effected in Paris. Their bookings are centralized in Paris and periodically settled.

Q. How many of such agencies have you?

A. In each department in France there is a treasurer paymaster-general (*tresorier payeur general*) who is responsible for all other treasury agents in the department. In

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each arrondissement, except in the capitals of departments where the office of the treasurer paymaster-general is situated, there is a special financial receiver (*receveur des finances*) who is also our agent. Well, there are over 350 arrondissements. Moreover, for certain transactions the tax collectors cooperate with us, either in a discretionary manner under the control of the financial receiver or sometimes as our own agents.

Q. Do you receive the taxes paid in to the State?

A. No; we receive no public moneys. Our exclusive mission is to receive the funds of individuals intrusted to the State, which has taken special pains to keep separate its own funds from those merely intrusted to it.

Q. Your organization is quite unique in the world; is it not?

A. There is nothing like it in England or America, but there are similar institutions in Belgium and Italy, for instance. In France this institution is highly appreciated by the lawmakers, who steadily increase its functions, and the number of laws and regulations governing the Caisse is ever growing.

Q. Would you receive the account of an individual as a savings bank would?

A. Only in Paris we keep voluntary deposit accounts, but these accounts can not be compared with those opened by the savings banks to their customers. Moreover, they are credited with but a low rate of interest (1 per cent); their number is of very little consequence.

Q. It is customary in France for savings banks to carry their reserve with this establishment?

A. The savings banks are bound to turn over to us all they receive from their depositors, except such sums as may be required to meet immediate demands. As to

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their personal capital, built up by gifts and yearly profits, they have the alternative of either depositing the sums in the Caisse des Dépôts et Consignations or of investing them themselves within the provisions determined by law. The amount left with us in account current, of that personal capital, may be estimated at upward of 80,000,000 out of a total of 175,000,000.

Q. Do you mean that all of the deposits of all the savings banks of France are deposited here by requirement of law?

A. Yes; each savings bank has an account current with the Caisse, where it is legally bound to deposit the sums received from its depositors, and where it draws the funds necessary to meet withdrawals.

Q. Then, as a matter of fact, this is a central bank for the savings banks of France?

A. Precisely.

Q. Does that apply to private savings banks and also to the postal savings banks?

A. Yes; but with a different organization.

Q. And you pay how much on those deposits?

A. A distinction should be made. For the ordinary savings bank the rate of interest is fixed each year according to the income from the investments. Just now that rate is 3.25 per cent, and moreover it has not changed since the savings-bank law of July 20, 1895.

In order to be able to allow that rate the investments must yield at least 3.50 per cent, because, according to the provisions of the law, a special reserve and guaranty fund is established, which each year must receive an allowance, not less than 0.25 per cent of the total of savings banks funds, up to the time when it shall have reached 10 per cent. That reserve fund now amounts to more than

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200,000,000 francs, and would be applied to reimburse the Caisse for any losses resulting from the sale of its securities.

It should be noted in that regard, however, that the investments have largely increased in value, a large part of the rentes having been purchased in the neighborhood of 85.

Q. What is the rate of interest allowed by you to the savings banks? And what is the rate of interest allowed by the savings banks to their depositors?

A. The savings banks themselves fix the interest they are able to allow clients, within the limits prescribed by law. Indeed, they must put aside for their managing expenses and the building up of a personal capital not less than one-fourth per cent nor more than one-half per cent of the total of the accounts of depositors. As the Caisse allows to them, as we have just seen, 3¼ per cent, they consequently allow to their clients 2¾ to 3 per cent interest.

The system of the postal savings bank is different. We do not allow to it a fixed rate of interest, as we do to the other savings banks. We merely hold for its account the securities purchased with its funds, which remain its property, and the income of which we credit to it in full. Therefore it constitutes its own reserve fund by means of a levy equal to 0.60 per cent of the amount of deposits—a levy which permits it to cover its own managing expenses.

The rate of interest allowed by the postal savings bank to its depositors must always be 0.75 lower than the interest allowed by the Caisse to the ordinary savings banks. At the present time it is 2.50 per cent.

Q. Is the insurance part of your business very important?

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A. It is important as far as the old-age pensions are concerned, but not as regards the insurance against accidents and death. For the service of annuities, the national old-age pension office receives every year a considerable number of installments (about 5,000,000); the sum thus deposited annually is near 100,000,000, and the present value of its investments approaches 1,500,000,000. It pays 50,000,000 in annuities in round amounts.

Q. What is the character of insurance against old age?

A. The national old-age pension office undertakes to pay old-age pensions to all who pay assessments. These assessments may be kept up or suspended at the pleasure of the interested parties. As each installment gives title to an eventual annuity which augments the annuities yielded by previous installments, anybody can take a policy in order to secure a pension from the age of 50. The annuities may be contracted for either by the beneficiaries themselves or by a donor. The beneficiary must be at least 3 years old. These annuities may amount to 1,200 francs.

Q. It is in the character of an annuity fund?

A. Nearly so, our life annuities being in reality annuities for an uncertain period.

Q. Do you endeavor to build up this business? Do you have solicitors, or does the business come to you?

A. We have no special agents; nevertheless, we solicit business. We allow no commissions, except small allowances to our officials, but we place signs in the offices of the treasury paymasters-general, the financial receivers, tax collectors, and postmasters, who are acquainted with the workings of the institution and are able to give the public all the information they require.

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Q. Do you have an account with the Bank of France?

A. Yes.

Q. About how much?

A. This varies greatly, and the account has no limit. On March 31, 1908, the total of our accounts with the Bank and the treasury amounted to 423,000,000 francs.

Q. Do you hold cash in your vaults to any extent?

A. Not a great deal, but we keep here all our securities, either those forming our investments or those merely deposited with us for safe-keeping or as consignment.

Q. If you were called upon to meet unexpected and heavy withdrawals, how would you provide the cash with which to meet them?

A. It is, as we mentioned before, a question of management of our treasury. We strive to be very careful and we are rewarded for it. A few years ago there were demands made on us aggregating 400,000,000, of which nearly 200,000,000 were made within three months. The reimbursements were effected with ease, without even having to sell any of our rentes on the Bourse, or asking the Bank of France for advances on our securities.

Q. Is it customary for the Government to carry a cash reserve in their own vaults?

A. That does not concern this office.

Q. In practice you do not endeavor to carry a certain percentage of reserve in cash and in the Bank of France, as I understand it?

A. We have no fixed rule on that score. That is a question of judgment, and the amount we keep is determined by circumstances, and also by the proportionate importance of the sundry elements composing our liabilities.

Q. Can you state approximately the amount of deposits in the savings banks of France?

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A. For the ordinary savings banks, a little more than 3,500,000,000 francs; for the postal savings bank, nearly 1,500,000,000, say a total of 5,000,000,000 in round figures, although the maximum amount in account for each depositor has been reduced by the law of 1895 to 1,500 francs. Before that law, savings banks books could be written up to 2,000 francs. The reduction which was gradually effected was finished in 1901.

Q. Are you referring to the postal savings banks or to other savings banks?

A. To both. Not only is the total of individual deposits limited to 1,500 francs, but no depositor is allowed to deposit more than 1,500 francs within a year, in order to avoid his using a savings bank account as a bank account. For instance, if a depositor pays in 1,500 francs in 1908, and withdraws it during that year, he can make no further deposit until December 31. We do not endeavor to encourage deposits from well-to-do people; savings banks are established to promote saving.

Q. Of the total amount of 5,000,000,000 deposited in the savings banks, how much is deposited in this institution?

A. The 3,500,000,000 which have been deposited with us by the ordinary savings banks are represented by assets of over 4,200,000,000, owing to the increased market value of securities which compose it and of our reserve; the funds of the national savings banks deposited with us represent additionally a value of 1,500,000,000, making a total of 5,700,000,000.

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CAISSE DES DÉPÔTS ET CONSIGNATIONS.

Caisse des Dépôts et Consignations, Bilan au 31 mars 1908 (exécution de l'article 112 de la loi du 28 avril 1816).

ACTIF.

	Francs.	Francs.
Numéraire et effets à recevoir		1,222,034.15
Rentes sur l'État et valeurs diverses:		
Dépôts et consignations—		
Rentes		179,275,672.10
Valeurs diverses		76,691,521.44
Exposition universelle de 1900—Rentes		3,383,511.58
Fonds provenant des sociétés de secours mutuels—		
Rentes		226,721,352.85
Valeurs		29,621,899.60
Fonds de réserve et de garantie des caisses d'épargne—		
Rentes		66,020,015.31
Valeurs		79,718,085.52
Caisses d'épargne ordinaires—		
Rentes		3,110,906,450.60
Valeurs diverses		510,385,173.34
Prêts aux départements, communes et établissements publics:		
Dépôts et consignations—	Francs.	
1° Antérieurs à 1891	1,204,240.13	
2° Postérieurs à 1890	91,924,876.40	
		93,129,116.53
Prêts aux départements, communes, et chambres de commerce.—Sociétés de secours mutuels		13,710,768.98
Avances à divers:		
Fonds de réserve et de garantie des caisses d'épargne		4,309,562.62
Comptes courants		423,921,103.85
Comptables préposés de la Caisse des dépôts et consignations		50,854,283.20
Comptes d'ordre et divers		4,967,049.53
Profits et pertes		4,962,847.94
Services spéciaux gérés par la Caisse des dépôts et consignations (Caisse d'assurances en cas de décès)		1,298.00
Augmentation		4,879,801,747.14

PASSIF.

	Francs.	Francs.
Consignations		310,409,096.17
Caisses d'épargne ordinaires		3,661,084,523.89
Sociétés de secours mutuels		307,850,796.57
Fonds de réserve et de garantie des caisses d'épargne		219,442,615.75
Dépôts divers:		
Dépôts volontaires appartenant à des particuliers	Francs. 1,772,253.95	
Établissements publics ou autres établissements assimilés, L/C de dépôts	37,753,369.58	
Notaires, L/C de dépôts	68,380,893.94	
Pensions de retraites sur fonds spéciaux	8,289,316.37	
Produits du prélèvement effectué sur le pari mutuel—		
1° En faveur des œuvres locales de bienfaisance	16,457,410.51	
2° Pour subventions aux travaux communaux d'adduction d'eau potable	7,617,540.62	
Séquestres ou autres mandataires de justice, L/C de dépôts	24,042,911.75	
Autres dépôts	16,912,091.95	
		181,225,788.67
Mandats ordonnancés		3,863,074.00
Services spéciaux gérés par la Caisse des dépôts et consignations:		
Divers		1,544,511.07
Caisse nationale d'épargne		28,182,544.90
Caisse nationale des retraites pour la vieillesse		48,190,230.02
Comptables préposés de la Caisse des dépôts et consignations		53,254,018.70
Comptes d'ordre et divers		1,553,411.81
Comptes de réserve		30,359,631.02
Bénéfices réalisés pendant l'année 1907—		
Profits et pertes		5,281,375.08
Produits et charges provenant de la gestion des caisses d'épargne ordinaires		27,560,129.49
Produit de la déchéance trentenaire. (Loi du 16 avril 1895)		
Augmentation		4,879,801,747.14

Balance sheet of the Caisse des Dépôts et Consignations March 31, 1908.

ASSETS.

Cash and cash items		$235,853
Government bonds and other securities:		
Deposits and assignments—		
Government bonds		34,600,205
Other securities		14,801,464
Universal exposition of 1900—Government bonds		653,017
Mutual aid society funds—		
Government bonds		43,757,221
Other securities		5,717,027
Savings bank guarantee funds—		
Government bonds		12,741,862
Other securities		15,385,591
Savings bank funds—		
Government bonds		600,404,945
Other securities		98,504,337
Loans to departments, communes, and public institutions	before 1891 $232,418; after 1890 17,741,501	17,973,919
Loans to communes and chambers of commerce, Mutual aid societies		2,646,178
Surplus and guarantee funds of savings banks		831,746
Current accounts		81,816,773
Amounts due from authorized agents		9,814,877
Sundry accounts		958,641
Profit and loss		957,830
Special services conducted by the Caisse (life insurance funds)		251
Total		941,801,737

LIABILITIES.

Funds consigned by the courts		$59,908,956
Ordinary savings bank funds		706,589,313
Funds of mutual aid societies		59,415,204
Guarantee funds of the savings banks		42,352,425
Sundry deposits:		
Voluntary deposits of individuals	$342,045	
Deposits of public institutions	7,286,400	
Deposits of notaries	13,197,513	
Special pension fund	1,599,838	
Product of levies upon lotteries—		
First. In favor of local philanthropies	3,176,280	
Second. For subsidy of water supply undertakings	1,470,185	
Funds sequestered by the courts	4,640,282	
Other deposits	3,264,034	
		34,976,577
Bills payable		745,573
Special services managed by the Caisse:		
Sundry		298,091
National savings bank		5,439,231
National pension fund for old age		9,300,714
Amounts due to authorized agents		10,278,026
Sundry accounts		299,809
Surplus accounts		5,859,409
Profits earned during the year 1907—		
Profit and loss		1,019,304
Product from the management of the ordinary savings banks		5,319,105
Balances unclaimed for 30 years (law of April 16, 1895)		
Total		941,801,737

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CRÉDIT AGRICOLE.

Interview with M. Decharme, chef du service du crédit mutuel et de la coopération agricole at the Ministère de l'Agriculture.

Q. What is the nature of the business of the Crédit Agricole and when was it instituted?

A. The first law was in 1899. The first bank was opened in 1900. The Crédit Agricole is based upon local organizations. France is divided into 86 departments, in each of which we are to have a regional bank (*caisse régionale*); and we hope eventually to have a local office (*caisse locale*) in each commune of each department. We have 36,000 communes in France and as yet there are only 2,500 of these banks open. Among these 36,000 communes there are many which are cities, which naturally would not have agricultural banks. There are only 2 out of the 86 departments in France which have not already established a regional bank.

Q. Who furnishes the capital?

A. The basis of the system is the local office of the Crédit Agricole in which each member—local farmers—has one or many shares of 20 francs, but on which he has only to pay 5 francs down. On payment of these 5 francs he becomes a stockholder. When a local office has been established it turns all of its capital over to the regional office. Then comes the State which advances to the regional bank an amount four times the capital which has been subscribed by the local banks. If there were in one department 10 local offices which contributed 10,000 francs, that would be altogether 100,000 francs capital as

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a basis in the regional office; the Government would then turn over 400,000 francs. The money given by the Government is not really given; it is lent without charge, without interest.

Q. For what purposes can this capital be used?

A. The regional office does not lend directly to the farmers; it lends to the local office, and the local office has a board of directors which examines the demands of the various members.

Q. How is that board of directors selected?

A. It is elected by the members of the local office. The local offices now for the most part have limited liabilities to the amount of the capital which has been paid in. In general they pay in all the capital subscribed and a man is really liable for all of the subscribed capital, but he is not obliged at the start to pay in more than 5 francs on a 20-franc share. At the present time the State has paid in to these regional banks 33,000,000 francs and the capital in round figures of the regional banks is for all France 10,000,000 francs. The State has not yet contributed quite four times that capital. If a small regional bank is formed with a small capital, say 50,000 francs, the Government would at once hand over 200,000 francs; if, however, a regional bank is opened with a large capital, say of 250,000 francs, the Government would not immediately hand over 1,000,000 francs, but would wait until the need was felt. Thanks to the 10,000,000 francs of capital in the regional banks and the 34,000,000 francs contributed by the Government, the institutions have loaned in the course of their existence 360,000,000 francs.

Q. From where do these 33,000,000 francs come?

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A. From the Bank of France. When the charter of the Bank of France was renewed in 1897 it was provided that the Bank should furnish 40,000,000 francs to the Government for the purpose of agriculture, without interest. This, it must be said, is a loan which the Bank makes to the State which nominally the State must return to the Bank. In addition, the Bank of France is obliged by the law of 1897 to turn over to the State for the benefit of agriculture an annual tax which amounts to one-eighth of the rate of discount on the productive circulation, and, thanks to the crisis in America last year, the rate of discount was so high that they turned over 7,000,000 francs. All together the Bank of France has turned over up to July 1, 1908, 92,000,000 francs in this last decade for the Crédit Agricole. The 58,000,000 francs which are still available out of the total which the Bank of France has turned over to the Government and which are now in the Treasury have been the subject of much discussion, and there have been a great many projects for depositing them with the Caisse des Dépôts et Consignations, but the Minister of Finance has steadily opposed that policy. This sum if deposited with the Caisse des Dépôts et Consignations would receive interest. There is a commission of 32 members appointed by the Minister of Agriculture, an advisory commission. The Minister of Agriculture appoints this commission of 32 members, including 4 Senators, 6 Deputies, the Governor of the Bank of France, and several heads of regional offices, and they consult and meet four times a year with the Minister of Agriculture and advise him as to the amount of government money which he shall turn over to the regional banks, and these 34,000,000

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francs which have already been turned over in the last one or two years have been turned over in amounts of 2 or 3 millions at a time. There are still 52,000,000 francs which have not been turned over; they are at the disposal of the Minister of Agriculture. For instance, this year in the region about Rheims, where vines are grown, the frost killed the vines, and the manufacturers of champagne have very recently turned over to the regional office in Rheims, which is the center of the champagne district, 1,000,000, francs in order that the Government will have to turn over 4,000,000 francs for the benefit of the small farmers in that region, and you will read in the papers that the Minister of Finance has been drawn upon by the Minister of Agriculture for 4,000,000 francs to be sent to Rheims to be used for the owners of vineyards whose vines have been killed by frost, and in that region these manufacturers have given their joint guarantee for all the loans of that regional office at this time.

Q. Under what conditions do they make loans to farmers, and are their loans confined entirely to people engaged in agriculture?

A. The State loans to the regional office without interest; the regional office loans to the local office at 3 per cent; the local office loans to the farmers at between 3½ and 4 per cent; in the northern region at 3½ per cent; in the southern at 4 per cent.

Q. Under what conditions?

A. The farmer who wants to borrow from the local office draws a bill upon himself, takes it to the local office, and the board of administration there considers it. If they approve it, the president signs it—and it has then two signatures—and then sends it to the regional office; if the

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regional office has plenty of money they will lend the money directly; if not, the president of the regional office signs it—it has then three signatures and is bankable paper—and it is taken to the Bank of France. During the crisis in the south of France last year in the wine-growing region at Montpellier, the center, the regional office had 1 million capital; the Government then added 4; that made 5, but they lent at that office all together 16 millions, and the difference was obtained from the Bank of France in the way described by using paper with three signatures. Before the founding of these agricultural societies it would have been difficult for a farmer to obtain the three signatures necessary to borrow from the Bank of France, and what happened last year in the south of France could not have occurred before the organization of the Crédit Agricole. It should be added there has never been one cent lost by the Crédit Agricole.

Q. Are all loans made to members?

A. Yes; exclusively to members.

Q. Who can become a member?

A. Farmers.

Q. Men who own the land themselves?

A. No; anyone working on the land, whether working on his own account or for some one else.

Q. An ordinary laborer?

A. That needs some distinction.

Q. Anyone who works on the land, say for six months or two months?

A. No; agricultural workmen are excluded. We do not lend to people to support themselves for nourishment. We lend them money to increase the production of the land.

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Q. Must a man have some share in the crops?

A. We lend money to buy a horse, a cow, or to buy manure. The important distinction is that we will lend to a man who rents a farm, but does not own it, to buy machinery, cattle, etc., but we will not lend to a man who wants to borrow the money for his own consumption; we do not lend money for a man to buy a coat, for instance. These local offices are in communities where everybody knows everybody else, and they always ask what the man wants to borrow for, and if he says he wants 400 francs to buy a cow, they watch him, and if four or five days afterwards he has no cow, they know it. As the responsibility is without limit, the other members of the locality would be responsible. At the beginning the farmers were afraid of unlimited responsibility, and on that account they had to make the responsibility limited, but now, in all of the new offices, the responsibility is unlimited.

Q. You do not lend on the land itself?

A. No. We have different sorts of credit. The first kind of credit is personal credit, bills renewable from three months to three months, but never exceeding two years, and after the first year, on the fourth renewal, one-half of the note had to be paid. This is the most important form of credit. Since 1906, however, there has been another kind of credit—collective credit for a long term for cooperative societies.

Q. What do you mean by cooperative societies?

A. They are societies for the production, preservation, sale, or transformation of agricultural products. There are cooperative agricultural societies in the wine-growing regions which have their own wine cellar; there are cooperative dairy societies for making butter and cheese; there are also cooperative societies which use water falls

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and electricity; cooperative mills to grind corn; cooperative railways to bring beet roots to the sugar refinery; cooperative distilleries and cooperative warehouses for corn. To these cooperative societies we make loans for twenty-five years. The Government loans without charge to the regional office and the regional office lends to these cooperative societies for twenty-five years at 2 per cent.

Q. What is the security?

A. The guarantee is the consolidated liability of all of the members of these cooperative societies and also a mortgage upon their real estate; their responsibility is absolutely without limit.

Q. Are there many in France?

A. Three hundred and fifty now; it has just begun; the law was only enacted two years ago. Very few of these cooperative societies existed prior to that time.

Q. Have they any capital?

A. The advances made by the Government to these cooperative societies are limited to twice the capital furnished by themselves. These loans are made for long-time investments, and if a cooperative society wants a capital of 150,000 francs they have to contribute 50,000 francs and regional societies will contribute 100,000 francs of Government funds at 2 per cent.

Q. Who decides the amount of these loans?

A. The Minister, acting with the commission I have referred to. The request comes through a regional office. If the regional office does not approve, the matter goes no further; if it does approve, then the question as to whether the Government shall make the loan comes to the commission, of which the Minister of Agriculture is the head.

Q. Does the law which creates these cooperative societies fix any requirements as to who shall be members?

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A. Yes.

Q. Can you in a few words tell us what those requirements are?

A. The law says that the members must be liable without limit, and they all sign, when organizing, a document accepting the liability.

Q. Can anybody become a member without regard to their financial responsibility or to their vocation?

A. They must be landowners, but a small landowner would be accepted. A man to be a member of a cooperative society must own some land, but in cooperative societies the amount of shares which a man may have taken depends upon circumstances. In a cooperative dairy a member having 20 cows should have 20 shares, and a man having 1 cow should have 1 share, but both are liable. These cooperative societies pay no dividends, as such, but a stockholder may receive payments which can not in any case exceed 4 per cent.

Q. From whom does he receive it?

A. It comes from the profits of the cooperative society. At the end of the year when the balance sheet is reckoned up the profits of this cooperative society are divided into different parts. The first payment which must be made is the 2 per cent to the regional office who makes the loan; the second charge is for the sinking fund for the capital of that loan; third, there is given to the shareholders this interest, which can not exceed 4 per cent upon the capital which they have paid in, and fourth, if anything remains it is divided between members, not according to the capital which they have, but according to the amount of business they have done. The Government lends without any charge to the regional office, but the regional societies loan to the cooperative societies at a rate of 2 per cent.

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Q. How do the cooperative societies who want to borrow proceed? Do they address themselves first to the regional office and the regional office apply to the Minister of Agriculture, and at the end is it the Minister of Agriculture, with the Council of Administration, who makes the loan through the regional office to the cooperative society?

A. Yes. It may seem strange that the Government does not loan directly to these cooperative societies instead of through regional offices, but it is because in case the cooperative society fails and the resources of all its members are insufficient, and the guarantee which has been taken upon its real estate fails, then the regional office stands responsible to the Government for that loan, and therefore the Government lends to the regional office free of charge and the regional office charges 2 per cent for its responsibility.

Q. If a request for a loan is accepted by the regional office and the Government, does the regional office loan it from its own capital or does it always go to the Government?

A. It always goes to the Government; the regional office never acts on its own account except for short-time loans, three months, that is to the local offices and through the local offices to farmers, but in the case of the cooperative societies loans are for twenty-five years and must come from the Government. The amount of the loans is limited by law. The act of 1906 definitely limited the amount which could be loaned to cooperative societies; it was fixed at one-third of the return which comes annually from the Bank of France. They can not touch, for instance, the 42,000,000 francs paid over by the Bank of France in 1897. If this year the Bank of France has to pay a tax to the Government of 6,000,000 francs, 2,000,000 could be loaned to the cooperative societies.

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Q. So that in fact those loans come out of that fund of 52,000,000 francs?

A. Yes.

Q. The Crédit Agricole makes no loans, but serves as intermediary and receives 2 per cent for its services?

A. Yes; the theory is that if at the end of the twenty-five years a cooperative society went bankrupt, the regional office could reimburse the State practically out of the commission of 2 per cent for twenty-five years, so that at the end of the twenty-five years it would be able to repay the State without having gained anything or lost anything.

Q. Can these cooperative societies be formed for anything but for agriculture?

A. No; they are exclusively agricultural.

Q. The owner of a mill, can he borrow from the regional office?

A. Yes; we might, for instance, have a cooperative weaving society. The transformation of raw material in the first degree as from the wool to the yarn is regarded as agricultural, but when you go beyond that degree it is no longer agricultural. A society which preserves meat may get a loan on the condition that the pigs or other animals to be preserved have been raised by members of the agricultural association or cooperative association, but they may not buy the meat outside, and it is the same with wool. This rule is very rigidly adhered to. If a farmer, a member of one of these cooperative associations, had 2 pigs, he could take these 2 pigs to a cooperative slaughterhouse or canning company, but he could not go outside and buy other pigs and present them This is very carefully stated in the law.

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Q. I suppose in the regional offices all of the members of all of the local offices are responsible for the liabilities of the regional offices?

A. Yes; in this sense, that the regional office has no other business than that of the local offices. It is scarcely conceivable that a local office should go bankrupt, when it has perhaps 500 members and all of their property is pledged, but if that should happen the regional office is responsible; that is to say, all the other local offices belonging to the regional office are each responsible.

Q. As I understand your organization, the members of the local branch have their own council of administration elected by their members. The regional office has also a council of administration, elected by whom?

A. The council of administration of the regional office is elected by the representatives of the local offices.

Q. And every member of any association is responsible for all the debts of all the associations?

A. Practically, yes.

Q. In the region or in France?

A. It is incredible that it should go beyond a region.

Q. Is there a central office outside Paris?

A. No. The regional offices are under the control of the State and have inspectors who go once or twice a year and examine them.

Q. Are the regional offices under the control either of the Minister of Agriculture or of this office?

A. In two ways, yes. Every month they all send here their balances and the minutes of the meetings of their councils of administration; every regional office is inspected one or two times a year by the inspectors from the Minister of Agriculture.

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Q. Can you, if you see fit, direct them as to their way of doing business?

A. The law allows us, in case they have made loans not according to the law or have violated the law, to immediately demand a return of the money lent to the regional office.

Q. Could you do this in the case simply of unwise management?

A. We do two things: We make no further advances to them until their affairs have been put into good condition, and we make them return part of the advances. If that does not suffice, we would insist upon their returning everything that we had lent.

Q. An individual member is responsible for all the members of the association, and they are responsible for all the obligations of the regional office; does their responsibility go beyond that? A member of the society in one department, is he responsible for what happens in another department?

A. No. His responsibility is limited to the department in which his local office is. It should be said, however, that the 86 regional offices are now taking steps to form a society of mutual insurance for the entire system.

Q. What becomes of the profits earned by the regional offices?

A. They pay a dividend which can not exceed 4 per cent to the local offices, and if there is anything over it goes to their surplus funds. We hope that the advances which have been made by the Government are only temporary; that perhaps in twenty or thirty years the surplus accumulating in these regional offices will be sufficient to reimburse the Government for everything which it has

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advanced. We never hope to return what we get as a gift from the Bank of France in the way of a tax.

Q. Who pays the expenses of the central office here?

A. It is taken out of the receipts from the Bank of France.

Q. Do you receive deposits in your branches like other banks?

A. Yes. We have the right to receive deposits, but so far we have not taken much; it is a habit to be acquired.

Q. From members or from anyone?

A. No; only from members.

Q. Do you pay interest on them?

A. Yes; when they are on sight, 2 per cent; for one year, 3 per cent.

Q. Do you compete at all with the branches of the other banks or with the Bank of France?

A. No; we have an entirely different class of customers.

Q. Is there any other institution of this character in France, or do you practically cover the field?

A. The members of these local offices are people who up to the time these local offices were organized had never had any banking connection at all. The only persons with whom the local offices compete are individuals who used to loan to farmers at very high rates of interest.

Q. How much have you loaned up to the present?

A. Since organization, a little more than 400,000,000 francs in the aggregate.

Q. Does that include the Cooperative Societies?

A. There is very little in them. They have only been working a year. They do not exceed 6,000,000 francs.

Q. Is there any other organization of that character in France?

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A. There is the "Caisse rurale et ouvriere," both for the country and town. Its office is at Lyon, and it is a private institution which refuses the aid of the State. It is a religious institution and does little business. Its balance sheets run up to 314,000 francs for the whole of France. It has existed for about eighteen years, but it is managed mostly by priests in the little villages.

Q. You state there are 350 of these societies organized within a year; that is an average of 1 for every day.

A. It is a movement which has increased rapidly; like everything of that sort it grows very rapidly at the beginning and afterwards slows down. The law went into operation in 1900, but it was only in 1904 that this Bureau of Agriculture was opened here in Paris.

Q. How many members are there in all of the societies?

A. About 150,000 members who can borrow; that is to say, 60 members to a local office.

Q. What is the total amount of your existing loans?

A. Sixty-seven million francs, an average of from 450 to 500 francs per member.

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CRÉDIT AGRICOLE.

Crédit Agricole Mutuel.

Dec. 31, 1907.

Number of local offices	2,168
Number of members	96,192
Capital subscribed	$8,929,634
Capital paid in	5,654,291
New loans granted during the year	45,376,309
Loans not repaid at the end of the preceding year	25,332,147
Total	70,708,456
Repayments	40,256,186
Loans outstanding	30,452,270

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SAVINGS BANKS.

Interview with M. Georges Paulet, Directeur de l'Assurance et de la Prévoyance Sociales, au Ministère du Travail.

Q. We should be glad to have you explain to us the character of the business which you transact.

A. Since 1818 there have existed in France savings banks which the law designates to-day "ordinary savings banks," to differentiate them from the postal savings bank. Up to 1835 these savings banks existed under different forms, such as private institutions, joint stock companies, etc., but since 1835 they have been under the surveillance of the Government and have been considered as institutions "of public utility." There are 550 ordinary savings banks.

Q. Are the laws governing them practically the same?

A. It is rather a complicated matter, like all historical institutions. The state laws are the same for all the banks, and then each savings bank has its own statutes.

One can divide savings banks into three groups: First, those which are quite independent of municipal authority, and are subject only to the control of the state; second, those which are more or less connected with the municipal organization, in which the mayor is perhaps one of the chief officers, and other officers can be designated by the municipal council; third, those which are much more closely connected with the municipalities, in which the majority of the officers are legally appointed by the municipal council, but even these savings banks have an independent legal existence apart from the city. All three

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classes are practically organized in the same way. They are governed by a board of directors which, according to the three groups just mentioned, is self-electing or is appointed altogether or in part by the municipal council.

Savings banks have two classes of funds to dispose of: First, deposit funds, deposited by people and which have to be placed in the Caisse des Dépôts et Consignations for investment according to the provisions of the law; second, the accumulated earnings of the savings bank—that is, the surplus accumulated out of the profits of its business. The second class of funds can be invested in a less restricted way, and one part of this fund, viz, one-fifth of the capital and all the annual revenue, can be invested in workmen's dwellings and social institutions of that sort. (Art. I, law of 1895.) The funds deposited with the savings bank must be handed over to the Caisse des Dépôts et Consignations, which can invest them according to the law of 1895 in French "rente," or in obligations guaranteed by the state, such as railway, municipal, or departmental bonds.

Q. Do any or all of these banks have accounts in any other banks? Do they carry any cash reserve?

A. They are not allowed to carry more cash than is necessary to meet the probable demands of several days by reason of the obvious risk in looking after such cash. Savings banks can only have a current account with the Caisse des Dépôts et Consignations (p. 59 of the last "Rapport annuel des Caisses d'Epargne" gives the various investments of the savings banks). In order to have readily available funds to meet possible withdrawals from the savings banks, they have an account with the Treasury which yields a low rate of interest, and an account with the Bank of France which pays no interest. The account with the Treasury is limited to

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100,000,000 francs. The law does not limit the account with the Bank of France, but the total of the accounts at the Treasury and at the Bank of France can not exceed a tenth of the aggregate deposits. It is not the individual savings banks which have these accounts with the Treasury and the Bank of France, but the Caisse des Dépôts et Consignations which has them and which may be considered as being the central bank for all savings banks.

Q. Can you state approximately the amount of the deposits in the savings banks?

A. On December 31, 1906, for the ordinary savings banks alone we had 7,600,000 accounts, which represented more than 3,400,000,000 francs.

Q. What rate of interest is paid upon these deposits?

A. The rate of interest paid to the savings banks is fixed by the rates earned on the investments made by the Caisse des Dépôts et Consignations. The latter withhold as a rule one-fourth of 1 per cent as a special reserve from the total percentage earned by the Caisse des Dépôts et Consignations upon their investments. The rate paid by the Caisse des Dépôts et Consignations to the savings banks is always one-fourth per cent less than they earn; they earn, say, about 3½ per cent, and they pay to the savings banks 3¼ per cent. The savings banks in turn have expenses of management which vary from one-fourth to one-half of 1 per cent. It follows, therefore, that the rate paid by the different savings banks is not always uniform, and is less by one-fourth or one-half per cent or some intermediary percentage than the rate paid by the central institution to the savings banks; they pay to-day to their depositors from 2¾ to 3 per cent upon their deposits.

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Q. Are these institutions mutual savings banks, controlled by individuals in the various localities in which they are located, or are some of them stock companies?

A. Neither one nor the other. They are not private associations and are not public corporations, but they are what in France are called "establishments of public utility."

Q. Are the deposits secured?

A. Not by law, but they have a triple guarantee, viz: first, the funds deposited with the Caisse des Dépôts et Consignations; second, the property of the savings banks themselves; third, the general funds which have been provided and which accumulate in the Caisse des Dépôts et Consignations out of that one-fourth per cent which it holds back from the income on its investments. This central reserve already amounts to more than 200,000,000 francs.

Q. Is the disposition of funds you mention first a guarantee?

A. They can not be wasted by the savings banks, as they have to be immediately handed over to another institution which is responsible for them.

Q. In these various institutions is the board of management composed of merchants and professional men in the community in which they are located?

A. It varies according to the conditions of the particular bank. Generally they select as officers men of influence in the community who are apt to be men of leisure, very often men who have retired, or who are of independent means, but there are very frequently important business men on the board. In Paris, for instance, there are several well-known bankers on the boards.

Q. Have any of these institutions branches?

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A. In many cases they have branches. Altogether about 1,500 branches.

Q. So that in fact this system of the ordinary savings banks, with its branches, very generally covers the entire country of France?

A. Quite. I will give you a map of France showing their distribution.

Q. What is your control over these banks; do they report to you as an officer of the Government?

A. The savings banks have been subject to the Ministry of Labor from the beginning, but up to 1895 control was limited to the examination here of their reports and documents. At that time, however, it was felt that some system of inspection on the spot should also be devised and this was furnished through the cooperation of the Ministry of Finance. The treasurers-general in the different departments forward reports on the savings banks to the Minister of Finance, who delegates his own inspectors to examine them. These reports are then communicated to the Ministry of Labor which examines them in turn and then addresses to the banks the necessary comments.

Q. How often do you receive reports from the inspectors of the savings banks?

A. It is very variable. The treasurers-general ordinarily examine the conditions of the savings banks at least once a year; the inspectors of finance make the round of the country and examine each bank perhaps only once in four or five years.

Q. In practice about how much money is carried in the Bank of France by the central bank of the savings banks?

A. It was rather high a few years ago, but one can see that the larger the amount kept at the Bank of France the less would be the profits of the institution; so, especially at

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the instance of the advisory commission, the endeavor has been made to reduce the sum continually, and in the last report, December 31, 1906, it was only 100,000 francs. In the Treasury there was at the same moment 88,000,000 francs.

Q. Those 88,000,000 francs were, however, in turn deposited in the Bank of France?

A. They went into the general funds of the Treasury and were no longer distinguishable from them.

Q. All the deposits are, I assume, subject to check; the depositors probably losing interest if drawn out within the month?

A. According to the law depositors must give fifteen days' notice; as a matter of fact, however, not more than five or six days are necessary. The law provides, however, that in case of a crisis the bank may postpone its payments and pay out only fragmentary sums.

Q. When was the postal savings service inaugurated?

A. In 1881.

Q. What are the aggregate deposits of the postal savings banks?

A. On December 31, 1906, we had 1,300,000,000 francs.

Q. Those deposits are redeposited in the same way?

A. If we leave details aside, the system is the same as that of the ordinary savings banks, except, first, that all the post-offices of the country act as its instruments for the collection of funds; second, that the legislature of 1881, in order not to permit too great and disastrous competition with the ordinary savings banks, decided that the rate paid by the postal savings bank should always be less by 50 centimes than the rate paid to the ordinary savings banks by the Caisse des Dépôts et Consignations.

Q. Does that ratio prevail to-day?

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A. Yes. It should be added that to-day the postal savings bank system is not connected with the Ministry of Labor, but forms a part of the Ministry of Public Works, which controls the post-office.

Q. I understood that the rate allowed by the ordinary savings banks was fixed at the end of the year according to the net result of the investments of the Caisse des Dépôts et Consignations. Is that true of the postal savings bank also?

A. The advisory commission of the Caisse des Dépôts et Consignations, and the advisory commission of the savings banks meet together in October and, if the rate is to be changed, it is then changed for the coming year, but that has nothing to do with the rate for the current year.

Q. Has the rate of the postal savings bank changed according to the changes made in the ordinary savings banks?

A. Yes; it is made at the same time, and in the same manner.

Q. Are the general rules and regulations covering the postal system the same as those covering the ordinary savings bank system as to the period when interest is allowed and the time of withdrawal and general conduct of the business?

A. Absolutely the same, except for very small details.

Q. Is there the same limit for the sum which can be deposited in the savings banks in the two systems?

A. Yes; more than 1,500 francs can not be deposited during any one year, nor can anyone have more than 1,500 francs to his credit. If, for instance, a man has deposited 500 francs and then drawn out these 500 francs he can not deposit more than 1,000 francs more during that same year.

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Q. In which system is growth more noticeable—in the postal or private savings banks?

A. Their growth is about parallel; the postal savings bank is much less important.

Q. With 2,000 ordinary savings banks (including their branches), what was the reason for inaugurating postal savings banks?

A. It was not necessary, but it was useful because there are post-offices in the very smallest villages, whereas ordinary savings banks and even their branches were only to be found in towns, and because post-offices are open every day and all day long while ordinary savings banks are only open on certain days and during limited hours.

Q. Of the total deposit of nearly 5 milliards, approximately how much are invested in French rentes?

A. More than 4 milliards are invested in French rentes. For details in regard to the ordinary savings banks see page 59 of the Compte Rendu. Personally I think it would be better not to make approximately all investments in French rentes, but that it would be better to make a certain part in foreign securities that are listed on the Bourse and in good industrial stocks as well.

Q. Why?

A. So as to earn a somewhat higher interest, to make this accumulation of funds more useful to trade and industry, and to relieve the State of the responsibility for such considerable sums. But this, of course, is only a personal opinion.

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GERMANY

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THE REICHSBANK.

Interviews with Herr Dr. von Glasenapp, Vice-President, and Herr Dr. von Lumm, Director, of the Reichsbank.

Q. By whom are the shares of the Reichsbank owned?

A. It is all private ownership. The shares are held mostly in Germany and Holland, and distributed in small lots. The Government owns no shares.

Q. Will you kindly describe the organization and management of the Reichsbank?

A. We have, so to speak, three boards: First, the *Curatorium;* second, the *Direktorium* (president and directors); third, the *Central Ausschuss.*

1. The Curatorium is composed of five members. The Chairman is the Chancellor of the Empire. The Emperor appoints the second member, and it has been the custom to appoint the Prussian Minister of Finance. The Bundesrath appoints from among their own number three members, which completes the board. It is not the law, but it is the custom, that upon the expiration of the term of a member of the Bundesrath who is a member of the Curatorium, or upon his resignation, his connection with the Curatorium also ceases. The board meets once in three months. It is not the custom of the Chancellor to preside at this meeting and the Emperor appoints a representative for him, usually in the person of the imperial Minister of the Interior.

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In the Chancellor lies supreme power, although he has never exercised it but once in the history of the Bank On that occasion he demanded that they should not receive Russian securities as collateral for loans. This order has since been revoked.

2. The Direktorium (president and directors) is appointed by the Emperor for life. It consists of 9 members, 7 of whom are directors, and 2 of whom are the President and Vice-President, respectively. The president and the other members of the Direktorium are recommended by the Bundesrath to the Emperor, who makes the appointment. In the case of the directors the advice of the Central Ausschuss is heard.

3. The third body, the Central Ausschuss, is composed of 15 stockholders, who are elected at the annual meeting of the stockholders, together with 15 alternates, who serve in the absence of any of the members of the board. This body meets once a month. From among their number they appoint a subcommittee, known as deputies of the Central Ausschuss, of 3 members and 3 alternates. The deputies meet weekly with the president and directors. The Central Ausschuss are made familiar with the transactions carried on by the Bank and give their advice and recommendations to the Direktorium in reference thereto. In practice, their advice is generally carefully considered and taken. In two points they are given actual power: (1) They have the authority to limit the amount of securities which may be purchased by the Bank—not as to the character, but as to the amount. (2) They have the power to veto any proposed transactions with the Empire, or any State of the Empire, if such transactions run counter to the general conditions of business. The point of this is that the

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Chancellor might request of the Bank loans for the Empire, or for States of the Empire, for the purpose of carrying into effect certain plans, and the Central Ausschuss have the power of vetoing any such action. The management is so constituted that the Government has actual and final control through the Curatorium. The business of the Bank is transacted by the second body, the Direktorium. In the fixing of the bank rate, it is their custom to call a special meeting, if need be, of the Central Ausschuss, who always confer in regard to the advisability of a change in the bank rate. The final power, however, lies with the directors, who usually follow the advice of the Central Ausschuss, but who have at times disregarded it.

Q. Is there no provision made for the retirement of members of the Direktorium for inefficiency or for other causes?

A. No; in the history of the Bank no such situation has presented itself and it is not expected that any such occasion will arise.

Q. In the experience of the Bank has there been any lack of harmony between the Central Ausschuss and the directors?

A. No; no lack of harmony. As stated before, there have been exceptions when their advice was not followed.

Q. Is it customary to reelect the members of the Central Ausschuss?

A. Yes.

Q. How do the directors vote?

A. Each director and the President and the Vice-President have one vote.

Q. How frequently are statements required by the Government?

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A. The law prescribes that weekly statements be made in the form of the one which I have furnished you.

Q. Have the shareholders any liability beyond the amount invested in their shares?

A. No.

Q. How many branches has the Reichsbank?

A. Ninety-three head branches. There are 19 of the *Haupstellen* and 74 of the *Stellen*, not counting sub-branches. The Hauptstelle and the Stelle are essentially the same. They practically differ only in size. There are also about 400 *Nebenstellen*, or subbranches, which report to their respective head branches.

Q. Have you a system of division of profits for the directors of the Reichsbank or of the branches?

A. The President and Vice-President of the Reichsbank, as well as the other members of the Direktorium, have no share in the profits. The heads (directors and vice-directors) of more important branches receive a share in profits from their respective branches. The percentage diminishes the larger the profits become.

Q. There is a maximum amount to be received?

A. No.

Q. There is no other plan of division of profits and no other parties interested?

A. No.

Q. Are the officers or directors of these branches paid a fixed salary?

A. Yes. We have about 90 of these branches whose directors and vice-directors share the profits. These gentlemen never receive the amount of their share in money; the amount is invested for their account in government securities; from these they receive the interest on the capital. Only after they leave the Reichsbank do

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they receive the amount. After their death their heirs receive it.

Q. Is this plan required by law?

A. No. It is by royal instruction. These gentlemen, who share in the profits, are personally responsible for any loss, if it is proved that they have not followed instructions, not complied with the rules, or have made inexcusable mistakes.

Q. What is the object in giving them a share in the profits?

A. They have the responsibility of the head branches and their subordinate subbranches. Therefore they receive a share in the profits, but they are held liable for any losses they have improvidently incurred.

Q. You have in your statement bills discounted $221,000,000. Will you kindly describe the class of bills constituting that item?

A. The law prescribes exactly the kind of bills the Reichsbank may take. They must not exceed three months in time, and there must be on the bill the names of at least two parties known to be solvent.

Q. Are the bills secured or unsecured?

A. They may be unsecured.

Q. Would the Bank discount a bill drawn by one merchant and accepted by another?

A. Yes. The Reichsbank is not only a bank for banks, but for the commercial and industrial enterprises of the Empire.

Q. Do you loan money direct to merchants?

A. Yes.

Q. Have you in Germany what are known as prime bills and also other classes?

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A. Yes, in practice, but not at the Reichsbank; i. e., there are on the market what are known as prime bills, which sell at a lower rate than that of the Reichsbank and are therefore taken by the banks.

Q. If one of our banking houses in America should draw a bill upon, say, Bleichroeder at ninety days and it was accepted by them, could a broker then sell it to the Reichsbank?

A. Yes; there is no reason why the bank should not discount the bill, because of its character.

Q. If a railroad finds it necessary to make improvements and wants to borrow money could they get money at the Reichsbank?

A. Only on collateral acceptable by the Reichsbank. The railroad would probably in such a case go to private banks to be financed.

Q. Assume that there is a manufacturer in Bremen, making well-known articles, which he ships to a merchant in Berlin and draws a bill against that merchant, would it be a satisfactory bill to the Reichsbank?

A. Yes; but in that instance also the merchant would probably go to the private bank, where he would get a better rate of discount.

Q. If there were a severe money stringency, would he still go to his bank?

A. Yes; that would probably be the case, and his bank might afterwards take his bills to the Reichsbank.

Q. Do you show what percentage of bills discounted are secured?

A. No. It is the exception to have collateral because the bill is considered on its credit merits and accepted accordingly.

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Q. Then a large percentage of those bills are unsecured?

A. Yes.

Q. Can you tell us what percentage of them are received by the Reichsbank from banks and bankers?

A. We have statistics showing that. In 1900 we had 62,000 clients, of which 2,300 were bankers, 24,800 merchants, 19,000 industrial societies, 8,000 farmers, and 7,000 miscellaneous. There were 900 cooperative societies. On September 1, 1906, there were 70,000 clients, of which 2,500 were bankers, 26,000 merchants, 22,000 industrial societies, 9,500 farmers, 1,000 cooperative societies, and 9,000 miscellaneous.

In the year 1907 our bills amounted to $250,000,000. Of this amount, $140,000,000 were discounted for bankers, $48,000,000 for merchants, $3,000,000 for farmers, and $4,000,000 for associations.

Q. Have you any statistics showing the proportion of bills with two names and with three?

A. No.

Q. What is the smallest bill the Bank will discount?

A. We have no minimum. We discount bills as low as 10 marks.

Q. Upon what kind of a bill does the farmer secure an advance from the Bank?

A. He sells his produce, draws a bill upon the purchaser, and takes the bill to the Bank as any other man would do, or a bill might be drawn upon a farmer and accepted by him.

Q. When he borrows money in the spring with which to buy seeds, how does he secure the cash?

A. He goes to his own bank for that. There are cooperative societies for this purpose, which are a great factor in Germany.

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Q. Will the manager of a branch of the Reichsbank renew a farmer's three months' bill if desired?

A. Yes; an exception is made for the farmer. Other bills are not renewed.

Q. Are farmers required to maintain a balance in order to secure accommodation?

A. People who hand in bills for discount are required to keep a satisfactory balance.

Q. The statement before us, dated December 31, 1907, shows $356,000,000 bills discounted. Your rate is now 4 per cent, while the private rate is 2¾ per cent to 3 per cent. Why should anybody pay the Reichsbank 4 per cent when he can borrow the money of other banks at a lower rate?

A. Because not all bills would be taken at the private rate of discount.

Q. The character of these bills is such that anybody would take them, is it not?

A. Yes; they are of high character—they must be; but they are not all what would be called prime bills, these must be as a rule of 5,000 marks or more and mature in from fifty-six to ninety days or less; only prime bills command the private discount rate.

Q. In practice, does not the amount of bills discounted at the Reichsbank materially decrease in times of easy money?

A. Yes.

Q. The bank rate is 4 per cent. Does that mean 4 per cent is charged on three months' bills?

A. Yes; and on all bills which the Reichsbank discounts.

Q. Would a customer in a little town in South Germany get his bill discounted at 4 per cent to-day?

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A. Yes; and at every branch of the Reichsbank.

Q. Could anyone get a lower rate than 4 per cent?

A. No; the Reichsbank has only one rate of discount. There was a time when the Reichsbank did a similar business to that which the Bank of England does now, i. e., that they would purchase in the market prime bills at a more favorable rate, but in 1896 it was decided to have but one rate for everybody.

Q. Please state the reason for the change of policy.

A. The most important reason was that it was thought that a great central institution like the Reichsbank, with its tasks and duties to the whole of the community, ought not to make a distinction of any class, or make an exception in favor of anyone. It is the policy of the Bank to serve all alike.

Q. Was there any question on the part of the other banks as to the competition of the Reichsbank and was this change of policy made because of any agitation?

A. No; there were no complaints by private banks. The lowest Bank rate was still higher than the rate of the other banks.

Q. Is the Reichsbank disposed to favor every application for discount or loans if the character of the offering be satisfactory?

A. It is their duty to listen to everyone who comes for accommodation, whether he has an account or not. The principle of the Reichsbank is not to serve a part of the community, but the whole. The Reichsbank is for everybody.

Q. Private banks endeavor to take care of their customers, but they also have regard for the profits of their stockholders.

A. Our stockholders have secondary consideration.

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Q. Will you describe the loans on collateral, "Lombards," stating the character of the collateral you are permitted to take?

A. 1. Gold and silver. 2. Government and municipal issues, and the shares, debentures, and bonds of railroads of nearly every kind within the Empire. We do not take real estate mortgages. 3. Securities of foreign governments, also railroad securities in foreign countries with guarantee of their respective governments. 4. Bills receivable that are of a character satisfactory for the bank to discount. 5. Bonds of mortgage companies (Pfandbrief), which may be secured by mortgages on real estate, manufacturing plants, etc., the obligation given being that of the company, with the bonds as collateral. 6. Merchandise, when located within the Empire.

Q. How do you secure control of the merchandise? Do you accept warehouse receipts?

A. We do not have the system of warehouse receipts in Germany. We take it under the lock of a third party, or it is placed in possession of one of our branches.

Q. Is the rate on Lombards usually 1 per cent above the discount rate?

A. Yes; as a rule. In times past exceptions have been made on loans with government securities as collateral, but that practice has been given up.

Q. Are Lombards permissible as a cover for note issues?

A. No.

Q. What is the minimum deposit received by you?

A. The Reichsbank accepts any amount deposited, even one mark.

Q. Are your deposits subject to check?

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A. The money is drawn against check. There are two kinds of check—white and pink. The white is for withdrawing cash over the counter, the pink for making transfers.

Q. Have you different classes of deposits?

A. No.

Q. Do you pay interest on your deposits?

A. The Reichsbank does not pay interest on money deposited with it. It receives money on deposit and for transfer. Most large houses keep an account with the Reichsbank. There is therefore always a certain amount to their credit. The Reichsbank does a large transfer business for them.

Q. Is it the custom for banks in Berlin and other important centers to carry balances in the Reichsbank as a part of their reserve?

A. It is the custom for the banks to keep a large part of their cash with the Reichsbank. They only keep a small amount of cash in their tills.

Q. Is that true of banks in other cities than Berlin?

A. Yes.

Q. Does the Reichsbank pay the same taxes that the other banks do? For instance, income tax and other taxes?

A. No; we are free from the government income tax, and the license fees, but we must pay the real-estate tax.

Q. The transfer of funds from point to point in the Empire for banks and for private individuals is an important part of your business, is it not?

A. Yes.

Q. If, having no account with the Bank, I ask you to receive from me 10,000 marks and transfer it to Hamburg, to one having an account, what would you charge?

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A. Ten thousand marks for transfer costs 1 mark, 3,000 marks transfer costs 0.30 mark, 4,000 marks cost 0.40 mark, and so on. Transfers between depositors with satisfactory accounts are made without charge. A man wishing to transfer 10,000 marks to another in Hamburg and both having no account, the Reichsbank would charge a higher rate than 0.10 per 1,000. They charge 0.50 mark up to 2,500 marks and 0.20 mark for each additional 1,000.

Q. Is the charge for profit or to cover expense of transfer?

A. Both.

Q. What is the relation between this bank and other banks, such as the Deutsche and the Dresdner—that is, as to the character of business transacted? Are you not competitors?

A. It may be said that the Reichsbank is more restricted by law. At a private bank the rate of discount may be much cheaper than at the Reichsbank. The private banker knows his clients, and he may be willing to accept from them a bill that the Reichsbank would not and could not accept.

Q. Then there is to some extent competition?

A. Yes; but that competition is not large. It is not felt that the Reichsbank is a competitor of other banks, but it is a public institution. The Reichsbank has its official rate, which is higher than the private rate. A bank will take bills on its own account running three months or more and hold them, and in case of need will take bills running ten days or less to the Reichsbank for discount. The Reichsbank pays no interest and acts as agent for transfer of currency and credit to all parts of the Empire without charge.

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Q. Are you restricted by law in paying interest?

A. We are permitted to pay interest on deposits equal to the amount of our capital and surplus, but it has never been our custom to pay interest on any amount.

Q. Have branches of the Reichsbank been located from time to time in various parts of the Empire, and is the practice still continued?

A. Yes.

Q. Has there been any feeling that the branches were supplanting the private local banks in small towns?

A. There may have been some instances where a banker may have been dissatisfied at the Reichsbank opening a branch in his locality, but as a rule the banks at such a place are quite pleased to have the Reichsbank open a branch in order that they may have the benefits of its facilities.

Q. What is the law in regard to the division of your profits?

A. Shareholders receive 3½ per cent dividends and one-fourth of the excess, the Imperial Government receiving the other three-fourths. Upon that basis they received dividends of 8.22 per cent in 1906, 9.89 per cent in 1907, and 7.77 per cent in 1908. Two-thirds of the total profits in 1907 went to the Government. The shareholders received $4,450,000. The Government received $8,627,000.

Q. Do you own all the buildings of your branches?

A. No.

Q. What is the value of the buildings?

A. About 55,000,000 marks. It might be a little more.

Q. You carry them in the balance sheet at cost?

A. Yes.

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Q. Do you publish your losses?

A. Yes; in the annual report of the Reichsbank. For the year 1907 we show:

	Dollars.
Losses on outstanding bills	5,500
Losses on counterfeit notes	82,000
Losses on selling bank property	1,800
Losses on securities sold	1,800

Q. You say that the Reichsbank has never purchased any other securities than government securities?

A. The Reichsbank does not purchase any securities. They have the right, but never have done so. As a rule the department of open deposits has 1½ million marks of government securities, or municipal securities, so as to have a certain amount for the public, but only for trading business. They do not carry railroad securities. They do not invest except as stated.

Q. You stated that the Central Ausschuss had veto power as to the amount of securities that the Reichsbank might purchase for their own account. You also stated that they have never purchased any securities?

A. Yes.

Q. You show about $28,000,000 of securities owned.

A. They are practically all government treasury bills; they are not bonds, but notes of the Empire, having on the average thirty days to run.

Q. Are they purchased for the return upon investment?

A. Yes.

Q. In practice does the Government offer them here, or are they purchased in the market?

A. Offered here. The Government deposits treasury bills with us for safe-keeping. They also deposit funds with us as a private firm or bank might do. If they withdraw or their credit runs low we usually purchase from

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them treasury bills, crediting their account with the proceeds.

Q. What rate do they bear?

A. They do not bear a fixed rate, but are discounted as any other bills.

Q. Is there an exception made in the rate to the Government?

A. No.

Q. To any other institution or person?

A. No.

Q. What are the relations of the German Government to the Bank in the conduct of its business; what is required of the Bank?

A. First, the Bank has to regulate the circulation of money, and, second, it has to handle the Giro or transfer business and to make payments for the Government as well as to receive the sums due to the same, wherever branches of the Reichsbank exist.

Q. Does the Government deposit in the different branches of the Reichsbank?

A. Yes. Every department of the Government has its own account and is treated the same as any other customer. The Reichsbank is the fiscal agent for the Imperial Government and they do everything that is required without compensation. Without being obliged, the Reichsbank might head a syndicate for taking over a government loan.

Q. The government deposits are received and treated exactly the same as the deposits of farmers?

A. Yes. The business for the Government and its departments is handled the same as for others, and no interest is paid on deposits. There is, however, one exception; every private institution is required to keep

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a minimum balance to its credit, but not so with the departments of the Government. The Empire keeps in the aggregate sufficient to compensate.

Q. Are there any securities or guarantees lodged with the Government?

A. No; as we said, the funds of the Government are received on the same basis as those from all other sources. The Government keeps a minimum amount to its credit and the Reichsbank does the business without any charge.

Q. Does the Prussian Government deposit in its own bank or in the Reichsbank?

A. Mostly in its own bank, the Seehandlung; but also in the Reichsbank.

Q. Does the Imperial Government deposit all its funds with the Reichsbank?

A. Mostly.

Q. Does the Government carry accounts in any other banks than the Reichsbank?

A. They may.

Q. Does the Seehandlung have an account in the Reichsbank?

A. Yes; they must use the offices of the Reichsbank for transfer.

Q. You have among your assets, *Reichskassenscheine*, 75,000,000 marks—$18,000,000. These are, we presume, part of the 120,000,000 marks issue of government notes?

A. Yes. These notes are an obligation of the Government based on the general assets of the Government. They are payable on demand to bearer. The law is very strict about these notes issued on the credit of Government. They must be received by the Government in payment for public dues. They are redeemable at the Reichsbank in cash.

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Q. What are the denominations?

A. Five, ten, twenty, and fifty marks.

Q. Are these notes in general circulation?

A. Yes; in future they will be in 5 and 10 mark denominations; the 20 and 50 denominations will be retired.

Q. Why do you carry more than 50 per cent of the issue?

A. Because of the fact that the 20 and 50 mark notes are to be reissued in smaller denominations. The Reichsbank takes them and substitutes its own notes of like denominations for the purpose of withdrawing from circulation the 20 and 50 mark government notes, and to issue the smaller denominations therefor.

Q. Is the system of note issue with a monopoly granted to the Reichsbank satisfactory to the German public?

A. Yes; absolutely.

Q. Is there any disposition to restore to other banks the right of note issue?

A. None. Formerly, in the year 1876, when the Reichsbank was created, there were 33 private banks which had the right to issue notes; now only 4 of them have issues.

Q. What notes of the Reichsbank are taxed?

A. Notes issued in excess of the aggregate of the following items: First, the amount of gold bullion and specie—gold, silver, copper, and nickel—held by the Bank; second, the amount of government notes (*Reichskassenscheine*) so held; third, the amount of uncovered notes authorized by law (the *Kontingent*), 472,000,000 marks; fourth, the amount of notes of other banks held by the Reichsbank.

Q. Under what circumstances does the Bank issue the taxed notes?

A. They are issued when there is a demand from the country for additional circulation. There are a number

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of reasons which bring about that demand. Some of them recur nearly every year at the season of harvesting, and again at the end of the year.

Q. Can you give us an idea of the additional amount that is required for harvesting, for instance?

A. No; it is impossible to keep any figures for that.

Q. Do the bank reports show the weekly fluctuations?

A. Yes. There was a fluctuation from the highest to the lowest of 600,000,000 marks in 1907.

Q. How was the amount of the Kontingent of 472,000,000 marks determined?

A. That is quite an arbitrary amount. It was fixed in 1876 at 250,000,000 marks in an arbitrary way, but, the population and commerce having increased, this arbitrary amount was increased at the time of the revision of the bank law in 1899. It has been enlarged from time to time by the fact that a number of note-issuing banks in Germany have renounced their charter rights and their retired contingent has been added to the arbitrary amount of the Reichsbank.

Q. Is there any agitation for an increase of the Kontingent?

A. Yes; the wish has been expressed in the financial and industrial press.

Q. Is there any agitation for a change in the percentage of gold reserve required?

A. No.

Q. Do you attribute the recent largely increased amount of taxed issues to the enlargement of the business of the Empire, or to monetary conditions; that is, unsatisfactory financial conditions?

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A. To both. It is partly the result of the industrial activity in the different parts of the world and partly in consequence of the crisis in America.

Q. Do you think that these conditions are likely to result in a change in your system?

A. At the next session of the Legislature in December a revision of the bank law will be discussed, and it is quite possible that the Kontingent may be increased; there is nothing certain about it. They will also consider a plan for the increase of the untaxed note circulation at certain periods of the year, when the greatest demand usually occurs.

Q. Is there any agitation for a graded tax?

A. No.

Q. Do you always charge a higher rate of discount for bills when you have a large amount of taxed notes outstanding?

A. No. On occasions the Reichsbank has not increased its rate of discount above 5 per cent. At times we have discounted even at 3 per cent, when we have had to pay a tax of 5 per cent.

Q. It has been suggested to us as a matter of policy in times of stress that it would be better for you to add the 5 per cent tax to the rate of discount.

A. The Reichsbank must be considered in the first place as a public institution which has to take care of the public interest, and that it is secondarily a money-making institution.

Q. Is there any connection between the rate of discount and the issue of taxed notes; in other words, could there be a condition of affairs where the rate was 6½ per cent and there were no taxed notes outstanding?

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A. Yes. That has happened. The fact of the Reichsbank having to pay a tax at certain times does not in itself influence the rate of discount. The directors decide whether in their judgment the conditions warrant or require the raising of the rate.

Q. Is there any limitation upon the amount of note issue?

A. Yes. It must not be greater than three times the amount of gold in coin and gold bullion, silver, copper, and nickel, and government notes (*Reichskassenscheine*) held by the Bank; and furthermore all notes issued in excess of the gold coin and gold bullion, silver, copper, and nickel, and government notes (*Reichskassenscheine*) must be covered by bills discounted.

Q. Is there any restriction as to the percentage of silver?

A. No; but there is another law, the coinage act, by which the amount of silver coined depends upon the population. They do not coin more than 20 marks per capita.

Q. Is there any distinction as to the character of the bills that are permitted to be used as a basis for note issues?

A. The Reichsbank may take any bills having three months or less to run, bearing at least two good signatures.

Q. Can you use foreign bills for that purpose?

A. Yes. All the bills I have described can be taken as a basis for circulation.

Q. Every bill you discount can be used? You would not take any bills except those which could be so used (except, of course, Lombards, which could not be used)?

A. No.

Q. According to your weekly statement you carry none of your own notes as an asset?

A. No.

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Q. They are merely held here and in your branches in store and only regarded as issued when paid out?

A. Yes; they are considered as issued only when out of our possession.

Q. But a note in the hands of the Deutsche Bank would be an issued note?

A. Yes.

Q. What is the system of bookkeeping, if a man deposits to-day a Reichsbank note of 100 marks?

A. The Reichsbank would credit the man 100 marks and deduct 100 marks from circulation.

Q. The item, "Issues of other banks," are those the notes of the four other banks of issue?

A. Yes.

Q. What is the total outstanding circulation of the four other issue banks?

A. The notes of the four other issue banks at the end of 1907 were 141,000,000 marks.

Q. Are these notes carried as reserve?

A. No.

Q. What effect has the holding by you of the notes of other banks upon your privilege of issue?

A. The amount we are allowed to issue without tax may be increased by the amount of the notes of other banks held by us.

Q. Is that true of 75,000,000 marks of government notes?

A. Yes, and these are also a basis for issue.

Q. You mean as any other bills discounted?

A. No; as coin, for they are as good as gold to us.

Q. Then as these notes come in, you like to hold them?

A. Yes; as we hold gold.

Q. You say this amount is large now because of the plan of changing from higher to lower denominations?

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A. Yes; otherwise it might be smaller. It usually averages about 25,000,000 marks.

Q. Are the notes issued by other banks received everywhere? Are they current all over the Empire?

A. Yes.

Q. Are the notes of the Reichsbank redeemable in gold at all your branches?

A. Only as far as the provision of gold is sufficient at the time.

Q. That is, they can pay in gold or not, as they see fit.

A. Yes; but, in fact, they have never been refused.

Q. The notes are redeemable here in Berlin?

A. We are obliged to redeem all notes presented here at the Reichsbank.

Q. You had on December 31 780,000,000 marks in gold, silver, and imperial notes, and 626,000,000 marks of taxed notes outstanding?

A. Yes.

Q. Your cash reserve was very close to the line of your limitation?

A. It was about 41.3 per cent.

Q. Was that exceptional, or had it at any time been lower?

A. That is a very great exception indeed. It has only been lower at one time, namely, the end of 1906, when it was 40.3 per cent.

Q. What would happen in case it went to 32 per cent?

A. We should have to go on discounting bills. We should simply have to do it. We could not stop it. If we did it would bring about the greatest panic that we ever experienced.

Q. What steps do you take to increase your gold reserve or to protect it?

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A. We always have a large amount of bills of exchange payable in foreign countries, payable in gold.

Q. What amount of foreign bills did you have on December 31?

A. It was very small at the end of the year, but before it was much greater.

Q. You must have taken some steps to add to your gold at that time. What steps did you take?

A. We increased the rate of discount. We consider that this measure is the only effective one.

Q. How high was the rate at that time?

A. Seven and one-half per cent.

Q. If this increase had not been sufficient, you would have further increased the rate?

A. Yes.

Q. Do you also loan money without interest to people who are importing gold?

A. Yes, that is done. We make advances without interest to importers for the time the gold is in transit; we do that even in times when the ordinary gold import point is not reached.

Q. Are there any other steps taken to increase the import?

A. Well, besides granting loans without interest on gold imports, we may raise at such times our tariff for the purchase of foreign gold coins, as the Bank of England does.

Q. Pay a higher price?

A. Yes; but this is not important. The real remedy is to raise the rate of discount, besides selling a certain amount of foreign bills.

Q. How long do you allow for the import of the gold?

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A. About the time the gold takes in transit, say from New York ten days, fifty days from Australia. The longest time is fifty days.

Q. Do you take any steps to prevent exports of gold? We have been told that it is the habit of the Reichsbank, in case of large exports of gold from Germany, to suggest to the other banks that it is not agreeable to have the gold exported.

A. It has never been the case and never will be the case that any such suggestion has been made by the Reichsbank to anybody. If it happened during the last crisis that some of the banks refused to export gold, that was done for wrongly understood patriotic reasons. The Reichsbank is not in favor of such measures and it is very sure that such a thing will not happen again. We consider this measure absolutely wrong. It was done in spite of the Reichsbank. After it happened the Reichsbank approached the other banks, expressing the wish that it should not happen again.

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THE REICHSBANK.

Bilanz der Reichsbank am 31. Dezember 1907.

AKTIVA.

			Mark.	Mark.
1.	Der Bestand an Gold in Barren oder ausländischen Münzen, das Kilogram fein zu M. 2,784 gerechnet			96,407,327.19
2.	Der Kassenbestand, und zwar an:		Mark.	
	(a) Gold in deutschen Münzen	401,293,580.00		
	(a) Talern	25,448,865.00		
	(a) Scheidemünzen	181,181,336.76		
			607,923,781.76	
	(b) Reichskassenscheinen		75,442,280.00	
	(c) eigenen Banknoten:			
	zu 1,000 Mark	1,002,798,000.00		
	zu 100 Mark	1,068,760,000.00		
	zu 50 Mark	169,063,250.00		
	zu 20 Mark	52,762,220.00		
			2,293,383,470.00	
	(d) Noten anderer Banken		7,499,900.00	
				2,984,249,431.76
3.	Der Bestand an Silber in Barren und Sorten			
4.	Die Wechselbestände, ausschliesslich der unter Ziffer 8 bezeichneten, und zwar:			
	(a) Platzwechsel			
	innerhalb der nächsten 15 Tage fällig	268,331,100.00		
	in längerer Sicht	620,390,192.73		
			888,721,292.73	
	(b) Versandwechsel auf deutsche Plätze			
	innerhalb der nächsten 15 Tage fällig	266,710,700.00		
	in längerer Sicht	314,594,006.17		
			581,304,706.17	
	(c) Wechsel auf ausserdeutsche Plätze		25,780,536.65	
				1,495,806,535.55
5.	Der Betrag der Lombardforderungen, und zwar:			
	(a) auf Gold oder Silber		8,800.00	
	(b) auf Wertpapiere (einschliesslich Wechsel) der in § 13 Ziffer 3 Buchstaben b. c. d. des Bankgesetzes bezeichneten Art		358,802,350.00	
	(c) auf andere Wertpapiere			
	(d) auf Waren		5,486,400.00	
				364,297,550.00
6.	Der Bestand an Wertpapieren:			
	(a) an gekauften Schatzanweisungen und anderen Wertpapieren		120,684,526.68	
	(b) an eigenen Wertpapieren		1,112,482.07	
	(c) an Wertpapieren des Reservefonds			
				121,797,008.75
7.	Das Guthaben der Bank im Kontokorrentverkehr bei ihren Korrespondenten			10,070,898.75
8.	Der Betrag der fälligen, aber unbezahlt gebliebenen Wechselforderungen			4,231,298.60
9.	Der Wert der der Bank gehörigen Grundstücke			54,787,400.00
10.	Verschiedene Aktiva:			
	(a) Vorschüsse auf zur Diskontierung genehmigte Wechsel			
	(b) Vorausbezahlte Gehälter an die Beamten		719,957.28	
	(c) Bauvorschüsse		3,500,167.77	
	(d) Zum Umlauf nicht mehr geeignete und deshalb von den Kassenbeständen abgesetzte Banknoten		24,555,870.00	
	(e) Verschiedene Forderungen		27,034,952.17	
	(f) Noch nicht verrechnete Kosten für Anfertigung von Banknoten			
				55,810,947.22
				5,187,458,397.82

PASSIVA.

			Mark.	Mark.
1.	Das Grundkapital			180,000,000.00
2.	Der Reservefonds			64,813,723.75
3.	Der Reservefonds für zweifelhafte Forderungen:		Mark.	
	derselbe betrug am 31. Dezember 1906		582,200.00	
	Hiervon sind im Jahre 1907 abgeschrieben		22,948.43	
			559,251.57	
	Für das Jahr 1907 neu reservirt		2,706,748.43	
				3,266,000.00
4.	Der Gesamtbetrag der in Betrieb gegebenen Banknoten:			
	zu 1,000 Mark		1,346,044,000.00	
	zu 100 Mark		2,345,307,400.00	
	zu 50 Mark		308,449,450.00	
	zu 20 Mark		204,059,520.00	
				4,203,860,370.00
5.	Das Guthaben der Giro- und Kontokorrentgläubiger			666,967,285.93
6.	Der Betrag der Depositen (unverzinslich)			811,401.59
7.	Der Betrag der nach §§ 9/10 des Bankgesetzes an die Reichskasse abzuführenden Notensteuer			5,600,697.72
8.	Verschiedene Passiva:			
	(a) Betrag der noch nicht abgehobenen Anweisungen		194,547.34	
	(b) Betrag der noch nicht ausgezahlten Auftragswechsel		445,166.47	
	(c) Die dem Jahre 1908 zufallenden Zinsen und Erträge von Wechseln, Lombardforderungen und Grundstücken		10,239,284.86	
	(d) Noch nicht abgehobene Dividenden		1,028,495.20	
	(e) Verschiedene Buchschulden		4,209,875.41	
				16,117,369.28
9.	Der Betrag des Reingewinnes für das Jahr 1907:			
	(a) für das Reich		34,510,238.87	
	(b) für die Bankanteilsinhaber	Mark. 11,503,412.96		
	hierzu treten die 1906 unverteilt gebliebenen	7,897.72		
			11,511,310.68	
				46,021,549.55
				5,187,458,397.82

Balance sheet of the Reichsbank December 31, 1907

ASSETS.

1.	Gold bullion and foreign coins			$22,944,944
2.	Cash:			
	(a) German gold coins	$95,507,872		
	(a) Silver thalers	6,056,830		
	(a) Subsidiary coin	43,121,158		
			$144,685,860	
	(b) Imperial treasury notes		17,955,263	
	(c) Reichsbank notes—			
	1,000 marks	238,665,924		
	100 marks	254,364,880		
	50 marks	40,237,054		
	20 marks	12,557,408		
			545,825,266	
	(d) Notes of other banks		2,784,976	
				710,251,365
3.	Silver bullion			
4.	Bills discounted, except those described in section 8:			
	(a) Local bills—			
	Due within the next 15 days	63,862,802		
	For longer periods	147,652,866		
			211,515,668	
	(b) Remitted bills on places in Germany—			
	Due within the next 15 days	63,477,147		
	For longer periods	74,873,373		
			138,350,520	
	(c) Foreign bills		6,135,767	
				356,001,955
5.	Loans on collateral:			
	(a) On gold or silver		2,094	
	(b) On securities (including bills) according to Bank law, section 13, No. 3, (b), (c), and (d)		85,394,959	
	(c) On other securities			
	(d) On merchandise		1,305,763	
				86,702,816
6.	Securities:			
	(a) Treasury bills and other securities		28,722,918	
	(b) Securities owned		264,770	
	(c) Surplus fund securities			
				28,987,688
7.	Balances with correspondents			2,396,874
8.	Overdue, but unpaid bills			1,007,049
9.	Real estate (bank premises)			13,039,402
10.	Sundry assets:			
	(a) Advances upon bills passed for discount			
	(b) Salaries advanced		171,350	
	(c) Building expenses		833,040	
	(d) Bank notes unfit for circulation		5,844,297	
	(e) Diverse claims		6,434,319	
	(f) Unaccounted expenses in preparation of bank notes			
				13,283,006
				1,234,615,099

LIABILITIES.

1.	Capital			42,840,000
2.	Surplus			15,425,666
3.	Surplus for doubtful claims:			
	The amount on December 31, 1906		138,564	
	Amount written off in 1907		5,462	
			133,102	
	Amount newly reserved for 1907		644,206	
				777,308
4.	Bank-note circulation:			
	1,000 marks		320,358,472	
	100 marks		558,183,161	
	50 marks		73,410,969	
	20 marks		48,566,166	
				1,000,518,768
5.	Current and transfer accounts			158,738,214
6.	Deposits (not bearing interest)			193,114
7.	Taxes due to treasury upon note issue (Bank law, secs. 9 and 10)			1,332,966
8.	Sundry liabilities:			
	(a) Unpaid claims		46,302	
	(b) Bills collected to be remitted		105,950	
	(c) Interest and profits on bills, loans and property belonging to year 1908		2,436,950	
	(d) Unclaimed dividends		244,782	
	(e) Sundry debts		1,001,950	
				3,835,934
9.	Net profits for 1907:			
	(a) For the Government		8,213,437	
	(b) For the shareholders	2,737,812		
	Undivided profits for 1906	1,880		
			2,739,692	
				10,953,129
				1,234,615,099

Cash and bullion reserve on note issues and deposits, 57 per cent.
Cash and bullion reserve on note issues, 87 per cent.

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KÖNIGLICHE SEEHANDLUNG.

Interview with Herr Geh. Oberfinanzrat Lottner, Director of the Royal Seehandlung, Prussian State Bank.

Q. When was this bank organized?

A. 1772.

Q. What is the capital of the bank?

A. One hundred million marks.

Q. By whom are the shares owned?

A. There are no shares; the capital is owned by the bank, which may be regarded as a juristic person, an independent legal subject.

Q. You mean that the bank is owned by the State?

A. I mean that you must think of the Seehandlung as a person who owns its capital.

Q. Who invested the money?

A. The money was originally invested by stockholders in the time of Frederick II, but afterwards the shareholders gave up their stock, for which they were paid. The shares were mostly owned by the King and by his associates, and they handed them over to the bank, so the capital is really owned by the bank itself. Including the value of its buildings and industrial establishments (mills in Bromberg, spinneries in Landeshut in Silesia, the Royal Loan Office, etc.), the capital really amounted to about 34,400,000 marks in 1904, and in that year it was increased by about 65,000,000 marks, which the Prussian Government contributed. The Prussian State simply transferred to us 65,000,000 marks of their obligations in order to make this increase in the capital.

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Q. These securities were practically donated?

A. Yes.

Q. Are dividends paid and, if so, to whom?

A. There is no one to receive dividends, because there is no one who owns the stock, but the proceeds in excess of all the expenses are paid to the Prussian State.

Q. So, in fact, the Prussian State receives all the net profits from the business?

A. Yes.

Q. Then the bank is really owned by the State?

A. That question is not absolutely clear, but it is practically as if the State owned it. Although the bank owns its own capital, it is subject to the instructions and control of the minister of finance like a public institution. It works in the interest of the State and would not be permitted to undertake business in any way contrary to the interests of the State. If we want to give special gratuities we can do so, but our net profits have to be handed over to the State.

Q. Have you a president?

A. Mr. Havenstein was the president. He is now President of the Reichsbank. His successor has not yet been appointed.

Q. Have you a vice-president?

A. No; but the oldest member of the board of directors represents the president.

Q. Who is responsible for the conduct of the business?

A. The president.

Q. Has he associated with him directors?

A. No; he is personally responsible.

Q. To whom does the president report?

A. To the Prussian *Landtag* and to the *Oberrechnungskammer*.

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Q. What is the Oberrechnungskammer?

A. That is a special institution of Prussia. It is a committee directly subject to the King, but independent of the ministry, which examines the accounts of public income and expenditure, the increases and decreases in public property, and the management of the public debt. It naturally audits the accounts of all government institutions, like the state railways. It has the right to supervise and to examine all the statements published by these companies, even to the smallest details. The reports of the Oberrechnungskammer are handed over to the Prussian Landtag, who have the right to examine them.

Q. By whom is the president appointed?

A. By the King of Prussia for life.

Q. What are the particular functions of the bank?

A. In the first place, it is an organization to help the State of Prussia. The principal part of the business is to finance the loans of the State. It may undertake the loans alone, but as a rule it heads a syndicate of the large banks.

Q. That is, you associate with yourselves the Deutsche Bank, the Disconto-Gesellschaft, and others for the purpose of bringing out a state loan?

A. Yes.

Q. Is the Seehandlung the depository of the Prussian Government?

A. Yes. Whatever money the Prussian Government has at its disposal is handed over to the Seehandlung for short periods.

Q. The Prussian Government then does not have any funds elsewhere. They are all deposited here?

A. They have the Prussian *Generalstaatskasse*, state treasury.

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Q. What proportion of the funds of the Prussian Government are kept with the Seehandlung and what with the Generalstaatskasse?

A. We can not tell, because we do not know. The Minister of Finance would have statistics about that, but he probably would not show them.

Q. In what form is this money kept by the Government in their Generalstaatskasse?

A. They have as little cash as possible; it is mostly paid over to the Reichsbank, to be drawn upon at any time. The amount of money which they have in gold, silver, and paper money or Reichsbank notes is small.

Q. The Prussian Government keeps part of its balance with the Seehandlung, but also keeps some with the Reichsbank?

A. Yes; they carry a Giro or transfer account there.

Q. When the State of Prussia pays a bill by a check, would that check be drawn upon either the Seehandlung or the Reichsbank?

A. The State would draw that check on the Reichsbank. All of the income of the State is paid into the general state treasury from the various provincial treasuries in so far as the latter do not require money for immediate expenditure. These payments, however, for the most part, are not made in cash, but by transfers through the agency of the Reichsbank, with which the general state treasury and the provincial treasuries keep accounts. The general state treasury keeps only comparatively small amounts of specie, paper money, and bank notes. It can obtain such at any time at the Reichsbank on its balance. Whatever money the Minister of Finance, to which department the general state treasury belongs, does not actually

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need, is transferred by him again through the agency of the Reichsbank to the Seehandlung, which invests the same for the account of the Finance Minister or of the State in loans and discounts running comparatively short periods, say from one to three months. The interest upon these loans and discounts reverts to the State, the Seehandlung being paid a commission for its trouble. The State draws no checks upon the Seehandlung, as the balance which it keeps with that institution is invested, if only for a comparatively short period.

Q. Would the Imperial Government draw a check on the Reichsbank in payment of an obligation, or upon a department of the Government?

A. They do not draw on any other than banks. They draw on the Reichsbank.

Q. What are the other principal functions of this bank?

A. We assist the State in all its financial transactions.

Q. Have you any other particular functions?

A. We do a general business, like the Reichsbank, with banks and individuals. We receive deposits from private sources, merchants, corporations, manufacturing concerns, banks, etc., under conditions specified in this pamphlet entitled *Bedingungen für den Geschäftsverkehr bei der Königlichen Seehandlung.*

Q. Do you compete for deposits with the Deutsche Bank or the Dresdner Bank?

A. Yes, to some extent. It is not our intention to do so, but of course we practically compete in some ways. Our rates on deposits are less favorable than those of these banks.

Q. About what rate do you pay on deposits?

A. It depends upon the market.

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Q. The Deutsche Bank and the Disconto Bank to-day are paying on deposits 1½ to 2 per cent in Berlin. What are you paying to-day?

A. For daily deposits 1½ per cent. For daily deposits the Seehandlung ordinarily pays 2 per cent under the current discount rate of the Reichsbank, but not more than 3 per cent per year. For time deposits requiring thirty days' notice we pay 1½ per cent under the Reichsbank discount rate, but not more than 3½ per cent per year.

Q. That applies to the government deposits as well as to the other?

A. No. The Government has no interest-bearing deposits at the Seehandlung.

Q. Are you restricted as to the character of loans you may make, or the bills you discount?

A. Yes, there are certain restrictions. We can only take bills with three good signatures. The Reichsbank requires at least two.

Q. You also do a Lombard business similar to the Reichsbank?

A. Yes.

Q. Are these Lombard loans—140,000,000 marks—on call?

A. No; they average at least one month.

Q. Do you take real estate mortgages?

A. No.

Q. Do you purchase securities for investment?

A. Yes; but only securities yielding a fixed rate of interest, such as state and municipal bonds, the mortgage bonds of Landschaften and like institutions.

Q. Has the State of Prussia the right to request you to purchase their securities?

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A. Yes; the Minister of Finance can require the Seehandlung to buy or sell government loans.

Q. How frequently are statements made to the Government?

A. Once a year. The statement is submitted to and approved by the Prussian Landtag.

Q. The capital was increased in 1904 from about 34,000,000 to about 100,000,000 marks by the gift from the Prussian Government of their securities to the amount of 65,000,000 marks. What was the nature of those securities? Were they long-time bonds or exchequer bills?

A. That was left to the Minister of Finance by the law; they were partly in short exchequer bills and partly in long-time bonds.

Q. What was the reason for increasing the capital?

A. Because of the general development of Germany and the Prussian State, especially to make us better able to support Prussian ventures. It was quite impossible to handle the government business properly without a larger capital.

Q. What dividends are paid to the Government?

A. The Seehandlung does not pay dividends, but it turns over its surplus earnings to the Government—in 1903, 3.58 per cent; in 1904, 6.55 per cent; in 1905, 5.18 per cent of the capital invested.

Q. You really do a very small amount of commercial business in the way of loans. You do not finance commercial enterprises to any large extent, yet you are known as the sea-trade (Seehandlung) society. Why is that?

A. Frederick the Great founded the Seehandlung to promote Prussian trade, especially the over-sea trade. His first intention was to help the Silesian linen and other

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industries, and in connection with their various enterprises the shipping fleet was largely built up and its importance increased. At one time this company had a salt monopoly and a wax monopoly.

Q. Do you mean a monopoly in the way of ownership by the Seehandlung?

A. Yes. The salt which came into the different ports of Prussia and the wax which came from Poland were bought up by the Seehandlung. At one time the Seehandlung also had mills, spinning and weaving plants, iron foundries, and river steamers.

Q. Is this bank now engaged in operations of that character?

A. We still own two industrial establishments, the flour mills in Bromberg and a linen spinnery in Landeshut in Silesia.

Q. Are you interested in any other projects of this nature?

A. No. During the last century the Seehandlung has loaned the Government a great deal of money for road building, drainage, forestry, and the like, but it has not managed these undertakings.

Q. Did the manufacturing propositions originate with the bank, or did the bank join with others?

A. No; the bank did that independently, at the instance of the Government.

Q. To-day, if you thought wise, could you erect a large manufacturing plant and engage in business?

A. No; since 1850 no new commercial enterprise can be undertaken by the Seehandlung.

Q. At what value do you carry the enterprises now owned?

A. Less than a million marks.

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Q. Are they carried at cost, or less than cost?

A. The full value is much higher.

Q. Did they cost as much as that?

A. We can not say, but they appear at a much lower figure than they would cost at the present time. These were undertaken by the bank prior to 1850.

Q. Is there any requirement that you shall dispose of these properties? May you keep them as long as you please?

A. The Landtag wishes us to dispose of the spinnery, but not of the mills, because there are special government matters connected with them.

Q. Is the Kingdom of Prussia responsible for the deposits in this bank?

A. The State is responsible for all the transactions. That was regulated by an order of the Cabinet of the King on January 17, 1820. The State is responsible for all transactions of the Seehandlung.

Q. Can you state whether that is true of other state institutions such as the Central-Genossenschafts-Kasse?

A. No. In the case of the Central-Genossenschafts-Kasse the government is only responsible to the amount of the capital which it has contributed.

Q. A large per cent of your funds are loaned on the stock exchange?

A. Yes.

Q. You make loans only on securities which are listed upon the stock exchange?

A. No. We can make loans on any securities of commercial and industrial companies that we see fit. It is left to the judgment of the Seehandlung.

Q. Are your loans on the stock exchange on call, or for a fortnight?

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A. They are generally for from one to three months.

Q. But most of your loans are on the stock exchange?

A. Yes.

Q. And your discount business is comparatively insignificant?

A. Not insignificant, but small compared with our loans on the stock exchange.

Q. Do you carry a balance with the Reichsbank?

A. Yes; for transfer purposes.

Q. Do you carry that balance as your reserve, or do you endeavor to maintain an independent cash reserve?

A. It is only for the practical purpose of being able to make the transfers through the Reichsbank. We do not need reserves because we have the State behind us.

Q. You do not carry a cash reserve of any importance as against your deposit liability?

A. No; because the State is responsible for it.

Q. Is this bank a member of the Clearing House?

A. Yes; at the Reichsbank, but not at the Kassenverein.

Q. If a draft were presented to this bank through the Clearing House larger than your balance in the Reichsbank, how would that draft be met?

A. We should simply send cash over to the Reichsbank.

Q. But you said you do not carry any appreciable amount of cash.

A. In practice it would rarely happen. We would either go to the State for money or to the Reichsbank.

Q. Do you include in your item 5,600,000 marks, cash, your balance with the Reichsbank?

A. Yes.

Q. Do you receive promissory notes from customers?

A. No.

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Q. Do you transact business of any other character than that heretofore mentioned?

A. We have a branch known as the Royal Loan Office, which lends money in small amounts upon the pledge of different kinds of goods as security. This was established in 1834.

Q. That means that you take as security for advances various articles of wearing apparel, jewelry, etc.?

A. Yes; in 1906 we made 99,000 loans, at an average of 31 marks per loan, divided as follows:

Loans upon gold and silver articles (average 27 marks each)	47,000
Loans upon watches	16,000
Loans upon articles of clothing, skins, and so on	28,000
Loans upon jewels	8,000

Q. Is this business conducted here in the bank?

A. No; we have three separate offices located in Berlin.

Q. What class of people patronize them?

A. Two-thirds of the borrowers are laborers; last year about 16 per cent were widows and spinsters, also a few were mechanics—occasionally professional men—artists, actors, and the like.

Q. What is the usual charge made for advances of this character?

A. Our rate is very low, 12 per cent for the year, which is low compared with the ordinary pawn shops. The Loan Office has to meet its own expenses and pay the Seehandlung 4 per cent interest on the capital which it has contributed. Any additional profit earned is not turned over to the Seehandlung, but is paid into a pension fund for the daughters of officers and clerks.

Q. What is the minimum loan you make?

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A. Some loans are made as low as 2 marks; some have been made as high as 20,000 or 30,000 marks; and even higher loans might be made.

Q. Are there any other banking institutions doing a similar business, or is it conducted through offices similar to those in America, where they are known as pawnbrokers?

A. No; no other banks conduct a business of this class. There are numerous small offices conducted by private individuals, the same as with you. All of this business is more or less under the supervision of the state authorities.

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KÖNIGLICHE SEEHANDLUNG.

Hauptabschluss des Koniglichen Seehandlungs-Instituts Ende März 1907.

AKTIVA.

		Mark.
I. Grundbesitz		5,456,720.21
II. Betriebskapitalien des Leihamts und der gewerblichen Etablissements		3,441,825.91
III. Kassenbestände		5,634,431.31
IV. Effekten		72,314,000.93
	Mark.	
V. (*a*) Wechsel	2,846,364.83	
(*b*) Schatzanweisungen	27,341,810.80	
		30,188,175.63
VI. Lombard-Darlehen		140,947,701.95
VII. In- und ausländische Schuldner:		
(*a*) Verzinsliche Anlagen für Rechnung des Königlichen Finanzministeriums (vgl. Passiva Nr. IV a)		
(*b*) Vorschüsse und Darlehen an Behörden und Institute usw	2,658,904.73	
(*c*) Vorschüsse auf laufende Rechnungen	22,953,623.39	
(*d*) Vorschüsse, betreffend die Errichtung von Rentengütern	13,101,016.91	
(*e*) Vorschüsse, betreffend die Einlösung von Kupons zu 3prozentigen Preussischen Konsols im Auslande (vgl. Passiva Nr. IV e)	158,968.85	
(*f*) Handlungshäuser	84,877.70	
(*g*) Diverse Konten	63,465,556.64	
		102,422,948.22
		360,405,804.16

PASSIVA.

		Mark.
I. Schuld auf Seehandlungs-Obligationen		198,148.87
II. Schuld auf Grundbesitz		432,450.00
III. Tratten		2,902,154.75
IV. In- und ausländische Gläubiger:		
	Mark.	
(*a*) Königliches Finanzministerium (vgl. Aktiva Nr. VII a)	25,005,625.00	
(*b*) Guthaben von Behörden und Instituten usw	14,555,344.53	
(*c*) Guthaben auf laufende Rechnungen	177,957,536.06	
(*d*) Guthaben, betreffend die Errichtung von Rentengütern	84,070.08	
(*e*) Guthaben, betreffend die Einlösung von Kupons zu 3 prozentigen Preussischen Konsols im Auslande (vgl. Aktiva Nr. VII e)	161,800.20	
(*f*) Handlungshäuser		
(*g*) Diverse Konten	36,696,651.84	
		254,461,027.71
V. Kapitalkonto		99,402,515.41
VI. Reingewinn der Seehandlung in 1906		3,009,507.42
		360,405,804.16

Balance sheet of the Royal Seehandlung (Prussian State Bank) March 31, 1907.

ASSETS.

1. Real estate		$1,298,699
2. Capital invested in the loan office and in industrial institutions		819,155
3. Cash		1,340,995
4. Securities		17,210,732
5. (*a*) Bills discounted	$677,435	
(*b*) Treasury bills	6,507,351	
		7,184,786
6. Loans on collateral		33,545,553
7. Domestic and foreign credits:		
(*a*) Interest-paying investments for the account of the ministry of finance		
(*b*) Loans and advances to communities, institutions, etc	632,819	
(*c*) Loans upon current account	5,462,962	
(*d*) Loans to establish landed properties	3,118,042	
(*e*) Loans for redemption of coupons of Prussian consols abroad	37,835	
(*f*) Commercial houses	20,201	
(*g*) Sundry accounts	15,104,803	
		24,376,662
Total		85,776,582

LIABILITIES.

1. Bonded debt		$47,159
2. Debt upon real estate		102,923
3. Drafts outstanding		690,713
4. Obligations, domestic and foreign:		
(*a*) Ministry of finance (compare assets No. 7 a)	$5,951,339	
(*b*) Balances due communities, institutions, etc	3,464,172	
(*c*) Balances in current account	42,353,894	
(*d*) Balances relating to establishment of landed properties	20,009	
(*e*) Balances relating to the redemption of coupons of Prussian consols abroad (compare assets No. 7 e)	38,508	
(*f*) Commercial houses		
(*g*) Sundry accounts	8,733,803	
		59,561,725
5. Capital		24,657,799
6. Net profits in 1906		716,263
Total		85,776,582

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DEUTSCHE BANK.

Interviews with Herr Paul Mankiewitz, Director, and Herr A. Blinzig, Alternate, of the Deutsche Bank.

Q. When was your bank organized?

A. In the year 1870.

Q. Under what law?

A. Under the Prussian law.

Q. Are you organized under a special charter?

A. No. Under the general companies act.

Q. Will you kindly inform us as to the management of the bank, as to how it is organized?

A. Our stockholders meet annually and elect from among their number a board known as the *Aufsichtsrat*, or board of supervisors, serving four years, one-quarter of its members retiring each year. From among their number they appoint a committee consisting of from 3 to 7 members, who meet monthly, the board as a whole meeting about four times a year, or more, as special occasions require. The president and vice-president of the bank are elected by the board and selected from the members of the board. The *Direktion*, or directors of the bank, who are appointed by the board, conduct the business of the bank. It is customary for several of the directors to be present at the monthly meetings of the committee, at which the president presides. At the monthly meetings the committee review the transactions of the bank. The directors also report to the full board at its meetings. In this way the board are kept informed as to the transactions of the bank.

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Q. How is your stock owned?

A. By a large number of shareholders. Our shareholders are principally in Germany, but also in England, France, Austria, and elsewhere. The larger number own from 1 to 3 shares, others have up to 1,000 shares. I think there are very few who own as many as 5,000 shares.

Q. What is your stockholders' liability?

A. They have no liability beyond the amount of their investments in the stock.

Q. Is your stock fully paid up?

A. With us practically all stock is fully paid. There can be no transactions on the stock exchange in the stock of any bank that is not fully paid.

Q. Might it not be possible for parties to quietly buy up control of your bank without your knowledge?

A. No; we are not afraid of this. Any activity in our stock would be reflected in its price in the stock exchange.

Q. What dividends do you pay?

A. We pay 12 per cent dividends.

Q. At what price is your stock selling?

A. About 240, which is on about a 5 per cent basis.

Q. Does a share of your stock of 1,200 marks par value have one or two votes at your annual election?

A. It has two votes.

Q. Are your shares registered or made to bearer?

A. They are made to bearer. We have no means of knowing who our stockholders are.

Q. How do your stockholders receive their dividends?

A. At the end of each year, when we make up our annual statement, we declare a dividend for the year and announce it in the public press. It is our custom, when issuing a certificate of our stock, to issue with it a dividend sheet containing eight annual coupons, calling for

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such dividend as may be declared for eight successive years. At the end of the eight years the stockholder returns to us the stub of the sheet from which the coupons have been detached, upon which is printed an order for a sheet of coupons for the following eight years. It is the custom of the shareholder to send in his coupon for his dividend as soon as the amount of dividend has been announced.

Q. You show by your statement of assets about $20,500,000 in cash. Is this in your vault?

A. No; a percentage of it is in our vault and the balance of it in the Reichsbank, the Kassenverein, and in other banks in cities where we have branches.

Q. Will you kindly explain the next item, "foreign coin, etc.?"

A. We also regard this as cash, as it is foreign coin of cash value and coupons due and in process of collection.

Q. Do you consider the item of "Balances with banks and bankers" as part of your reserve?

A. Yes.

Q. From your statement we see that with cash in vault and at the Reichsbank, matured coupons, and balances with banks and bankers you have what you consider as reserves amounting to about $40,000,000. This would be about 13 per cent upon your deposits. Do you publish the amount of cash in vault?

A. No; we do not publish the amount of cash in vault, although we will tell you that on December 31, 1907, we had about $4,000,000 cash in vault, $14,000,000 at the Reichsbank, and the rest in other banks, such as about $500,000 in Dresden, $3,000,000 in London, the balance in Leipzig and in the Bank of the Berliner Kassenverein in Berlin, where we carry a balance of about

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$500,000. This bank is used for the purpose of settling all balances on the stock exchange, and it is the custom for banks in Berlin to carry balances there.

Q. This would then show you an immediate available cash balance of about $20,000,000 in bank and vault, $6,000,000 in foreign coin and matured coupons, which would make a reserve of about $26,000,000, not counting the approximate amount of $14,000,000 due from other banks in all parts of the world.

A. Yes; this is so, except that we have an item in our assets of $150,000,000 which consists of bank and commercial bills of the very first class and of treasury notes which have not more than three months to run. The average maturity of these items is from sixty to seventy-five days, and we consider these a strong reserve, a very liquid asset.

The great strength of our financial system in Germany is the Reichsbank. Under that system the question of our own cash reserve is of secondary importance, as we can at all times convert our holdings of commercial paper into cash at the Reichsbank. I may mention that of the prime commercial bills we are carrying from $1,500,000 to $2,000,000 fall due each day; for these we get cash or credit at the Reichsbank at maturity. It is our usual practice to keep in vaults and banks a considerable amount of cash, often more than 10 per cent, and sometimes less, perhaps 8 per cent.

Q. Would you have any anxiety if your cash were to be reduced from $40,000,000 to $10,000,000?

A. No; not for a moment; but this will not occur, as we have always the confidence of the people. When, in spite of the stringency of the money market, we had to

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export 200,000,000 marks of gold last fall, not for a moment was public confidence shaken in the bank.

Q. I understand it is customary for all the banks in Berlin and in the country generally to carry with the Reichsbank balances which they count as their reserve.

A. Not only as reserves, but for transfer and current business.

Q. You do not show by your figures the amount of deposits that you have from bankers?

A. No.

Q. Take an independent bank in Stuttgart. Would they carry a balance with you or with the Reichsbank as reserve?

A. There is no general rule.

Q. Have you any idea how much gold there is in all the banks, including the Reichsbank, against the total amount of deposits?

A. No.

Q. We have estimates showing a total gold reserve against deposits in England of about 6 per cent. What, in your opinion, is the reserve in Germany?

A. We have different conditions here. The private banks, especially in the interior, do not carry large amounts of bank notes. They always have money in the Reichsbank, and the Reichsbank shows this in its publications and in its reports every week. It is not possible for us to say how much real money there is in the vaults of the banks, but we have so much money and gold in circulation and in the pockets of our people that there is no concern over the small cash holdings in the banks, as the public has the money in its pockets. Our strength is in our Reichsbank. It has at present about 87 per

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cent gold and money against its circulation of bank notes. In the vaults of other private banks there is not much money.

Q. Your requirements for gold are so much less because you can go to the Reichsbank?

A. Yes.

Q. Do you make any loans on real estate mortgages?

A. Never; although occasionally, pending the completion of transactions, we loan to a man who has erected a building or purchased a piece of property and is taking out mortgages.

Q. Are you required by law to carry any securities?

A. No. We use our own discretion in this matter. Among our securities of $16,000,000 there are $11,000,000 of German Government securities. The balance is made up of bonds of German mortgage banks, railroad bonds, railroad, bank, and industrial shares, amounting to $3,000,000, bonds of industrial enterprises, amounting to $425,000.

Q. What does the item "Shares in other banks," $19,000,000, represent?

A. This represents the purchase by us of practically the controlling interest in 13 independent banks in the Empire. We are represented upon each board and we are kept closely informed of the business. Our return is in the dividends.

Q. Do you not have the reserves of these banks?

A. No; they are altogether independent and may carry them wherever they desire.

Q. Is it not a fact that they do carry them with you?

A. No; only partially.

Q. Do you find these investments satisfactory and profitable?

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A. Yes; our principal reason is that it enables us to reach certain sections of the country through other institutions, where we ourselves would not care to have an institution in our own name.

Q. Are any of these banks in Berlin?

A. No; they are all in other parts of the German Empire, although many of them have important branches in other countries. They are all organized under the German law.

Q. What is the character of the "Loans on collateral," $36,000,000?

A. These are loans made to members of the stock exchange upon satisfactory collateral, and usually for one month, as our settlements are made monthly. We have no fixed rate. It depends upon the situation of the money market, but, generally speaking, current business is done below the bank rate.

Q. Do you have a system of cash credits or overdrafts?

A. Yes.

Q. What evidences of indebtedness do you take?

A. Bills of exchange. We have no promissory notes.

Q. Do you buy stock exchange securities for your own account?

A. We are not restricted by law in this regard and make such purchases for investment as we think best, but never for speculation. As you know, we frequently bring out issues of a high character and find it necessary to temporarily protect the market.

Q. Is the stock exchange regarded as an important factor in the financial situation in Berlin?

A. Yes; quite so.

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Q. Are the members of it engaged in the brokerage business quite exclusively, as in New York, or are they also engaged in other branches of finance?

A. No; it is quite different with us from what it is in New York. Most of the stock exchange business is done here through banks and bankers. Our banking corporations have a large number of customers throughout the Empire. We execute orders not only for government securities but for railroad bonds and shares and industrial bonds and shares. Generally our securities are not held in large blocks in anything like the proportion in which they are held in your country. It is the custom here for a person desiring to purchase securities to communicate with his banker, soliciting his advice, and he has his orders executed through the bank.

Q. Then a large percentage of the business is really handled through the incorporated banks, is it not?

A. Yes. We ourselves have fifty members on the stock exchange.

Q. You mean that the Deutsche Bank has fifty men, members of the stock exchange, who trade there on the floor?

A. Yes. There is quite a difference, however, in our method of handling the business from that followed in New York. We do not have the margin system. Most of our customers who do not pay in full pay at least for half the amount involved in the purchase. In addition to the price quoted, there is to be paid accrued interest at the fixed rate of 4 per cent on shares and the respective rate on bonds. This custom is not very satisfactory for shares, but has been followed for many years.

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Q. In your liabilities we notice the items "Current accounts" and "Deposits," $301,000,000. What is the distinction between current accounts and deposits?

A. There is practically no distinction. For instance, all moneys at our city branches are called deposits, as are the moneys received at the subbranches of our main branches. You may therefore for all practical purposes regard this as one item. A portion, however, is payable on demand; another portion on time. Of the total amount there is about $125,000,000 on time with an average perhaps of six months. We have time deposits from governments, corporations, and individuals ranging from one month to five years. The balance of the account is on demand subject to check.

Q. Will you kindly explain the item of "Acceptances," $62,000,000?

A. This item is made up of acceptances of bills drawn upon us by our customers and others to whom we extend credits. You will notice in our assets the item "Loans in current account, $34,800,000." This includes part of the amount of our acceptances on the liability side, which are not secured, but which are what we call "blanco" credits. In other words, they are credits opened by our office and our main branches for the handling of cotton, copper, and merchandise generally, the credits being extended upon the responsibility of the house to whom the credit is extended. The balance of the account of "Acceptances," $62,000,000, is found on the other side in the item "Advances secured by collateral."

We have a large commercial and credit business. We have a large business from America for cotton, for copper, and corn, etc., and against this class of shipments the German banks give credits to America,

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Austria, India, etc.; against these shipments long drafts will be drawn on us. Russia has credits with us covered by bonds and merchandise. Large industrial houses have money to their credit and shippers draw on us against shipments. Bremen does the largest cotton business. We have had, for instance, about $15,000,000 drawn on us from there for cotton. Then we have about $20,000,000 to $25,000,000 from London, drawn on us from all parts of the world, chiefly against shipments of merchandise.

When we advance credit under what we call current accounts, we arrange with our customer to have him draw upon us and charge a minimum of one-fourth of 1 per cent for the acceptance, and he then disposes of the bill, or, if we prefer, we arrange to furnish him with the cash, charging him perhaps 1 per cent above the bank rate for the credit given, or we may take from our customer a bill which has been drawn by him for merchandise and accepted by the party upon whom it is drawn.

Q. Will you kindly explain the item, "Doctor Von Siemens pension fund?"

A. That item is an amount arbitrarily set aside by us for the benefit of our employees. We have no fixed rule and allow such pensions as we think wise. There has been considerable agitation in this country for a fixed system of pensions, based upon the pension system of our Government. The probabilities are that this agitation will lead to the adoption of that system by the banks in general. At the present time the Reichsbank has the governmental system. It is a matter of considerable importance to us, as we have at present about 5,000 men in our employ. The next item, "Sundries,"

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represents unsettled accounts and items between our branches.

Q. Are you required by law to publish any statement?

A. Yes; the law requires us to issue and publish a statement at the end of each fiscal year. It is our custom to issue a statement for our own private use every ten days, but of this the public is not informed. There has been considerable agitation in the press demanding that a commission be appointed by the Government to audit the banks of the Empire and to require them to publish their statements more frequently.[a]

Q. What has caused this agitation? Does it come from the people?

A. No; not from the people, more from the landowners, or what are known as the agrarian class. The immobile capital is envious of the mobile, thinking that they make too much money upon their investments. It is thought that this commission will probably be appointed next year.

Q. You state that it is not prompted by any dissatisfaction in commercial or trade circles?

A. No.

Q. Your bank is not at any time examined by the Government?

A. No.

Q. Are the clearing-house associations important factors in the cities in Germany?

A. No.

[a] Within a few months after this interview all of the large Berlin banks, with one exception, of their own volition, and not in consequence of any requirement of law, agreed to publish their balance sheet six times a year, namely, on the last days of February, April, June, August, October, and December.

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Q. Are they merely pieces of machinery through which checks are cleared and not associations of importance or power?

A. Yes; nothing but machinery.

Q. How many members are there in the Berlin Clearing House?

A. There are 19, the Reichsbank not included.

Q. Are there any important banks which are not members of the Clearing House?

A. No.

Q. Can any new bank become a member?

A. Yes; if the new bank is in a state to be received.

Q. Each bank is represented by an officer?

A. Yes. All large banking houses are also members of the Clearing House.

Q. You all go to the Reichsbank to clear?

A. Yes; once a day. There are 14 clearing houses and 160 members in the Empire.

Q. Have you any statistics which would show the amount of deposits and loans of members?

A. No.

Q. What percentage of your deposits is received in Berlin? Do you show this?

A. No. Up to seven years ago we made two statements—a balance sheet of the whole bank and a balance sheet of the Deutsche Bank in Berlin. Last time we made it was in 1902. Since that time our statements are for the Deutsche Bank as a whole.

Q. Then you could not state the total volume of deposits in Berlin? Are there no figures showing this?

A. No. In addition to the banks, we have a large number of city saving institutions and institutions of the State, such as the Seehandlung, the Central Genossen-

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schafts Kasse, and various Sparkassen for Teltow, Stralau, and so on; there are no statistical compilations available for all the different institutions, and it is not possible to say how large the total amount of deposits is in Berlin.

Q. What taxes do you have to pay?

A. We pay to the State 4 per cent on our income remaining after deduction of 3½ per cent of our share capital which is exempt and to the city of Berlin 4 per cent on our income.

Q. You have to pay the same taxes as the Dresdner Bank?

A. Yes; all banks pay on the same basis.

Q. Are you partners in banking firms?

A. We have two firms in which we have participations—Rosenfeld in Vienna and Heidemann in Bautzen. We are silent partners in these houses, which do a banking business. The matter, however, is of small importance.

Q. How many branches have you?

A. We have important branches at Bremen, Dresden, Frankfort, Hamburg, Leipzig, London, Munich, Nuremburg, and one or two other places. We have perhaps three dozen branches of the office in Berlin alone.

Q. How are your branches managed?

A. In our important branches we have two or three directors or vice-directors. In Hamburg there are three directors; they are only directors of the Hamburg branch and not directors of the Deutsche Bank. They have power only for the Hamburg branch. They are appointed by the Berlin directors. Each branch has its own director. The directors of the Deutsche Bank in Berlin nominate them to the supervisors and the board of supervisors appoints them. In Hamburg we have

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three directors and ten procurists, who only sign jointly with a director and only for the branch.

Q. Has your Hamburg branch many subbranches?

A. They have in their town five or six.

Q. Have they any in the country outside of Hamburg?

A. No; only in the town and immediate suburbs.

Q. You confine your business to the large centers of the Empire?

A. Yes.

Q. You do not endeavor to reach the smaller towns of the Empire, as is done by the London joint stock banks?

A. No.

Q. Do the banks in which you are shareholders have many branches in the small country towns?

A. Yes.

Q. It is in this way that you reach the interior?

A. Yes—to an unimportant extent.

Q. What discretion do you give your directors having charge of the branches?

A. The directors have the right to buy bills and make advances against collateral, but for credits which are not covered by first-rate securities they must ask the central office for permission.

Q. Is there a limit to the amount of discretion given to the directors on first-class bills?

A. Each of the main branches has a fixed capital arbitrarily set aside by the Deutsche Bank. They have a sum according to the importance of the branch, and they must do business according to it. The Hamburg branch has a large transfer business (Giro Konto). They buy first-class bills and make advances on first-class stock exchange

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securities. When they give credits to clients they come and inquire if we agree.

Q. What amount of capital has the Hamburg branch?

A. We do not speak about that.

Q. Is it your practice at the end of the year to say "Hamburg shall have so much capital?"

A. No; not every year. It depends upon the volume of business at the branch.

Q. Do the subbranches report to their main office, or directly to you?

A. No; the subbranches report to the branch and the branch reports to us.

Q. Have the farmers and tradesmen throughout the Empire good banking facilities?

A. Yes; through banks, but more particularly through cooperative associations.

Q. We were told that the Reichsbank had about 10,000 farmers' accounts to whom they extend a credit.

A. Yes; that may be true, but that forms a very small percentage of the farming community.

Q. What would you say are the particular functions of the Reichsbank?

A. First, the control of the money supply of the Empire, its management of and influence over the gold supply; second, its agency for the development of commerce and trade; third, its agency to facilitate the transfer of funds from one section of the Empire to another for the benefit of the banks, the merchants, and the individuals.

Q. The system of transferring is an important one to banks and also to the public?

A. Yes.

Q. Is it your practice to ship currency back and forth between your branches as needed?

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A. No. The shipping of currency is obviated by the transfer department (Giro Konto) of the Reichsbank. This is one of the principal functions of the Reichsbank. All of our branches keep a general account and a transfer account with the Reichsbank; from and to the latter account transfers are made, according to the needs of the respective branch.

Q. The Reichsbank has branches everywhere?

A. Yes; in every place where there is sufficient business. It has about 500 branches. We transferred through the Reichsbank last year 21,000,000,000 marks, (5,200,000,000 dollars). It is better than circulation by check. Our strength is the Reichsbank. The Reichsbank has a large number of branches to and from which the funds needed are transferred. Our branch in Bremen, for instance, wants money when cotton shipments start, and the money is transferred to them. The importers in Bremen sell the cotton to the large manufacturers. When they get the money the money comes back to us. The Reichsbank, in the transfer of funds, merely acts as intermediary for the other banks who do the business.

Q. Are country checks cleared through the Clearing House here at Berlin—i. e., if a check on the Hamburg branch of the Deutsche Bank be received at the Dresdner Bank, would it be sent through the Clearing House here to you?

A. No; it is sent by them to Hamburg direct.

Q. Does the Reichsbank ever pay interest on balances to banks?

A. No.

Q. Is it customary for you and other banks to pay interest on deposits?

A. Yes; we always pay interest.

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Q. In London the joint stock banks usually pay interest at about 1½ per cent below the bank rate. In the country they have to pay more. What is the custom here?

A. There is no strict rule. The bank rate is now 4 per cent and we allow 1½ per cent on call money. In the interior our branches allow a little more. It is the same as in England.

Q. Does the bank rate influence your rate for discounts?

A. Yes; we are influenced. The bank rate is now 4 per cent and our private discount rate is 2½ per cent.

Q. For what period?

A. Three months.

Q. If I ask to borrow money of you on first-class securities on demand, what interest would you charge me to-day?

A. We have no fixed terms. The rate would be 4 or 5 per cent. We have loaned large amounts at 3 per cent to the stock exchange firms. At this rate we loan money to the end of this month. In September we shall charge 4 per cent and more, as then there will be a strong demand.

Q. If a mercantile customer came with a four months' bill satisfactory in character, what would be the rate to him?

A. We have no fixed rate. It depends upon the man and the bill.

Q. We have observed that the bank rate is usually higher than the stock exchange rate.

A. The majority of that class of business is transacted in Germany at from 1 per cent to 1½ per cent below the bank rate.

Q. What do you mean by a "blanco credit?"

A. We have no collateral for it. It is upon the credit of the person.

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Q. How do you invest your surplus funds when you have no demand from customers?

A. We buy bills in the open market, or accept offerings made to us from houses desiring to borrow.

Q. If the Reichsbank should lower the rate from 4 to 3½ per cent, would it affect your rate?

A. We are, of course, governed more or less by the Reichsbank rate, although not absolutely so.

Q. What is your system of audit?

A. We have 40 to 50 men or more, I think, in our audit department who travel from branch to branch. They thoroughly examine the main and sub branches and our institution here.

Q. How many banks have outstanding note issues?

A. There are four note-issuing banks, independent of the Reichsbank, i. e., the Banks of Bavaria, Saxony, Baden, and Wurttemberg.

Q. Have you an idea of the total amount to their outstanding issues?

A. Yes; we will give you the figures.

The following figures show the note circulation of the banks of issue in the Empire on June 30, 1908:

Note banks.	"Kontingent." The tax-exempt issue of notes (in addition to notes fully covered by cash) is fixed at—	Note circulation June 30, 1908.	Cash on hand June 30, 1908.
	Marks.	*Marks.*	*Marks.*
Reichsbank	472,829,000	1,792,623,000	1,103,994,000.00
Bayerische Notenbank	32,000,000	61,545,000	33,850,000.00
Saechsische Bank	16,771,000	42,709,600	28,517,144.00
Wuerttembergische Notenbank	10,000,000	21,510,700	9,537,327.44
Badische Bank	10,000,000	16,637,500	6,662,913.09
Total	541,600,000	1,935,025,800	1,182,561,384.53

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Q. How are they secured?

A. Our bank law requires that at least one-third of the issue of all bank notes be covered by gold coin and bullion and legal tenders, the balance to be covered by prime commercial paper.

Q. Does the same apply to all issuing banks?

A. Yes; they also have a "Kontingent." The Reichsbank has a "Kontingent" of 472,000,000 marks. It has to pay a tax of 5 per cent on notes issued beyond its holdings of gold coin, bullion, and legal tender, plus its "Kontingent," but in no case can it issue notes unless covered, as stated before, to the extent of at least one-third their face value by specie.

Q. Are the issue banks, other than the Reichsbank, private institutions?

A. Yes; they are private institutions, as is the Reichsbank, and yet they have special charters and might properly be known as state banks.

Q. Is their issue of notes increasing or decreasing?

A. It is decreasing. They have seriously considered giving up the issue of notes, because of the severe restrictions put upon them in other ways. The Reichsbank has a "Kontingent" of 472,000,000 marks, and the others an aggregate of about 70,000,000 marks. As the amount of the "Kontingent" of the other banks is decreased, it is correspondingly increased in the Reichsbank.

Q. Do these banks find it difficult to keep their notes outstanding?

A. No; the banks will take them, but perhaps not the public at large, as the Reichsbank notes only are in general circulation.

Q. Is it your observation that the note issue of the Reichsbank increases in corresponding ratio with the

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increase of commercial activity, and decreases in like ratio with the decrease of commercial activity?

A. Yes; it must be so.

Q. Is your note issue considered sufficiently elastic?

A. Yes, quite so.

Q. It is your opinion that the Reichsbank is as perfectly organized for the needs of Germany as a central bank could be?

A. I was a member of the commission appointed to consider the renewal of the charter of this Bank, which expires in 1910, and from my observation, practical experience, and investigations I am convinced that the Reichsbank serves the needs of Germany as well as could be hoped for. A different system might, perhaps, do as well, but I for one should not favor making any change for the hope of improving upon it.

Q. Are there many people who have an account with the Reichsbank who have no other accounts?

A. Yes, there are many who use it for their own business, or for the purpose of making transfers.

Q. Is the public advised when the Reichsbank is issuing notes under the 5 per cent tax?

A. Yes. It is the custom of the Reichsbank to publish a weekly statement showing the amount of notes outstanding under the tax.

Q. Does the fact that the bank is issuing notes under the 5 per cent tax provision cause any uneasiness?

A. No, generally speaking, it does not. Of course there was considerable uneasiness last fall; but, as a rule, whenever it is necessary to increase the issue to an amount upon which the tax is to be paid, it does not cause uneasiness.

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DEUTSCHE BANK.

Bilanz der Deutschen Bank am 31. Dezember 1907.

AKTIVA.	Mark.	Mark.
Kasse	86,228,076.94	
Sorten, Coupons und zur Rückzahlung gekündigte Effekten	26,401,420.11	
		112,629,497.05
Guthaben bei Banken und Bankiers	56,959,955.45	
Wechsel und kurzfristige Reichsschatzanweisungen	631,461,993.96	
Report und Lombard-Vorschüsse	154,933,210.28	
		843,355,159.69
Eigene Effekten laut Jahresbericht		68,600,081.12
Eigene Beteiligungen an Konsortial-Geschäften		53,427,886.71
Kommanditen		660,000.00
Dauernde Beteiligungen bei fremden Unternehmungen		81,572,191.85
Debitoren in laufender Rechnung:		
Gedeckte	471,534,510.89	
Ungedeckte	146,455,114.07	
		617,989,624.96
Ausserdem Bürgschaft-Debitoren: *M.* 78,388,055.59.		
Vorschüsse auf Waren und Rembours-Konto (Berlin)		68,862,695.38
Anlagen des Dr. Georg von Siemens'schen Pension- und Unterstützung-Fonds		4,090,250.00
Immobilien		20,544,062.13
Mobilien		405.00
		1,871,731,853.89

PASSIVA.	Mark.	Mark.
Aktien-Kapital		200,000,000.00
Reserven:		
Ordentliche Reserve A	66,388,031.30	
Ordentliche Reserve B	26,595,316.42	
Kontokorrent-Reserve	7,016,652.28	
		100,000,000.00
Depositen-Gelder		476,104,009.86
Kreditoren in laufender Rechnung		788,301,712.04
Erlös nicht eingetauschter Aktien II. Serie		2,414.10
Akzepte im Umlauf		263,537,867.27
Ausserdem Bürgschaften: *M.* 78,388,055.59.		
Dividende, unerhoben		36,138.00
Dr. Georg von Siemens'scher Pension- und Unterstützung-Fonds		5,320,794.00
Uebergangposten der Zentrale und der Filialen untereinander		8,109,741.98
Gewinn- und Verlust-Konto		30,319,176.64
		1,871,731,853.89

Balance sheet of the Deutsche Bank December 31, 1907.

ASSETS.		
Cash	$20,522,282	
Foreign coin, coupons, and matured bonds	6,283,538	
		$26,805,820
Balances with banks and bankers	13,556,469	
Bills discounted and short time Treasury bills	150,287,955	
Loans on collateral	36,874,104	
		200,718,528
Bonds and stocks		16,326,819
Syndicate participations		12,715,837
Special partnership interests		157,080
Shares and participation in other banks		19,414,182
Loans in current account secured	112,225,214	
Loans in current account unsecured	34,856,317	
		147,081,531
Aside from surety guarantees, $18,656,357.		
Advances upon merchandise		16,389,321
Investments of the Siemens pension fund		973,480
Bank premises		4,889,487
Furniture		96
Total		445,472,181

LIABILITIES.		
Capital		$47,600,000
Surplus:		
Ordinary surplus A	$15,800,352	
Ordinary surplus B	6,329,685	
Current account surplus	1,669,963	23,800,000
Deposits		113,312,754
Current accounts		187,615,807
Outstanding shares, second series		575
Acceptances		62,722,015
Aside from surety obligations, $18,656,357.		
Unpaid dividends		8,601
Siemens pension fund		1,266,349
Unsettled accounts of the central office and branches with each other		1,930,119
Profit and loss account		7,215,964
Total		445,472,181

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Q. The notes are all of the same form, so that a holder does not know, by reason of the character of the note, whether or not it is issued under 5 per cent tax?

A. They are all the same form, and the holder does not know.

Q. What action does the Reichsbank take to increase its gold stock aside from advancing the bank rate?

A. If the bank desires gold, or thinks it advisable to import it, it will facilitate the importation by advancing the money to cover the amount to be imported, without interest, during the period in which the gold is in transit.

Q. If, for instance, you wanted to import gold, you would express your desire to the Reichsbank, who would probably facilitate the transaction in the way stated.

A. Yes.

Q. The Reichsbank have very materially increased their gold holdings of late. Is this due to a new policy?

A. No, not particularly. It is due to favorable balance of trade.

Q. The balance of trade was not in your favor in 1907?

A. No; but is largely so this year.

Q. What was the lowest percentage of coin reserve to note issues in the Reichsbank in 1907?

A. From 37 to 38 per cent.

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DRESDNER BANK.

Interviews with Herr Schuster and Herr Nathan, Directors of the Dresdner Bank.

Q. What is the date of your organization?

A. 1872.

Q. Under what laws?

A. Under the general companies act.

Q. You have no special charter?

A. No; under that law any bank may be organized without a special charter.

Q. How is your stock owned?

A. It is distributed throughout the Empire—the ownership of the majority of shares is quite unknown.

Q. You do not know where the control lies?

A. No.

Q. Will you kindly state the plan of organization as to the directors, officers, and managers?

A. Our stockholders meet annually. Our shares are in certificates of 600 and 1,200 marks. Each 600 marks has one vote. At that meeting they elect from among their number a board, the *Aufsichtsrat*, which may be called a board of supervisors, of 36 in number. It is customary at the first election for the members so elected to draw lots, dividing themselves into classes, serving for one, two, three, and four years, respectively, and at subsequent annual meetings to elect successors for those whose terms expire. It is the practice to reelect the same members of the board when retiring. The board of supervisors elect from among their number a president and vice-

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president. They also appoint as directors suitable men, experienced in finance, to conduct the active affairs of the company.

Q. For what terms are they appointed?

A. It varies; in some instances no time is specified, or it may be for three, four, or five years. In the case of our senior no time was specified. It is usual at the expiration of the term, if the time be specified, to reappoint for one year. In practice the director holds his position during the pleasure of the board, as in your country. The board of supervisors also appoints from among their number a subcommittee of 12, who meet monthly and who keep themselves in active touch with the transactions of the bank. The president is ex officio a member of this committee and presides at their meetings.

Q. Is it a fact that the board of supervisors practically control the affairs of the bank?

A. Yes, that is so, when transactions above a certain amount are undertaken.

Q. Is it the custom of the subcommittee to report in detail to the full board of supervisors the transactions made during the intervening period?

A. Yes, in that way they are kept fully informed.

Q. The board of supervisors is, then, an important factor in the management of the bank?

A. Yes.

Q. What is the par value of your stock?

A. The par of our stock is 600 marks and 1,200 marks—originally it was 600 marks—but under a law passed in 1881 the par was increased to 1,200 marks. That law was to the effect that no companies, industrial societies, banks, or others incorporated under the law should have

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an issue of stock with a par value under 1,000 marks. We made the par value of our stock 1,200 marks, double the original, and at our stockholders' meeting a share of 1,200 marks has two votes.

Q. What prompted the enactment of this law?

A. The purpose of the law was to confine investments in stocks of companies, organized under the general law, to people of means and responsibility, and not to attract small investors. There is no such law in England, where they may have issues of £1 shares.

Q. Has this law had any appreciable effect upon the character of investors in stocks of these companies?

A. Yes, to some extent.

Q. How often do you publish your statements?

A. Once a year.

Q. Is this required by law?

A. Yes.

Q. Do you, in fact, publish them more frequently?

A. No.

[Since the beginning of 1909 the large banks of Berlin have agreed to publish a statement every two months.]

Q. Do you have them prepared more frequently for your own use?

A. Yes; once a month, when we present them to the subcommittee of our board at their meetings.

Q. How frequently do the directors meet?

A. We meet every day, in fact. In German we are called "directors," but we are what you call "managers" in English. The subcommittee of the board of supervisors meets each month, and the board of supervisors, which corresponds to what you call the board of directors, meets four times a year, unless called for some special purpose. These meetings are attended by the "directors."

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Q. In your statements you show among your assets, cash, $11,765,470. Will you kindly inform us how that item is constituted?

A. That item represents cash in vault, balance due from the Reichsbank, and the balance due our London branch from their clearing house bank.

Q. It would not include balances in other banks?

A. No.

Q. Is it your custom and the custom generally to carry a comparatively small amount of cash in vault?

A. Yes.

Q. Have you any idea of the amount of cash carried by banks in Berlin, not including their balance in the Reichsbank?

A. No; but it is very insignificant.

Q. As a matter of fact, you do not pay much attention to the amount of cash in vault?

A. No; except that we do not desire to carry much on hand, and if it accumulates we deposit it in the Reichsbank, as we much prefer not to have it in our vaults.

Q. Do you endeavor to maintain a certain percentage of cash on hand and in the Reichsbank to your deposit and acceptance liabilities?

A. No; we are practically indifferent to the percentage, as long as we know that we have on hand a sufficient amount of prime bills.

Q. Then, in practice, you and all other banks endeavor to fully employ all available funds?

A. Yes; we only carry in the Reichsbank and other banks sufficient for the conduct of business. Of course we do an important business in various parts of the world, and it is profitable for us to have balances in various centers in order that we may make transfers for the accom-

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modation of our customers. If we should have a debit in the clearing house of more than our cash in the Reichsbank we would immediately send over bills with our indorsements and establish a credit sufficient to pay the amount of our debit.

Q. According to your statement you show in cash and in the Reichsbank and in other banks a reserve of about 18 per cent of your deposit liabilities?

A. Yes.

Q. You carry that amount entirely for the purpose of meeting your business requirements?

A. Only because it is necessary for the transaction of our business. It is not necessary as reserve. You might almost say there is no cash reserve.

Q. For instance, in your case you would have perhaps only 2 per cent of cash in vault?

A. Yes. The amount carried in other banks remains at about the present figure because of the character of the business transacted. Our method of figuring reserve is as follows: Our statement shows deposits and acceptance liabilities of about $180,000,000. Our cash on hand and in banks, our prime bills, our short loans, and choice securities amount to $110,000,000, or about 55 per cent. In addition we have 10 or 15 per cent of our deposit liabilities in short current accounts.

Q. You receive no interest from the Reichsbank?

A. No.

Q. You receive interest on the balances carried in other banks?

A. Yes.

Q. Are there any figures showing the amount of deposits in the banks in Berlin?

A. No.

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Q. Will you kindly describe the item "Bills discounted," $51,000,000?

A. The bills constituting this item are what we call prime and merchants' bills, running to ninety days, with an average maturity of from fifty to sixty days, and bear at least two good names.

Q. They may be bank bills or merchants' bills?

A. Yes; either.

Q. Are these bills secured or unsecured?

A. They are unsecured. Some of our bank correspondents may send to us bills for discount which are secured to them. We take them, however, on their credit merit and not with collateral.

Q. Are most of these bills commercial bills?

A. Many of them are commercial bills. There is a difference between commercial bills and credit bills. An industrial company may have a credit with their bank and draw upon the bank for an advance. If we took that bill, we would class it as a credit bill, as it is made upon the credit of the industrial company.

Q. Yesterday, in looking over the statement of the Reichsbank, we noticed that they have discounted $221,000,000 of bills at 4 per cent, having three months or less to run. Why should they have such a large volume of discounts at this rate when the market rate on high-class bills is 2¾ per cent?

A. We only take prime bills at that rate. Much of our business is done at 4 per cent. The private rate in Berlin applies to prime bills in such cases. We can not class in this account, for instance, a bill drawn by a good merchant upon a commercial house for a small amount. The bill may be good, but if it be for less than 3,000 marks it would not come within the class, and therefore

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it would bear a higher rate. Many bills are offered to the Reichsbank in order that merchants and bankers may have funds with them for transfer, or to meet clearing-house debits. It is usual for the banks, when going to the Reichsbank, to take the very shortest paper possible, endeavoring to keep it within five to ten days' maturity.

Q. You regard your item "Bills discounted" as one of practical reserve?

A. Yes; it is immediately convertible into cash at the Reichsbank.

Q. We understand that your system here is such that when a merchant wants to borrow money for a legitimate purpose he arranges with some bank to accept his bill, thus creating a prime bill which is discounted by another bank and which may be sold at any moment or converted into cash through the Reichsbank.

A. Yes.

Q. Is it the policy of the Reichsbank and of your own bank, in times of stress, to extend credit liberally to people who are entitled to it?

A. I think the Reichsbank extends credits liberally, as long as it possibly can.

Q. We found that policy was adopted by the best banks in England.

A. We had a very serious crisis here in 1901. It was a money crisis, and at that time the Reichsbank was very liberal in extending credits. The Reichsbank feels that it has a patriotic duty to preserve the credit of the Empire. It is a state institution.

Q. Your statement shows about $13,000,000 loans on collateral.

A. These are loans made to stock-exchange houses secured by collateral.

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Q. Usually for one month?

A. Yes; as a rule.

Q. Is the rate on loans of this character the same as on a prime bill of the same maturity?

A. No; it is regulated by market conditions, like time money in New York. It generally rules higher, however, than the rate on our prime bills. Loans on collateral are not as salable and are only accepted at the Reichsbank at 1 per cent above the discount rate.

Q. Why is this so?

A. Because the Reichsbank will only take a limited amount of collateral loans, as under the law loans are not acceptable as a cover for their issues.

Q. Referring to the item "Shares in other banks," $6,662,753, do you control all banks in which you have any interest?

A. Yes; practically. We probably have not the majority of the stock in any bank, but our holdings are sufficiently large to give us control.

Q. Are all these banks located within the Empire?

A. No; we control a bank in Switzerland, one in South America, and one in the Orient.

Q. Have these particular banks many branches?

A. No.

Q. Are most of the banks in which you are interested located in the Empire and their business confined to it?

A. Yes.

Q. You are represented on their boards?

A. Yes; by one or more.

Q. You really dominate them?

A. Yes; they undertake nothing of importance without our approval.

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Q. Is this system of control of smaller banks by larger banks through ownership of the stocks popular in Germany?

A. Yes; in most cases it is hardly known, and when known is popular, because it is to the advantage of the other stockholders and also to the community in which the bank is located because of the better facilities offered.

Q. What benefits accrue to you in the investments besides the dividends received?

A. As a rule we have the entire business of the banks.

Q. You mean they carry their balances with you?

A. Yes; they also send to us their stock exchange business and their funds for investment.

Q. Is your investment account in bank shares increasing?

A. Yes; gradually.

Q. Is the tendency toward bank consolidation? Are the smaller banks becoming more closely affiliated with the larger banks?

A. Yes; because it serves a mutual advantage. The smaller bank needs better facilities to take care of the increasing business. If a bank wants to increase its capital, and the shareholders do not care to subscribe for the increase, the new shares are frequently offered to us. We look out for the business of these banks in the centers and give them participations in some of our important undertakings.

Q. Is the same tendency toward closer affiliation noticed in your relations with correspondent banks in whom you have no stock interest?

A. Yes.

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Q. Is it usual for the small independent banks or those in whom you have a stock interest to hold as an investment some of the stock of your bank?

A. That might be so to a small degree.

Q. In Great Britain we found that banking interests were practically controlled by from 15 to 20 large banks. Does that condition prevail in Germany?

A. No; but the tendency is in that direction. One difference between the banks of England and Germany is this—in England the primary purpose of the banks seems to be to secure large earnings for their shareholders. In Germany our banks are largely responsible for the development in the Empire, having fostered and built up its industries. It is from 1871 that our real development dates, and it is since that year our great banks have been organized. To them more than any other agency may be credited the splendid results thus far realized.

Q. The securities, of about $13,000,000, which you hold are your investments?

A. Yes; that item includes our investments in government and railroad securities and also shares of industrial and other companies which have been transferred from our syndicate account, the syndicates having been closed.

Q. Will you kindly describe the class of securities you purchase and hold?

A. We purchase securities of the Empire and also of the various States and municipalities. We deem it wise to hold about the amount we now have, as they are quick assets.

Q. If you were to take these to the Reichsbank for a loan, would you not have to pay a higher rate than the bank rate?

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A. Yes; 1 per cent higher. If we send bills to the Reichsbank for discount, we have to pay interest until the maturity of the bills. It might suit us better to make a loan for one day at 5 per cent than to discount bills having five days to run at 4 per cent.

Q. Would it be any reflection upon a bank if it should go to the Reichsbank for discounts or loans in easy times?

A. No; we seldom go in easy times, however, because there is no need of our doing so.

Q. Does it not frequently occur that you have heavy drafts made upon you through the clearing, in which event you would have to sell some of your bills to the Reichsbank?

A. Under such conditions we would sell our bills in the market or go to a neighbor where we could get money at a lower rate.

Q. When you sell bills to the Reichsbank, they are with your indorsement?

A. Yes.

Q. Then your statement would not show that you had sold bills with your indorsement?

A. No.

Q. You carry other bonds and shares?

A. Yes. The bonds of municipalities, of railroads, and shares of industrial companies which we have financed in whole or in part, such as electrical and tramway companies, etc.

Q. You hold these securities for investment?

A. Yes.

Q. You are restricted in no way as to the character of investments you may make?

A. No; our by-laws permit any investments we wish to make.

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Q. Will you give us an idea of one of your syndicate operations?

A. We have just entered upon one. A company has been formed to build a cable line from German West Africa to Brazil. The company manufacturing the cable is required to raise a large amount of money in order to supply the cable. They have come to us and asked us to finance the proposition. We have consented to do so and are forming a syndicate consisting of nine or ten other banks and bankers, each participant having an equal interest. Frequently syndicates are formed to finance an operation the result of which may be an issue of bonds and shares. These bonds and shares are taken by the participants in exchange for the sums advanced by them. It is the custom of the banks to limit their risks in such enterprises by inviting other banks or bankers to share with them, the number invited depending, of course, upon the character of the transaction and the amount of money involved. While it is not the law, it is the universal practice to issue bonds and shares to represent only the actual cash value of the property represented. We have no system of issuing bonus stock as is done in some other countries.

Q. In syndicate operations you may become syndicate managers; and if so, do you receive commission as managers?

A. We may become the syndicate managers, but it is not generally the custom to receive commission for such services. The profits accruing are always divided ratably among the participants.

Q. If a proposition be made to you from a responsible man to aid him in building an electric plant, he having first invested, say, 100,000 marks and asking you to

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furnish further capital for the completion of the plant, would you be inclined, conditions being favorable, to join him?

A. We might, but the probabilities are we would not. We do not advance funds on propositions of this character, except in cases where the plant has been established and is earning upon the investment.

Q. Assume that the plant is established and earning upon the investment, but that the manufacturer desires to enlarge his plant, would you then advance him money for that purpose, taking bonds as security?

A. We might.

Q. Is it not your custom to frequently have securities listed?

A. Yes. We seldom handle securities which are not or may not be listed.

Q. Do you publish the amount of profits received on your syndicate investments?

A. No.

Q. Is there strong competition between the important banks of Berlin or do they work more or less together?

A. Of course there is strong competition between the large, important banks, but there is no lack of harmony, and they very frequently work together in syndicate operations as described. While it is the desire and endeavor of each bank to build up its business, it must be recognized that each institution has more or less its own field of operation, which is in a measure respected by the other banks. As, for instance, the Deutsche Bank has done a very large volume of business with Turkey, and business emanating from that source is expected to and naturally does go to the Deutsche Bank, while another institution may have been largely identified with Rou-

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mania, or another with some large local interest. We ourselves are recognized as representing the Krupp interest and have just recently formed a syndicate to finance one of their operations.

Q. Is the syndicate business which the banks take confined to Germany?

A. No; it covers all parts of the world.

Q. Berlin is the center in Germany for such operations, is it not?

A. Yes.

Q. In syndicate transactions the practical management for the bank is divided among the directors, is it not?

A. Yes.

Q. If a syndicate operation of the character described should prove unprofitable to the investors, would it not reflect upon the credit of the bank which organized the syndicate?

A. This occurs very rarely, and, when it does, does not appreciably reflect upon the standing of the issuing bank.

Q. Is this due to the training of the public?

A. It may be. It is the custom of banks in Berlin to do business of this character, and it can not all result satisfactorily, though it does to a very large degree.

Q. In your statement of assets you show "Current accounts," $108,247,559?

A. Yes. These are advances made by us to customers; $78,000,000 of these are secured.

Q. Is this not an unusually large percentage to be secured?

A. We would not say so.

Q. Have you a system of pensions for your employees?

A. No.

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Q. Your statement shows about $603,000 in pension funds?

A. Yes; but we have no settled system. That fund is at the disposition of the directors and may be placed as we see fit. We think, however, there will soon be a law, as the subject has been agitated, and we believe a bill will soon be passed adopting a system similar to that of the Government.

Q. In your "liabilities" you show "Current accounts and deposits" of about $130,000,000. Will you kindly state the distinction between deposits and current accounts?

A. Deposit accounts are funds received by the branches here in Berlin and elsewhere and are not, generally speaking, accounts to which credit is granted.

Q. Are some of these on time?

A. Yes; but we can not at the moment tell you the percentage.

Q. Do you pay interest on all these balances?

A. Yes; practically on all of them. We pay from 1½ to 2 per cent in Berlin and somewhat higher rates at the outside branches.

Q. In your statement you show "Acceptances against credits and securities" of about $50,000,000?

A. Yes. Part of these are secured and part are based upon the credit of the drawer.

Q. Our understanding is that a merchant, a customer of yours, may arrange with you for a credit of, say, 100,000 marks, which may or may not be secured, and may draw a ninety-day bill upon you for that amount. He may send that bill to the Deutsche Bank for discount. If the Deutsche Bank will discount it, they present it to you and you accept it. Will you kindly state why this custom prevails?

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A. One reason is that it makes a bill which is acceptable at the Reichsbank and is a prime bill. We receive one-fourth of 1 per cent, or more, for our acceptance, and the Deutsche Bank or any other bank discounting invests its money at a rate for the period. It might be that we would prefer to give our customers a cash credit rather than to accept his bill, in which event we would so arrange.

Q. Then this practically enables you to sell your credit without using your cash?

A. Yes.

Q. We understand this is the usual custom in Germany.

A. Yes.

Q. Is it not a fact that in the last analysis the customer who uses the money usually pays more than the bank rate—that is, would it not cost him, in such a transaction to-day, say 5 or 6 per cent, while the bank rate is 4 per cent?

A. Yes.

Q. How many branches have you?

A. Dresden, Berlin, London, Frankfort, Bremen, Nuremburg, Fuerth, Hanover, Bückeburg, Detmold, Mannheim, Chemnitz, Lübeck, Altona, Zwickau, Plauen, Emden, Munich, Augsburg, Freiburg i/Br., Heidelberg, Bautzen, Greiz, and Meissen.

Q. Have these branches subbranches in the cities in which they are located?

A. Six of them.

Q. Are those subbranches many in number?

A. No; perhaps five or six to each branch.

Q. Is it your endeavor to reach the small country towns?

A. No.

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Q. Neither through these branches nor through the banks whose stock you control?

A. No; we do not care for that class of business. It is not the practice or endeavor of the other important banks of Berlin to reach, through their branches, the interior towns, as is the custom of the joint stocks banks of London.

Q. How are the managers of your branches appointed?

A. By the directors, with the consent of the board of supervisors.

Q. The business of these branches is of a character quite like that of the business conducted by you here, except the syndicate operations?

A. Dresden and Frankfort are the only other branches which handle syndicate operations; the other branches conduct a regular banking business.

Q. What is your system of audit?

A. We have a force of men whose duty it is to examine each branch and the main offices and report to the board.

Q. Do you handle country checks by sending them to the cities and towns upon which drawn, or through the main bank, if it be in Berlin?

A. We send them direct for collection.

Q. Is the volume of country checks an important item with you?

A. Yes; but not as you would consider it in America.

Q. Is the use of checks increasing in Germany?

A. Yes; but the Reichsbank is an important factor in the transferring of credits, thus diminishing the number of checks which would otherwise be required.

Q. In the United States we have brokers who handle commercial paper, and many of the banks purchase it to employ their surplus funds. In London we found discount houses whose sole business was to handle paper for sale to

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banks to employ their surplus funds. What corresponds to that agency in Berlin?

A. In Berlin there are two brokers who handle prime bills, but they are not an important factor.

Q. How do you employ your surplus funds?

A. We buy bills in the market or through these brokers.

Q. In employing your surplus funds do you buy any other bills than those which the Reichsbank would accept?

A. No.

Q. If the Reichsbank were to reduce its rate from 4 to 3½ per cent, what effect would that have upon your rate allowed for deposits?

A. We would reduce our rate correspondingly.

Q. Would you also reduce your rate to borrowers?

A. Yes.

Q. What dividends do you pay upon your stock?

A. We are now paying 7 per cent.

Q. Is your stock dealt in on the Berlin Stock Exchange?

A. Yes. It is selling now at 145, which is on about a 5 per cent basis.

Q. You have stated that you do not know where your stock is held. Will you kindly explain that?

A. Our stock certificates are payable to bearer with coupons attached. At the end of each year we publish our dividend, after which the stockholders send to us a coupon for the amount due. Each certificate is registered as to the amount of shares and the coupon must correspond.

Q. How is your stock represented at your meetings?

A. The certificates must be deposited three days prior to election date.

Q. You are not examined at any time by the Government?

A. No.

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Q. What taxes do you pay?

A. Last year our taxes were 1,400,000 marks ($350,000). We are obliged to pay to the Prussian Government 4 per cent of our profits, after allowing for a dividend of 3½ per cent. We also pay to the municipality 4 per cent of our profits, making a total tax of 8 per cent of our net profits. Every State exacts a tax on about this basis.

Q. The tax paid by you is about six-tenths of 1 per cent upon your capital and surplus. In New York banks are obliged to pay 1 per cent. Does the stockholder have to pay a tax?

A. Yes; the stockholder also has to pay an income tax, which is equivalent to about 8 per cent of the amount received on the shares.

Q. Have there been any suggestions from responsible quarters for a change in the policy of note issues in the Empire?

A. No; I think not. We had an inquiry here some months ago, but the commission for the preparation of the new law have not yet reported. As the Reichsbank privilege expires in 1911, the Government will probably have a bill passed in the Reichstag during the coming winter session extending the charter of the Bank. It may be that there will be some changes in the charter. For instance, there are many people who advocate an increase of the capital of the Reichsbank, which is now 180,000,000 marks, but this is all as yet uncertain.

Q. Is there any suggestion of giving to any other bank except the Reichsbank the right of note issue?

A. No; on the contrary, the remaining banks of issue will from time to time relinquish that right, as many banks have already done.

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Q. Why should they contemplate increasing the capital of the Reichsbank? What would give rise to that suggestion?

A. That question arose last year during the time of high discount rates. Our agrarian party considered it very desirable to increase the capital, because they thought that it was only by an increase of capital that the discount rate could be reduced. Of course that was a mistake, as in the meantime discount rates have fallen without any such measure. I think, therefore, that perhaps they will leave the capital as it stands now. They desired the increase of capital because they thought that the Reichsbank was not able to meet the necessities of the Empire, and was therefore obliged to raise the discount rate. As a matter of fact, the discount rate was high because the industries of the country were running so actively.

Q. Has there been any evidence of uneasiness because of the increasing use of taxed notes?

A. No; they issued taxed notes twenty-five times during the past year; the amount was at one time as high as 650,000,000 marks, but I hardly think there is much importance to be attached to that fact.

Q. Does it not create more or less of a feeling of uneasiness in business circles?

A. I do not think it does. The notes must always be covered by at least one-third in gold and coin. I think it would be much better to do away with the Kontingent feature altogether and to provide that if the reserve goes down to 40 or 45 per cent the amount of notes issued above that should be taxed. The tax is only a fiscal matter, nothing else.

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Q. Would you consider the issue of taxed notes in a sense an evidence of an abnormal condition.

A. No; on the contrary, it is quite normal. Last year it happened twenty-five times.

Q. Is attention paid to the percentage which the cash reserve bears to the deposits of the Reichsbank as well as its relation to the note issue?

A. Yes; of course we follow that very closely here, but I think the public only considers the relation of the reserve to the note issue.

Q. What is the Berliner Kassenverein?

A. It is a bank for the clearing of stock exchange securities and also for the checks of banks which are not members of the Clearing House.

Q. I believe there are six or seven different kinds of banks outside of the usual commercial banks?

A. There are several different kinds of Genossenschaften or cooperative banks. Then every province of the Prussian State has a bank, which lends on mortgage, etc., and issues debentures. These debentures rank among those admitted as first-class securities at the stock exchange. There are also a number of what we call communal savings banks (*Kreis Sparkassen*). Then there are the municipal savings banks (*Stodt Sparkassen*). There are also a number of private savings banks.

Q. Are the savings banks restricted by law as to the character of investments they may make?

A. Yes; very severely restricted by law. By the state law they are only allowed to take such mortgages as are legal investments for trustees, and that law is defined by the provinces or by the State. Cooperative banks do a business which is not large enough for the other banks. They are not always called banks, but cooperative societies.

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Q. Where are the principal ones located?

A. The headquarters of some of them are here in Berlin, but there are some in other provinces of Prussia.

Q. What are the particular functions of those banks? Upon what theory are they organized?

A. The theory is that by pledging the credit of the members they can do a business which will serve a mutual advantage and with small cash capital.

Q. They are not dependent one upon another?

A. Each association is entirely independent, but the various associations form an organization which is for the purpose of control. There is one large society in the Province of Silesia, with headquarters at Breslau, and all the corporations in that Province are controlled from that point. We have a number of such organizations.

Q. Is there any legal restriction as to the character of investments made by these banks or societies?

A. They may buy what they want. The Preussische Central-Genossenschafts-Kasse is a state bank, which is established to look after the business of the agrarian co-operative societies. The Prussian Government furnishes to this institution the capital which is required by it.

Q. Do you think it desirable to have a graduated tax on note issues, as in our recent legislation in America?

A. I think this is hardly necessary. In America you have to deal with so many banks. Here we have practically to deal with but one. The theory of the Reichsbank is that it will maintain conditions and rates with as little fluctuation as possible.

Q. In times of trouble do the large banks, like your own, the Deutsche Bank, and Disconto, cooperate with the Reichsbank in an endeavor to prevent the exportation of gold?

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A. Yes. Opinions are divided as to whether it is for the good of our country to do so or not. Last year, for instance, many people asked for gold. It was refused at first in some quarters; later we shipped freely.

Q. Do the banks handle a large percentage of the gold imported and exported?

A. Yes; we handle a large percentage of the gold moved.

Q. Is it easy to obtain statistics showing the exports and imports of gold?

A. I think you can get statistics, but I doubt their accuracy. Our people carry a great deal of gold in their pockets, and large amounts are imported and exported over the frontier in this manner and no record made.

Q. Would not the exports about balance the imports of this sort?

A. Perhaps.

Q. We should like to learn the amount of notes and coin in actual circulation among the people in Germany.

A. It is very difficult to arrive at that figure. It is quite impossible to know how much gold and silver has been used for industrial purposes. We should regard the cash in the banks as insignificant, inasmuch as we only carry cash for the day-to-day needs of the public.

Q. We should like to know how much is in the pockets of the people.

A. The bank only has what the public leaves from day to day—taken in from them and given out to them. The balance, exclusive of the holdings of the Reichsbank, is with the people.

Q. Do you do a transfer business?

A. Yes.

Q. What is meant by Giro business?

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A. A transfer which is sent to anybody in Germany through the Reichsbank.

Q. What do you call a transfer from your main office to one of your branches?

A. There is no special term for that. What we call Giro comprises the transfer transactions and also paying money out—that is all Giro.

Q. This does not alone refer to the Reichsbank?

A. It is not confined to the Reichsbank. For instance, some of our customers term their accounts Giro Konto or Scheck Konto.

Q. Have you a general idea of the total amount of deposit liabilities in Germany?

A. We estimate the deposit liabilities of the Berlin banks, not including savings banks or cooperative banks, at about 3,000,000,000 to 3,500,000,000 marks—$800,000,000. In all Germany it is about 8,000,000,000 marks—$2,000,000,000.

Q. That is a surprising statement. In the city of New York alone the deposits in the banks, exclusive of savings banks, amount to more than 10,000,000,000 marks.

A. New York is quite a place. Our people invest a larger proportion of their funds in securities and keep less money on deposit in banks.

Q. Are the savings banks deposits subject to immediate withdrawal?

A. Certainly.

Q. Why should not those deposits be included? If you are estimating the total deposit liabilities, why should you not include these?

A. If you want to get at the aggregate of sight deposits in Germany you should include them. The great ad-

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vantage of our system is that it affords so many ways of investing money with absolute security.

Q. Has there been any other banking crisis in Germany since 1875 except that of 1901?

A. Yes; there was in the year 1890; but I do not think any crisis was as severe as 1901.

Q. You had no serious crisis in 1893?

A. No.

Q. Was there not a bank run about a week ago on one of the Genossenschaften?

A. This was one of the Schulze-Delitsch which banks with us. We helped them, as we absorbed their central bank and now serve them as such.

Q. What do you mean by serving them as their central bank?

A. That simply means that we are their Berlin correspondent. The various banks of this organization know that by doing their regular business with us they may receive assistance from us in case of need. At the time the run started on that bank they had a credit balance with us of 500,000 marks.

Q. Is the stock exchange an important factor with the banks in Berlin?

A. Yes, for our stock business.

Q. Do you transact a large stock business?

A. Yes. We have no brokerage houses like yours in America.

Q. If I should come in and ask you to purchase for me a certain amount of shares would you do so?

A. Certainly.

Q. What margin would you require?

A. We have customers for whom we buy on small margin. If a man who is known to us to be good for a cer-

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tain amount desires to purchase for speculation, he may give us an order without having any margin at all. But usually we expect a margin of 25 to 40 per cent.

Q. What have you as an evidence of his obligation?

A. He must confirm the transaction. Stock transactions are conducted quite differently here from what they are in America; in a majority of cases we have only one quotation a day. The price may fluctuate as it does in New York for securities dealt in for future delivery, but for all bonds and most mining and industrial shares there is only one official quotation each day. At a certain hour people go to the official broker, who determines the price of the securities for the day, and they are settled for on the basis of that price. It should be added that on demand the Government may allow the stock of all mining and industrial stock companies having a fully paid up share capital of at least 20,000,000 marks to be dealt in for future delivery, i. e., for the end of the month, and such stock has not merely one quotation a day, but is dealt in during the sessions of the stock exchange at fluctuating prices.

Q. Are you members of the stock exchange?

A. All banks and bankers are members of the stock exchange.

Q. By virtue of their being banks?

A. Yes; they have to pay a tax for the exchange.

Q. Are the seats expensive?

A. No. You do not buy a seat. There is no limit to the number of people admitted.

Q. Do you have more than one man go to the stock exchange?

A. Yes. We have from twenty to thirty people go to execute our orders.

Q. How is the stock exchange governed?

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A. We have certain government supervision over the stock exchange. Formerly the exchange was a private corporation, but the new law created a board of managers which is responsible to the Government.

Q. What is the makler verein?

A. That is a stock company. It is for brokers who can not do business under their own name, who have no credit. This organization clears their transactions for them.

Q. Is the banking field in Berlin so monopolized that a new institution with ample capital would find difficulty in establishing itself?

A. It would depend upon the management. We see no reason why a bank would not have a fair chance.

Q. Does the Imperial or Prussian Government carry any cash reserve independently of the banks?

A. No; except that the Imperial Government has a fund of 120,000,000 marks in gold, which is known as the war fund, and which has been carried in a vault in Spandau since the payment of the French indemnity.

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DRESDNER BANK.

Dresdner Bank, Bilanz für 31. Dezember 1907.

AKTIVA		Mark.
Kassa-Konto: Bestand an Bar, Coupons und Sorten		49,436,849.55
Wechsel-Konto: Bestand abzüglich Zinsen		217,645,918.00
Konto-Korrent-Konto: Verfügbare Guthaben bei Banken und Bankiers		31,837,022.00
Effekten-Report-Konto		42,513,853.50
Waren-Report-Konto		7,807,654.15
Lombard-Konto		14,096,377.45
Vorschüsse auf Waren und Waren-Verschiffungen		38,274,214.05
Dauernde Beteiligungen bei fremden Banken		27,994,759.30
Effekten-Konto		56,153,442.20
Konto-Korrent-Konto. Debitoren:		
(*a*) Banken und Bankiers durch Effekten gedeckt	*Marks.* 55,232,015.50	
(*b*) sonstige Debitoren, durch Effekten und andere Sicherheiten gedeckt	272,867,957.95	
(*c*) ungedeckte Debitoren	126,721,699.75	
		454,821,673.20
ausserdem Aval-Debitoren M. 32,361,155.90.		
Konsortial-Konto		48,376,813.50
Immobilien-Konto:		
Bankgebäude Dresden, Berlin, Frankfurt a. M., Hamburg, Bremen, Nürnberg, Fürth, Hannover, Bückeburg, Mannheim, Detmold, Plauen i. V., Chemnitz, Emden, Freiburg i. Br	14,685,000.00	
Neubau-Konto Berlin, Hannover, München, etc	4,475,623.50	
Diverse Grundstücke	1,409,640.70	
		20,570,264.20
Pensions-Fonds-Effekten-Konto		2,437,860.40
König-Friedrich-August-Stiftung-Effekten-Konto		96,937.50
		1,012,063,639.00

PASSIVA.	Mark.
Aktien-Kapital-Konto	180,000,000.00
Reserve-Fonds-Konto	41,800,000.00
Reserve-Fonds-Konto B	9,700,000.00
Verzinsliche Depositen	224,845,411.30
Konto-Korrent-Konto. Kreditoren	323,699,114.40
Akzept- und Scheck-Konto (ausserdem AvalVerpflichtungen in Höhe von M. 32,361,155.90)	209,491,706.15
Dividenden-Konto: Unerhobene Dividenden	29,361.00
Pensions-Fonds-Konto	2,478,121.35
König-Friedrich-August-Stiftung	100,290.90
Uebergangsposten der Zentrale und der Filialen untereinander	413,704.60
Reingewinn	19,505,929.30
	1,012,063,639.00

Balance sheet of the Dresdner Bank December 31, 1907

ASSETS.		
Cash, including coupons and foreign coin		$11,765,970
Bills discounted (with interest deducted)		51,799,728
Balances with banks and bankers		7,577,211
Securities carried for settlement on the stock exchange for customers		10,118,297
Commodities carried for settlement on the produce exchange for customers		1,858,222
Loans on collateral		3,354,938
Advances upon commodities		9,109,263
Shares and participations in other banks		6,662,753
Securities		13,364,519
Loans in current account:		
(*a*) To banks and bankers, covered by securities	$13,145,220	
(*b*) To others, covered by securities	64,942,574	
(*c*) Uncovered loans (in addition to surety guarantees, $7,701,955)	30,159,765	
		108,247,559
Syndicate accounts		11,513,682
Real estate:		
Bank buildings	3,495,030	
Building account	1,065,199	
Other real estate	335,495	
		4,895,724
Pension fund securities		580,211
King Frederic Augustus foundation securities		23,071
Total		240,871,149

LIABILITIES.	
Capital	$42,840,000
Surplus A	9,948,400
Surplus B	2,308,600
Interest-bearing deposits	53,513,208
Current accounts	77,040,389
Acceptances and drafts (in addition to surety obligations, $7,701,955)	49,859,026
Unpaid dividends	6,988
Pension fund	589,793
King Frederic Augustus foundation	23,869
Unsettled account of central office and branches with each other	98,462
Net profits	4,642,413
Total	240,871,148

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DISCONTO-GESELLSCHAFT.

Interview with Doctor Salomonsohn, Director of the Disconto-Gesellschaft.

Doctor Salomonsohn stated that the character of the business of the Disconto-Gesellschaft is strictly the same as that of the Deutsche, Dresdner, and other joint stock banks. It differs only in this particular, that it is arranged on the commandite principle. The directors, five in number, are partners in the business. They manage it and are responsible to the creditors for the obligations of the bank. They receive no salaries, but share to the extent of 20 per cent in the profits, after a dividend of 4 per cent has been paid to the stockholders.

The law requires them to carry to their surplus fund a certain percentage until that fund shall have reached 10 per cent of the capital. They can not divide their entire profits until the surplus funds shall have reached one-third of their capital, which they have now done. It is not their practice, however, to divide the entire profits among their stockholders, as they prefer to increase their surplus fund. If the bank were to be liquidated, the partners would be entitled to one-fifth of the capital and surplus.

In speaking of the gold reserve of the country, Doctor Salomonsohn stated that it has been carefully estimated that the gold reserve in the pockets of the people of the Empire amounts to about 4,000,000,000 marks ($1,000,000,000) and that it is more satisfactory to have a reserve carried by the people than by the banks. It might properly be considered as a war-fund reserve; that is, in case of trouble it could be relied upon. He stated

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that there had been no reliable estimate made as to the percentage of gold reserve in the banks to their deposit liabilities, the Reichsbank being the only institution making a statement covering that figure.

When asked if the use of bank checks was increasing in Germany, he stated that it was, somewhat. It is not yet the custom, however, for people to use checks in settlement of their personal accounts, as is the practice in England and America. Last year a law was passed specifying in more precise terms than had before been done the legal status of the check, the intent of which was to increase the use of the deposit and check systems. He, however, does not approve of the check system as compared with the transfer system, now in vogue in Hamburg.

When asked if he viewed with any concern the very large mortgage debt on the real estate in the Empire, he replied that he thought it was large—possibly too large. In addition to the loans made by institutions, and estimated at 24,000,000,000 marks ($6,000,000,000), there were many mortgages of large aggregate held by individuals, the total of which can not be estimated. He expressed absolute confidence in and approval of the Reichsbank system, stating that he thought it would be well to increase the Kontingent, but that the increasing volume of notes issued by them gave no concern, and that bankers generally regarded the beginning of the issue of taxed notes as something of a warning, but with no alarm.

In regard to the postal savings bank system he stated that a law had been passed inaugurating a postal check system, which he believed would be of great advantage. At present it is the custom to use the postal service for the remittance of small sums to and from the small country towns. It has been estimated that the postmen of

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DISCONTO-GESELLSCHAFT.

Disconto-Gesellschaft, Bilanz am 31. Dezember 1907.

AKTIVA.		Mark.
Kasse, Coupons und fremde Goldmünzen		35,181,575.15
Wechsel		154,295,689.30
Guthaben bei Banken und Bankiers		17,301,141.15
Reports und Darlehen		49,554,644.47
Eigene Wertpapiere		34,084,520.05
Konsortial-Beteiligungen		59,911,416.37
Beteiligung bei der Norddeutschen Bank in Hamburg		50,000,000.00
Andere dauernde Beteiligungen bei Bank-Instituten nebst Kommandit-Beteiligungen		54,040,129.93
Debitoren in laufenden Rechnungen		386,998,135.31
Ausserdem Aval-Debitoren	*M.* 46,369,881.88	
Effekten-Depot der Pensionskasse, des Unterstützungsfonds und der besonderen Stiftungsfonds		4,779,130.50
Mobilien nach Abschreibung		244,109.85
Bankgebäude in—	*Mark.*	
Berlin	6,000,000.00	
London	1,118,824.20	
Bremen	325,300.00	
Frankfurt a. M	3,000,000.00	
		10,444,124.20
		850,834,616.28

PASSIVA.	Mark.
Eingezahlte Kommandit-Anteile	170,000,000.00
Allgemeine (gesetzliche) Reserve	38,092,611.39
Besondere Reserve	19,500,000.00
Deposit-Rechnungen mit Kündigung	144,260,541.89
Kreditoren in laufenden Rechnungen	256,534,537.07
Accepte (ausserdem Aval-Verpflichtungen *M.* 46,369,881.88)	194,099,797.02
David Hansemannsche Pensionskasse nach Überweisung von *M.* 150,000 aus 1907	4,381,267.64
Adolph von Hansemann-Stiftung	494,601.65
Unterstützungsfonds und besondere Stiftungsfonds für die Angestellten der Gesellschaft	269,240.50
Sparkassen-Konto für die Angestellten der Gesellschaft	4,368,409.46
Nocht nicht abgehobene Dividenden der früheren Jahre	24,628.50
9% Dividende auf. *M.* 170,000,000 Kommandit-Anteile	15,300,000.00
Tantieme des Aufsichtsrats	447,368.42
Gewinn-Beteiligung der Geschäftsinhaber	1,789,473.69
Übertrag auf neue Rechnung	1,272,139.05
	850,834,616.28

Balance sheet of the Disconto-Gesellschaft December 31, 1907.

ASSETS.		
Cash, coupons, and foreign coins		$8,373,215
Bills discounted		36,722,374
Balances with banks and bankers		4,117,672
Loans on collateral		11,794,005
Securities		8,112,116
Syndicate participations		14,258,917
Participation in the Norddeutsche Bank in Hamburg		11,900,000
Shares and participations in other banks		12,861,551
Loans in current accounts (in addition to surety guarantees, $11,036,032)		90,677,556
Securities for pensions and other foundations		1,137,433
Furnishings		58,098
Bank buildings in—		
Berlin	$1,428,000	
London	266,280	
Bremen	77,422	
Frankfurt a. Main	714,000	
		2,485,702
Total		202,498,639

LIABILITIES.	
Capital	$40,460,000
Legal surplus	9,066,041
Special surplus	4,641,000
Deposits subject to notice	34,334,009
Current deposits	61,055,220
Acceptances (in addition to surety obligations, $11,036,032)	46,195,752
David Hansemann Pension Fund	1,042,742
Adolph von Hansemann foundation	117,715
Other pension funds	64,079
Savings account for bank personnel	1,039,681
Unpaid dividends for earlier years	5,862
9% dividend upon capital	3,641,400
Amount of profit due directors	106,474
Profits of partners	425,895
Balance for new account	302,769
Total	202,498,639

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the Empire carry daily in cash an amount averaging 25,000,000 marks, this being the amount of cash paid out by the postmen. They are not allowed to receive cash. That must be deposited in the post-office. The system proposed will enable anyone to open an account with the Post-Office Department. A deposit may be made against which a check may be drawn, thereby avoiding the trouble and risk of daily payments to the department in cash. As the custom of using the post-office is very general, especially in remitting to those having no account with the Reichsbank, it is believed that the postal check system will serve a splendid purpose and become popular.

When asked if the postal savings bank system would be adopted, he stated that the postal check system might develop into the establishment of a postal savings bank system. He thought that there would be much opposition to this, he himself being opposed to it, but there were some who confidently believed that the move would eventuate into the establishment of the bank system. It seems that the question of interest to be allowed by the department has not been settled. They may decline to allow interest on sums deposited with them.

When asked as to the character of the deposits in his bank, and also in the other banks in Berlin, he stated that they were very stable—that is, that they fluctuate very little—but in his own institution they had gradually increased from year to year, due of course in part to the development of business. He expressed the opinion that the deposits in the banks of Berlin were less liable to fluctuations than those in other financial centers.

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BERLINER HANDELS-GESELLSCHAFT.

Interview with Doctor Mosler, Director of the Berliner Handels-Gesellschaft.

Doctor Mosler stated that the business of the Berliner Gesellschaft was practically of the same class as that of the other private or joint stock banks. His bank was established about 1850 under special charter and is organized upon the commandite principle, i. e., the directors are partners, being responsible for the liabilities of the bank and sharing in 20 per cent of the profits, after allowing for a dividend of 4 per cent. This is the only important bank in Berlin having no branches in other cities, or in the city of Berlin itself, the entire business being confined to one office. When asked why they had purchased no other banks to be used as branches, or established branches in no other city, he stated that they did not deem it advisable to conduct their business through branches. He argued that in fair weather they might serve an advantage, but that in times of stress he felt quite content to have their business under the immediate supervision of the directors located in Berlin. He felt that the experiences of the latter part of 1907 vindicated his judgment in this regard, as he was in much better shape to handle the business, concentrated as it was, than were other important institutions with such diversified interests and so widely scattered. This view, he stated, is not entertained, however, by banks having branches. The system of important branches has only been in vogue for a few years, and he feels that its advantages are not yet thoroughly demonstrated. It has been the custom of the joint stock banks

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BERLINER HANDELS-GESELLSCHAFT.

Bilanz der Berliner Handels-Gesellschaft vom 31. Dezember 1907.

SOLL.	Mark.	HABEN.	Mark.
Kassa-Konto	22,559,037.55	Kommandit-Kapital-Konto	100,000,000.00
Effekten-Konto	24,456,409.45	Reservefonds	30,000,000.00
Effekten-Report-Konto: Reports und Lombardvorschüsse auf Effekten	51,015,697.40	Tratten-Konto	74,051,150.45
Wechsel-Konto	89,850,878.55	Kontokorrent-Konto: Kreditoren	212,882,979.70
Grundstücks-Konto	1,365,280.30	Gewinnanteil-Konto: Rückständige Gewinnanteile	10,603.35
Bankgebäude	5,106,178.70	Pensions-Kasse der Angestellten der Berliner Handels-Gesellschaft: Vermögensstand	2,530,548.20
Konsortial-Konto	54,318,773.60	Stiftungen für die Angestellten der Berliner Handels-Gesellschaft: Vermögensstand	217,199.40
Kontokorrent-Konto: Debitoren	179,810,414 95	Gewinn- und Verlust-Konto: Reingewinn	11,505,910.70
Pensions-Kasse der Angestellten der Berliner Handels-Gesellschaft: Effekten-Bestände	2,502,278.80		
Stiftungen für die Angestellten der Berliner Handels-Gesellschaft: Effekten-Bestände	213,442.50		
	431,198,391.80		431,198,391.80

Balance sheet of the Berliner Handels-Gesellschaft December 31, 1907

ASSETS.		LIABILITIES.	
Cash on hand and at Reichsbank	$5,369,051.00	Capital	$23,800,000.00
Bonds and stocks	5,820,625.00	Surplus	7,140,000.00
Loans upon collateral	12,141,736.00	Acceptances	17,624,174.00
Bills discounted	21,384,509.00	Current accounts	50,666,149.00
Bank land	324,937.00	Unpaid dividends	2,524.00
Bank building	1,215,270.00	Pension-fund account	602,270.00
Syndicate account	12,927,868.00	Endowment-fund account	51,693.00
Due from customers and correspondents	42,794,879.00	Profit and loss	2,738,406.00
Pension-fund securities for bank officials	595,542.00		
Endowment funds for bank officials	50,799.00		
Total	102,625,216.00	Total	102,625,216.00

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to purchase the shares of banks in other cities and convert them into branches.

When asked his opinion of the organization, character, and strength of the Reichsbank, he stated that he believed there was no better banking institution in the world; that he believed it could not be improved upon, and was not in favor of any change unless it be that of an increase in the Kontingent. He admitted that there had been some criticism of the Bank, largely emanating from the agrarian party (principally the large landowners in East Prussia), who felt that the Bank was organized more for the benefit of commercial and industrial enterprises than for the agricultural. Their contention, he believed, was not well founded, as the Government renders through other channels great assistance to the agricultural classes, and it would be impracticable to organize a central bank which could meet their demands.

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PREUSSISCHE PFANDBRIEF-BANK.

Interview with Herr geh. Kommerzienrat Dannenbaum, Director of the Pfandbrief-Bank.

Q. When was this bank organized?

A. In 1862. It is the oldest of the mortgage banks in Prussia.

Q. Are you organized under special charter?

A. Yes; a charter of the Prussian state.

Q. What are the particular functions of this bank?

A. The bank makes a specialty of lending on real estate, holding the mortgages as collateral security for bonds which are issued by the bank and sold to the public. We may also loan on communal securities and upon railroad securities.

Q. What do you mean by communal securities?

A. The securities are those issued by corporations which are practically controlled either by the State or a municipality and which are authorized to levy taxes. They may be provinces, counties, cities, church societies, and other enterprises of a like character. We do not receive from corporations of this kind a mortgage, but merely an obligation to pay, and for the payment of which the corporation is liable with its taxes.

Q. Are you privileged to make loans on any other class and hold them as security for your bonds?

A. Yes; our charter permits us to loan to railroads, taking their obligation as evidence of the debt. The volume of this business is, however, small. We mostly confine our loans to city real estate. From our statement you will notice that our bonds secured by real estate mortgages amount to about $65,000,000; those secured by

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communal obligations to about $8,000,000; those secured by railroad obligations to about $1,500,000.

Q. Will you kindly inform us as to the method of appraisement on real estate loans?

A. We have in our employ appraisers who estimate the value of the property. They make their estimate not only upon the cost of the property but upon its present market value, and also upon the income from it; i. e., according to the rents coming in. This appraisement is submitted to the board who act upon it, and if they approve fix its amount in the presence of the managing director. When several loans have been made the mortgages are deposited with the State Controller, who approves them and then authorizes us to issue our bonds against them. It is customary for us to have a margin, that is, we may but never do issue bonds to the full amount of the mortgages held by us, as we have sufficient capital, so that it is not necessary for us to borrow the full amount loaned.

Q. Are all real estate mortgages held as security pro rata for any and every bond issued by you?

A. Yes, and all communal loans for the communal obligations, and all railroad loans for the railroad obligations.

Q. For what time are your bonds issued?

A. They may be called by us only after ten years from their date of issue.

Q. For what time are the mortgages on real estate made?

A. They usually are made for a period of ten years—i. e., as to city real estate. The mortgages made on country real estate and communal railroad obligations are usually on the amortization plan at the rate of one-half

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per cent, which would make the length of the mortgage 56½ years; if at 1 per cent, it would run 44 years.

Q. About what is the difference between the rate received on mortgages made by you and the rate paid on bonds issued by you?

A. We receive about one-fourth of 1 per cent and one-eighth more than we pay. Our percentage of profit is small, but the volume of our business is so large that it gives us a large return. The law does not permit us to issue the bond at a lower rate than we receive upon the mortgage.

Q. Are you limited as to the amount of bonds you may issue?

A. By our charter the total amount of bonds secured by real estate mortgages or railroad obligations must not exceed fifteen times our capital and surplus. We may also in addition issue communal bonds secured by communal obligations to the amount of one-fifth of total real estate and railroad bonds issued.

Q. What was the cause of the mortgage bank failures in 1901?

A. There were two banks affected. They were controlled by the same interest and the management was bad. The public became concerned about their bonds and threw them on the market. The banks were unable to protect them and trouble resulted. Both banks have been reorganized and are now under reliable management.

Q. Is it the custom of mortgage banks to protect their bonds in the market by purchasing them?

A. Yes; that is the practice.

Q. How many mortgage banks of this character are there in the Empire?

A. There are 39.

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Q. Have you an idea of the aggregate amount of bonds issued by these banks?

A. About 9,000,000,000 marks—$2,200,000,000.

Q. Is their field of operation confined to Germany?

A. Yes.

Q. May any of them receive deposits?

A. Yes. We may receive deposits to the amount of one-half our capital. These are especially deposits of clients who have taken advances and who leave their money here for some time. We may also buy and sell securities on stock exchange, but only for cash, not for account.

Q. May you also buy bills?

A. We may buy bills on the same basis as the Reichsbank.

Q. What else may you do?

A. We may make advances on securities (Lombard) on the same basis as the Reichsbank. We make a list of the securities which we want to give credit upon, and the Government decides whether we may make advances on these securities or not.

Q. What class of securities?

A. We make advances on all kinds of securities named by us in this list, and which are permitted by the Government. Among these are some foreign stocks, upon which we advance up to 80 per cent of their value. Of course the margin is higher with stocks than with bonds. On English and French consols we loan up to 80 per cent.

Q. Is that margin regulated by the law or by the management of the bank?

A. No; the law only says that a list of securities must be handed to the Government, but does not stipulate the

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margin; local securities never form collateral for the bonds of the bank. The Lombard business is only a measure of employing the capital of the bank.

Q. As a rule are the bills purchased in the open market or taken from clients?

A. Chiefly we take these bills from the clients who buy our bonds.

Q. You state that you are permitted to receive deposits to the amount of half your capital. May you also include your surplus?

A. No; we can receive deposits up to the amount of half our capital only.

Q. As a matter of fact, if you desired you could conduct a banking business?

A. The limit to such business is fixed by the rule that we may only hold deposits to the amount of the capital.

Q. Your capital is 18,000,000 marks?

A. Yes.

Q. Your surplus 7,000,000 marks?

A. Yes.

Q. What is the amount of outstanding bonds of the bank?

A. 310,000,000 marks.

Q. What is the difference between the mortgage bond and a mortgage certificate?

A. Before the new law was passed they were called certificates and were based on specifically-named mortgages.

Q. Are your bonds always sold at par or better?

A. That depends upon the money market. The 4 per cent bonds are 98.

Q. I mean when the bank sells the bonds. It may sell them below par?

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A. They are sold on the open market, at whatever price they will bring.

Q. Have you any branches?

A. We are connected with many of the banks throughout the Empire, which act as agents for selling bonds to the public, and get a commission, of course. We also have agents for granting advances in all the larger cities.

Q. Has the State or the Imperial Government any interest at all in the stock?

A. No. In some of the German States the Government receives a share in the profit, but not of this bank, not in Prussia; they do in some of the smaller States.

Q. Your bonds are acceptable by the Reichsbank?

A. Yes.

Q. And the bonds are also purchased by other banks, such as the Dresdner Bank and the Deutsche Bank, as investments?

A. This is not their business, as of course you understand, but they may buy and sell them on commission.

Q. But they trade in them?

A. Yes. Some of the newer mortgage banks to be sure do sell larger amounts of their bonds to such institutions which sell them for their own account, but this bank does not need any such business; we deal directly or by commissioners.

Q. Where is the market generally for these bonds?

A. It is very scattered; about fifty thousand marks a day are sold here on the stock exchange, but of course we sell also from our office.

Q. They are bought by private investors?

A. Yes. The larger percentage of them is held in that way—absolutely for investment.

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Q. What dividends do you pay?

A. Seven and one-half per cent in recent years. It differs. As the business of the bank grows the dividend also becomes higher.

Q. What is your stock selling for now?

A. 137.

Q. This bank has a special charter. The other banks have practically the same privileges in the way of buying bills?

A. Yes.

Q. Is your charter permanent?

A. Yes.

Q. In practice do the other banks conduct their business on about the same lines as this?

A. Absolutely, except that they do not do railway business. Of course, the business of every bank is different from the other. For instance, this bank does not make advances on hotels, mining companies, theaters, factories, mills, building lots, etc.

Q. What do you mean by mining companies?

A. Mining property.

Q. Are these banks ever regarded as competitors of commercial banks?

A. Oh, no. Our chief business is always a mortgage business.

Q. Do you lend mostly in the city or mostly to agricultural interests?

A. One bank makes advances on agricultural and one chiefly on city real estate. This bank has only in a few cases made advances on agricultural property.

Q. Do the mortgage banks in general lend mostly on the city or urban real estate or on agricultural property?

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PREUSSISCHE PFANDBRIEF-BANK.

Bilanz der Preussischen Pfandbrief-Bank pro 31. Dezember 1907.

AKTIVA.	*Mark.*	*Mark.*
An Gewährte Darlehne, abzüglich der amortisierten Beträge:		
Hypotheken zur Deckung für Hypotheken-Pfandbriefe	268,822,388.65	
Hypotheken zur Deckung für Hypotheken-Certifikate	4,801,400.00	
Freie Hypotheken	3,571,700.00	
Kommunal-Darlehne zur Deckung für Kommunal-Obligationen	35,904,074.69	
Kleinbahnen Darlehne zur Deckung für Kleinbahnen-Obligationen	6,654,781.15	
		319,754,344.49
An Bestand eigener Emissionspapiere im Nominalbetrage von	2,545,300.00	
Abzüglich Differenz zwischen Bilanz- und Nennwert	180,804.50	
		2,364,495.50
An Kassen-Bestand einschliesslich desjenigen bei der Reichsbank und der Berliner Kassenverein		2,850,226.34
An Wechsel-Bestand (davon M. 2,515,500 Wechsel erster Bankhäuser)		2,675,332.90
An Bestand an verlosten Effekten, Kupons und Sorten		150,573.30
An Anlage in inländischen Staats-Anleihen		1,173,236.60
An Guthaben bei Banken und Bankhäusern gegen kurshabende Effekten mit vorschriftsmässiger Ueberdeckung		8,185,500.00
An Guthaben bei Banken gemäss § 5 des Reichshypothekenbankgesetzes		2,000,000.00
An Debitoren:		
Gegen kurshabende Effekten mit satzungsmässiger Ueberdeckung	1,742,375.61	
Guthaben bei Bankhäusern zur Einlösung eigener Zinsscheine, usw	54,925.71	
Inzwischen beglichene Forderungen aus Pfandbrief-Verkäufen, usw	270,459.02	
Noch nicht fällige Provisionen aus Darlehnsgeschäften	52,125.55	
Kleine Konten-Salden	13,277.13	
		2,133,163.02
An Zinsen und Hypotheken,- Kommunal-, und Kleinbahnen-Darlehne:		
Postnumerando fällig am 2. Januar 1908 nach Abzug bereits gezahlter Pränumerando-Zinsen	2,889,094.60	
Rückständig aus dem Jahre 1907	26,627.64	
		2,915,722.24
An Verwaltungskosten-Beiträge fällig am 2. Januar 1908		11,201.46
An Bankgebäude-Vossstrasse 1		1,500,000.00
An Inventar		100.00
		345,713,895.85

PASSIVA.	*Mark.*	*Mark.*
Per Aktien-Kapital		18,000,000.00
Per Verausgabte Emissionspapiere:		
Hypotheken-Pfandbriefe zum Zinsfusse von 4%	174,061,000.00	
Hypotheken-Pfandbriefe zum Zinsfusse von 3¾%	32,171,800.00	
Hypotheken-Pfandbriefe zum Zinsfusse von 3½%	57,333,700.00	
Hypotheken-Certifikate zum Zinsfusse von 4%	1,333,700.00	
Hypotheken-Certifikate zum Zinsfusse von 3½%	3,467,700.00	
Kommunal-Obligationen zum Zinsfusse von 4%	10,105,000.00	
Kommunal-Obligationenzum Zinsfusse von 3¾%	5,425,000.00	
Kommunal-Obligationen zum Zinsfusse von 3½%	20,093,500.00	
Kleinbahnen-Obligationen zum Zinsfusse von 4%	5,668,500.00	
Kleinbahnen-Obligationen zum Zinsfusse von 3½%	355,500.00	
		310,015,400.00
Per Gekündigte noch einzulösende Emissionspapiere		121,500.00
Per Zinsen auf verausgabte Emissionspapiere:		
Reserviert für rückständige Zinsscheine	472,178.92	
Am 2. Januar 1908 fällige Zinsscheine	1,139,856.53	
Anteil pro 1907 am Zinsscheine per 1. April 1908	1,597,334.38	
		3,209,369.83
Per Rückständige Dividendenscheine		1,537.50
Per Kreditoren		3,396,334.95
Per Depositen		1,377,802.49
Per Hypothek auf dem Bankgebäude Vossstrasse 1, nicht rückzahlbar vor 31. Dezember 1911		750,000.00
Per Kapital-Reserve—Statutenmässiger Betrag ist überschritten.		2,000,000.00
Per Ausserordentliche Reserve exkl. der diesjährigen Zuweisung von M. 100,000		1,300,000.00
Per Pensions-Reserve exkl. der diesjährigen Zuweisung von M. 50,000		390,504.20
Per Agio-Reserve exkl. der diesjährigen Zuweisung von M. 380.619.10		786,048.72
Per Disagio-Reserve		1,235,954.14
Per Provisions-Reserve exkl. der diesjährigen Zuweisung von M. 113.122.50		415,695.00
Per Reserve für besondere Bedürfnisse		353,777.51
Per Reingewinn		2,359,971.51
		345,713,895.85

Balance sheet of the Preussische Pfandbrief-Bank, December 31, 1907.

ASSETS.		
Loans:		
Mortgages to cover mortgage bonds	$63,979,729	
Mortgages to cover mortgage certificates	1,142,733	
Free mortgages	850,065	
Communal loans to cover communal bonds	8,545,170	
Small railway loans to cover small railway bonds	1,583,838	
		$76,101,535
Own bonds, par value	605,781	
Less difference between face value and balance value	43,031	
		562,750
Cash on hand at the Reichsbank and at the Kassen-Verein		678,354
Bills discounted (of which $598,689 prime bank bills)		636,729
Matured bonds, coupons, and foreign coin		35,836
Government loans		279,230
Balance with banks and bank houses covered by securities		1,948,149
Balance with banks according to section 5 of the mortgage bank law		476,000
Loans:		
Against stock exchange collateral	414,685	
Balances with banks for redemption of coupons	13,072	
Balances due on bond sales	64,369	
Unmatured payments on loans	12,406	
Small accounts	3,160	
		507,692
Interest upon mortgage, communal, and small railway loans:		
Interest due on Jan. 2, 1908	687,605	
Interest due for year 1907	6,337	
		693,942
Expense of management		2,666
Real estate		357,000
Inventory		24
Total		82,279,907

LIABILITIES.		
Capital Stock		$4,284,000
Outstanding issues:		
4 per cent mortgage bonds	$41,426,518	
3¾ per cent mortgage bonds	7,656,888	
3½ per cent mortgage bonds	13,645,421	
4 per cent mortgage certificates	317,421	
3½ per cent mortgage certificates	825,313	
4 per cent communal bonds	2,404,990	
3¾ per cent communal bonds	1,291,150	
3½ per cent communal bonds	4,782,253	
4 per cent small railway bonds	1,349,103	
3½ per cent small railway bonds	84,609	
		73,783,666
Matured but unredeemed bonds		28,917
Interest upon outstanding bonds:		
Reserved for delayed coupons	112,379	
Coupons due Jan. 2, 1908	271,286	
Share for 1907 of coupons for Apr. 1, 1908	380,165	
		763,830
Unpaid dividend coupons		366
Credit accounts		808,328
Deposit accounts		327,917
Mortgage upon the bank building		178,500
Legal surplus		476,000
Extraordinary surplus		309,400
Pension surplus		92,940
Premium surplus		187,080
Discount surplus		294,157
Provision surplus		98,925
Surplus for special needs		84,199
Profits		561,672
Total		82,279,907

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A. Mostly on city real estate. The percentage of credits granted on agriculture is small. There are other institutions for agricultural mortgage credit—the Landschaften. You will see that in 1907 we lent only 208,500 marks on agricultural property and 227,404,147 marks on urban land—a thousand times as much on urban property as on agricultural.

Q. Do the Hypotheken Banken compete with the Landschaften?

A. Not very much, because they chiefly make advances on city real estate. The Landschaften are not authorized to make advances on city real estate.

Q. What percentage do you advance on real estate?

A. Up to 60 per cent of the value.

Q. That applies to a dwelling house?

A. Yes, a tenement house, to everything—60 per cent of the appraised valuation, which appraisement is made by the bank. But the Commissioner of the State looks into it whether the valuation of the bank is right or not.

Q. Do you know what percentage of the amount of mortgages in number are made upon residences?

A. I should say this bank rarely makes advances on private residences.

Q. Assume that a man owns a private house that cost 100,000 marks and wants to get a mortgage of 20,000 marks upon it, what then?

A. We would lend upon it if it were in the Tiergartenstrasse—that is to say, in a good location.

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PREUSSISCHE CENTRAL-BODENCREDIT-ACTIEN-GESELLSCHAFT.

Interview with Geh. Regierungsrat von Klitzing, President.

Q. When was your company organized?

A. In 1870.

Q. Have you branches?

A. No.

Q. Do you transact business throughout the Empire?

A. Yes. We have agencies—in all, 408.

Q. By whom are your shares owned?

A. It is very hard to answer that. We have paid dividends of 9 per cent for fourteen years, and, of course, that makes the shares very sure, and for that reason they are in the hands of many people who consider them a very good investment. Some of the large banks own a large number of shares.

Q. The State has no interest in the stock?

A. The State has no direct interest. They formerly had. The Prussian Seehandlung had a direct interest in the capital, but that has been paid back.

Q. Was the company organized under the auspices of the State?

A. It is still under the supervision of the State.

Q. What is the general nature of your business?

A. We are what is known as a mortgage bank.

Q. Will you kindly inform us of the modus operandi of placing a mortgage in Germany? Assume that a man comes here to procure a loan on a piece of real estate, who appraises the value of his property?

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A. We have in the bank special appraisers who attend to that business.

Q. When the appraisers have fixed the value, how do you arrange to make a loan on the property?

A. We have two different bureaus, one of which, after the appraisement has been made, passes upon it. One of the bureaus is for the city and one for the country. After the proper bureau has examined it very carefully and found it correct it is handed to the directors, who then, together with the president decide whether or not to make the loan.

Q. Then, if accepted, what steps are taken?

A. We then give cash for the loan.

Q. What does the owner of the property give in exchange for the money received?

A. A mortgage.

Q. What is done with the mortgage?

A. After a number of mortgages have been made, we turn them over to the State Controller or Commissioner, who has special revisers for this class of business, and if they approve the Controller authorizes us to issue the bonds. We are not permitted to make the issue without his official approval.

Q. Is the property then reappraised by the State Controller?

A. Well, as a rule, the property is not reappraised. He only examines the general character and is usually satisfied with it. The Controller has the right to have a reappraisement made by a special commission, but that very seldom happens.

Q. Are the officials you refer to all connected with the Prussian Government?

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A. Yes, and not the Imperial Government. The examination is only supervised by the Prussian State.

Q. What is done in the case of mortgages taken by you in South Germany, say in Bavaria? Are they also examined by the Prussian State and not by the Bavarian government?

A. No, only by the Prussian State.

Q. On what basis is the appraisement made? What is the usual method?

A. We may estimate value from three standpoints when appraising property, what would be paid for the property if it were sold, or how much is produced from it every year or how much it would return if rented.

Q. What percentage of the loans are on city property?

A. About 62 per cent on city, 24 per cent on country, and 14 per cent on communal obligations.

Q. What percentage of value do you advance in making loans?

A. Sixty per cent for city and 66 per cent for agricultural property.

Q. Is exactly the same method used in placing a mortgage on agricultural property as on city property?

A. There is no difference. Only the percentage is different. Mortgages on agricultural property are usually made with amortization, ½ per cent being customary, while on city property they are usually for 10 years.

Q. Does the State Controller determine the amount of the loan which may be issued on the collateral?

A. No; he has nothing to do with that. He can absolutely refuse to accept mortgages, but he can not fix the amounts to be advanced upon them.

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Q. The bonds issued by the bank are usually of a less amount than the mortgages held as collateral. What is the margin?

A. As a rule we have a great many millions more in mortgages than bonds issued (at present about 30,000,000 marks) because we use our capital and surplus.

Q. You state that the usual length of time of mortgages on improved city real estate is 10 years?

A. Yes; but they may be extended for a longer period.

Q. What is the usual time on agricultural mortgage?

A. That depends upon the plan of amortization. For one-half per cent it is 56½ years; 1 per cent would be 44 years.

Q. I have, if you please, a property costing 100,000 marks. I wish to mortgage it for 20,000 marks. I might not want it for 56 years, or for 44 years, but for a shorter period, say for 10 years. What arrangement could be made as to the length of the mortgage?

A. For 10 years on that 20,000 marks you would have to pay 4 per cent interest per annum and 7 per cent for the amortization. That is altogether 11 per cent a year. You have to take into consideration that the amount of capital will be reduced every year by the amortization you pay.

Q. What in fact is about the average length of time of the country mortgages?

A. Most people take an amortization of one-half per cent, so the length of time is as a rule 56½ years.

Q. If there is no default on the interest, or the amortization, that mortgage can not be foreclosed before 56½ years from its date?

A. If the interest is duly paid, we can not give notice. But after 10 years the mortgagor can give notice that he wants to pay.

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Q. Are the city mortgages and the country mortgages on farm lands all held as collateral to cover the bonds of the bank?

A. Yes.

Q. For what period are your bonds issued?

A. They do not mature, but we can call them after 10 years.

Q. If the rate of interest should decline for a series of years you would call in the bonds and issue others at a lower rate?

A. Yes. We did that in 1897.

Q. You can call your bonds only at par after 10 years?

A. Only at par.

Q. What would be the rate to-day on an improved piece of city real estate?

A. The rate on improved city real estate would be perhaps 4½ per cent. At present the rate for agricultural property is 4½ per cent. In addition, the farmer pays 3 per cent commission for the first year for general expenses.

Q. Is there any other class of mortgages held by this bank as security for their bonds—any other than the real estate and farm mortgages?

A. Yes; there are communal loans against which communal bonds are issued.

Q. Would you make a loan to a corporation of the character of Krupp's?

A. No, no. He could get mortgages, but he could not get a communal obligation.

Q. In what sense do you use the word "corporation"?

A. It is a public company over which the Government exercises control.

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Q. Your street railway in Berlin is owned by a private company. Would it be regarded by you as a corporation?

A. No; there are some street railways which are owned by the city, and in that event it would be a corporation, but this is a stock company. It has nothing to do with the State. The State has no direct control over it. It is not a corporation in one sense of the word.

Q. The communal loans are made at more favorable rates of interest?

A. Yes.

Q. Then the city real estate mortgages and the country mortgages are mingled together and the bond of the bank issued against them as a whole?

A. Yes, that is correct, but the bank issues a communal bond only against communal securities.

Q. And communal bonds sell at a higher price?

A. Yes.

Q. Is there no limit to the amount you can lend to any one community.

A. No, there is no such limit, but the whole amount that we loan on real estate must not exceed 20 times the capital stock of 36 millions and 15 times the capital of 3.9 millions, and on communal bonds 24 times the capital of 36 millions and 18 times 3.9 millions. We may issue mortgages as follows: $20 \times 36 = 720$ millions, and also $15 \times 3.6 = 54$ millions, i.e., total sum 774 millions; besides $4 \times 36 = 144$ millions and also $3 \times 3.6 = 10.8$ millions, i., e. a total sum of 154.8 millions on communal bonds.

Q. You stated that the communal obligations were regarded as better and were therefore more favored. The law allows you to issue only eighteen times on communal, whereas it allows you to issue twenty times on real estate.

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A. But you have to look at the development of the business. At first these banks were only real estate banks, and afterwards it developed that communities came to them for money. Then, in addition to the amount allowed on real estate, the law allowed them to issue eighteen times the capital on communal obligations. These communal obligations are only a minor part of the business of these banks. The large communities usually issue their own bonds. The Government gives them a special charter and a special concession to raise so much money, but for banks like this the communal business is only a secondary matter.

Q. Has this bank a special charter?

A. This bank has a special charter independent of any other institution. I am appointed by the King as president of the Preussische Central-Boden-Credit-Actien-Gesellschaft. This bank is permitted the highest percentage to capital of bonds issued. The bank was founded under the auspices of and at the suggestion of Bismarck. We therefore have a good many special privileges granted to us, but at the same time we have more stringent rules and closer supervision than the other banks. We are examined especially by the State Commissioner, whereas the Pfandbrief Bank and the others are examined only by accountants (*Treuhändler*). This bank has placed nineteen-twentieths of the mortgages on agricultural land in Prussia.

Q. You also take mortgages from all parts of the Empire?

A. Yes. We may lend anywhere in the Empire, but practically we do very little outside of Prussia.

Q. About what is the difference between the rate received on the mortgages and the rate paid on the bonds?

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We were told by the Pfandbrief Bank that with them it was a quarter of 1 per cent.

A. It is about the same with us. Last year it was 0.2498 per cent.

Q. Does this bank compete at all with the Landschaften in the country real estate loans?

A. There is no direct competition between us. We work hand in hand as a rule, but the rates of the Landschaften are more favorable. They have no interest to pay on their capital stock.

Q. There is a president, directors, and a board. We would like to know just how the management is organized; that is, by whom elected or by whom appointed.

A. The president and the directors are appointed by the King for ten years. Then comes the board of directors—that is, three directors and one legal adviser—who are elected by the board of the company and confirmed by the Government. Then there is a board of administration.

Q. How many are there on that board?

A. Eighteen.

Q. How are they elected?

A. By the general assembly of the shareholders each year.

Q. Do you often foreclose a mortgage?

A. No; we have only done so once in the last ten years on property in the country. We average one foreclosure to about 146 mortgages in the city. We do not have to buy the property as a rule, but simply have to take the steps and somebody buys it up. It should be known that we take nothing but first mortgages.

Q. Is the bank limited in the amount of deposits it may receive?

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A. No. There is no limit to the amount.

Q. You have a great amount of stocks and bonds?

A. That is explained by the fact that we often have to buy our own bonds in order to keep the rate up in bad times.

Q. Are you restricted as to the character of the securities you may purchase?

A. Yes. We may purchase only those permissible to the Reichsbank.

Q. That applies to bills as well as securities?

A. Yes.

Q. How many mortgage banks of this general kind are there in the Empire?

A. In Prussia 14, and in the rest of Germany 25. That is, 39 of the same character.

Q. What is the total amount of the bond issues of these banks?

A. Nine and one-half milliards—9,500,000,000 marks.

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PREUSSISCHE CENTRAL-BODENCREDIT-ACTIEN-GESELLSCHAFT.

Preussische Central-Bodenkredit-Aktiengesellschaft. Status am 31. August 1908.

ACTIVA.		*Mark.*
Casse		2,019,135.98
Wechsel		2,189,353.39
Lombard-Forderungen		5,591,899.40
Wertpapiere		17,154,078.45
Guthaben bei Bankhäusern		2,115,980.82
Hypothekarische Darlehnsforderungen		700,994,415.15
Communal-Darlehnsforderungen		130,076,433.55
Central-Pfandbriefe- u. Communal-Obligationenzinsen-Conto	M. 11,056,466.75	
Noch nicht abgehoben	335,070.85	
		10,721,395.90
Grundstücks-Conto:		
(*a*) Bankgebäude unter den Linden 34	1,400,000.00	
(*b*) Bankgebäude u. d. Linden 33, u. Charlottenstr. 37, 38	1,800,000.00	
		3,200,000.00
Verschiedene Activa		2,044,020.66
		876,106,713.30

PASSIVA.		*Mark.*
Eingezahltes Actienkapital		39,600,000.00
Reserven (incl. Reserve-Vortrag)		11,099,053.72
Pensionsfonds		1,319,076.87
Central-Pfandbriefe:		
4%	M. 342,851,900.00	
3½%	329,354,300.00	
Noch einzulösende, ausgeloste	1,545,450.00	
		673,751,650.00
Communal-Obligationen:		
4%	41,475,700.00	
3½%	82,560,400.00	
Noch einzulösende, ausgeloste	489,400.00	
		124,525,500.00
Hypotheken - Communal - Darlehnszinsen und Verwaltungsgebühren-Conto		17,226,704.18
Depositen		7,028,029.15
Verschiedene Passiva		1,555,799.38
		876,106,713.30

Balance sheet of the Preussische Central-Bodenkredit-Actiengesellschaft, August 31, 1908.

ASSETS.		
Cash		$480,554.00
Bills discounted		521,066.00
Loans on collateral		1,330,872.00
Securities		4,082,671.00
Balances with other banks		503,603.00
Mortgage loans		166,836,671.00
Communal loans		30,958,191.00
Bond interest account		2,551,692.00
Real estate		761,600.00
Sundry assets		486,478.00
Total		208,513,398.00

LIABILITIES.		
Paid-in capital		$9,424,800.00
Surplus		2,641,575.00
Pension fund		314,155.00
Mortgage bonds:		
(*a*) 4 per cent	$81,598,752.00	
(*b*) 3½ per cent	78,386,323.00	
(*c*) Drawn bonds	367,817.00	
		160,352,892.00
Communal bonds:		
(*a*) 4 per cent	9,871,217.00	
(*b*) 3½ per cent	19,649,375.00	
(*c*) Drawn bonds	116,477.00	
		29,637,069.00
Interest and expense account		4,099,956.00
Deposits		1,672,671.00
Sundry liabilities		370,280.00
Total		208,513,398.00

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PREUSSISCHE CENTRAL-GENOSSENSCHAFTS-KASSE.

Interview with Herr Geheimrat Dr. Hessberger and Others.

Q. When was this institution organized?

A. It was organized in October, 1895, under a special charter. The State of Prussia organized the bank, subscribing a capital of 5,000,000 marks, which was later increased to 20,000,000 marks and a few years later to 50,000,000 marks, which represents the investment of the State. In 1906 the capital was increased by 2,400,000 marks, that sum being subscribed by the various unions of the Raiffeisen system. You understand that the purpose of this institution is not to make money, but to help the development of agriculture and the small industries, aid being given to them through the cooperative societies with which this bank deals. It was for this purpose that the State subscribed the capital. It is believed that the State contemplates a further subscription to the capital in the near future. This institution is not conducted on a strictly business basis, but in the interests of the people generally. It is strictly a government institution, the president being appointed by the King for life. There is an advisory board, consisting of about 30 men, who are appointed by the Minister of Commerce, the Minister of Finance, and the Minister of Agriculture. The members of this board are selected from among the scientific men of the State and also from men who are interested in the management of the unions within the State. It is not the custom to include financial leaders among the members of the board. The board meets once or twice a

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year. From among their number the Ministers appoint a committee which meets three or four times a year. The Ministers select and recommend the directors, four in number, who are appointed by the King.

Q. Does the bank receive deposits from merchants and carry commercial accounts?

A. The deposits are from the unions (*Verbandskassen*) and from the savings banks (*Sparkassen*), and we have a certain number of private accounts, but not much in volume, as this is a state bank. There are some corporations of an official character, like the savings banks, church corporations, guardians, and so on, which deposit with the bank because it is a state bank. Our depositors last year included 54 cooperative society unions, 8 banks of the *Landschaften* (agricultural loan companies), 6 provincial institutions with purposes similar to the Landschaften, 548 public savings banks, 422 individual cooperative societies, firms, and persons, and 169 public offices, persons, and the like.

Q. The bank does not in any sense do a commercial business?

A. Not at all.

Q. Some of the deposits are on time and some on demand?

A. Three-fifths are on time and two-fifths on demand.

Q. What rate of interest do you allow on deposits?

A. That depends upon the market, about 1½ per cent now.

Q. Going back for a moment to the increase of capitalization of 2,400,000 marks, taken by the unions of the cooperative societies, have they a voice in the management—can they vote that stock?

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A. Not at all. Some of the people are on the board, but that is only voluntary.

Q. What interest is paid upon the stock?

A. The law forbids us to pay more than 3 per cent; the unions of cooperative societies do not receive more than 3 per cent. In the last few years we have not paid 3 per cent, but only 1 to 2 per cent on the capital.

Q. If they have no voice in the management and are limited to 3 per cent, why invest in the stock?

A. Only to get a theoretical interest in the whole thing. The advantage of the unions which have invested here is that they get long and cheap credit from the bank.

Q. How many unions are there in the State?

A. Sixty.

Q. And 54 of them bank here?

A. They carry balances here; yes.

Q. They send their funds here for investment?

A. Yes; they receive credits here.

Q. They use this as their central bank?

A. Yes, and of course they get more credit from the bank than they deposit with the bank.

Q. What kind of collateral do they give? What is the form of the loan made?

A. There is no collateral at all, because you see that according to the organization of these unions the personal obligation of all of the members of such unions serves as a guarantee for the bank.

Q. Are we correct in understanding that the various cooperative societies forming a union are severally and jointly liable for all the obligations of any society belonging to that union?

A. Yes, but only to a limited amount.

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Q. How is that amount limited?

A. The limit of the obligation differs within the unions as it does within the individual societies. There are societies which stipulate a limited obligation for each member, and there are other societies which do not stipulate a limited obligation, but in which the obligation of each member is unlimited. The societies forming the union may be classed similarly as societies with limited and also unlimited liabilities.

Q. You have accounts with 54 cooperative society unions. Are they all credit unions?

A. Yes.

Q. Are those mostly commercial or agricultural?

A. Mostly agricultural; 20 unions are urban, 34 belong to the country.

Q. Do the latter deal with small farmers?

A. With small farmers chiefly or people of the middle class. Most of the agricultural societies have unlimited liability for their members; most of the urban associations have limited liability.

Q. This bank only deals with the unions within the State of Prussia?

A. Yes, but some of these unions do business with societies outside of Prussia.

Q. There are Raiffeisen societies in all part of the Empire?

A. Yes, the agricultural interests are more important in Prussian States than in the other States.

Q. In the other States, in Bavaria or Saxony, are there Central Genossenschaft banks like this?

A. No, this is the only institution of that character. In other States where there is no Central Genossenschaft the unions do their business with any kind of bank they

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like. But the societies are formed into unions as in Prussia.

Q. Do the unions receive deposits from the societies?

A. Yes.

Q. So that in fact the union is the central bank of the cooperative societies, and this bank is the central bank of the unions?

A. That is right. Now, in other States the unions deal with whomsoever they like. They have no central bank. Of the cooperative societies there are the Raiffeisen system, the Schulze-Delitsch system, and the Darmstadt system, organized by a man called Haas.

Q. There are three systems. Are there other such credit societies formed within the Empire not belonging to any particular system?

A. There are no others. These are the only three systems. These three systems are not as different as they were in former times, and they tend to become more and more alike.

Q. They work along the same line?

A. Yes.

Q. Is the tendency toward one of consolidation?

A. No, but the general principles of business are becoming the same in these three systems. Of course, the rules differ in towns or in agricultural districts.

Q. We understand that there are in the Empire 27,000 cooperative societies?

A. Yes.

Q. Sixteen thousand of which are credit societies, and as such are practically commercial banks?

A. Yes. But the others are cooperative societies which do not receive deposits or make loans, and have no financial transactions at all. They are for buying raw material,

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and so on. The Schulze-Delitsch systems are more in the towns, and the Raiffeisen more in the agricultural districts.

Q. Can you give us an idea of the character of the obligation given by the farmer who goes to the society for credit?

A. Credit is only given to the members of the society, and there is no collateral or security required. The committee of the society decides whether and how much credit shall be given to any member.

Q. Does he give a promissory note?

A. Yes; if the security given is in the form of a guarantee by another man, then he writes out a form and signs it. The obligation is for three years or five years and stipulates that he pay certain rates.

Q. Will these societies extend credit to a member without guarantee or collateral?

A. In the agricultural districts they will accept a *Schuldschein*, or promissory note, for small amounts, but in the cities they usually discount a bill. Bills are also used in the agricultural districts, and the tendency is to discontinue the use of the Schuldschein.

Q. About what is the average number of members belonging to the Raiffeisen societies?

A. Between fifty and a hundred in agricultural districts, and in towns several hundreds.

Q. Is the par value of the stock the same in each society?

A. It differs. In agricultural districts the par of each share is from 10 marks upward; in towns about 300 marks. In societies with unlimited obligation the share of each member is the same, and in societies with limited obli-

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gation the nominal amount of the share is also the same, but each member is allowed to have more than one share.

Q. That is, members may own but one share in unlimited societies and more in limited?

A. Yes. Every man becoming a member has to subscribe for a certain amount of stock.

Q. Is the stock in the form of a certificate?

A. Yes; on the certificate is stated how much he has paid.

Q. The stockholders of these societies meet once a year?

A. At least once; frequently twice a year.

Q. And at the annual meeting they elect the management for the ensuing year?

A. Yes.

Q. We understand the management of each society in the Raiffeisen system consists of a president, cashier, and three other members who serve without compensation.

A. The cashiers receive a salary because they devote all their time to the business; the others do not. This is not the plan of the Schulze-Delitsch system.

Q. What class of men would be selected in an agricultural district to be president and directors?

A. They are selected from among the members and generally are, of course, the more important men of the township—the best men they can find.

Q. You mean, for instance, they would take a practical farmer?

A. Yes; or mechanics, teachers, or preachers.

Q. Does the business occupy the entire time of the president?

A. Not generally all his time. That also depends upon the amount of business they do. In larger societies one or two men devote all their time.

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Q. Will you explain why an important farmer in a community would accept the position of president, the duties of which might require his entire time, and this without compensation?

A. As with a teacher and preacher, there is an ideal feeling, a social feeling. We frequently do things for which we are not paid.

Q. He is prompted by philanthropic motives?

A. Yes. Something which will be difficult for you Americans to understand.

Q. Your statement shows three kinds of deposits—deposits of banks and bankers, current accounts, and deposits strictly so called. How do these items differ?

A. The first are loans received from banks and bankers, taken in the open market, generally call money, and at the rate of interest for call money. The next is current accounts. These are moneys received from unions, upon which interest is paid dependent on the bank rate. The maximum rate for them is 3 per cent. The third kind, deposits strictly so called, are received from individuals, savings banks, guardians, church corporations, municipalities, and so on.

Q. About how many associations form a union?

A. At least seven; sometimes several thousand. It depends upon circumstances. We are doing business with 54 unions, and these 54 are formed by 15,000 societies. The whole number of members of these 15,000 societies doing business with the bank is one and one-half millions.

Q. What amount of credit is given by the societies?

A. The societies doing business with this bank have received deposits from their members to the amount of one milliard marks—$250,000,000. From this one mil-

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liard they have given credits to their members to the extent of 600,000,000 marks in the same localities where the deposits were received, and the rest they have deposited with the unions, which have given credits from these 400,000,000 marks to other societies where more credit is needed.

Q. Our understanding is that this bank deals directly with the unions?

A. Yes; and not with the associations.

Q. And the advances made by it are made to the unions?

A. Yes; without collateral.

Q. To what extent will you advance loans to a union?

A. This bank will not advance to a union an amount exceeding 7½ per cent of the estimated worth of the individual members of the societies comprising the union.

Q. To what extent may a union advance credit to the societies?

A. The amount of credit which a union can lend to a society is only fixed by the limit drawn by the general meeting of the union, according to § 35 of the Genossenschaft law. This is an amount ordinarily far less than the aggregated liability of the members.

Q. What is the maximum amount of credit which may be granted by a society to one of its members?

A. It is not limited.

Q. I thought you said it was limited by the value of his estate.

A. Yes, generally, but they may give credit to a man who has no fortune at all.

Q. The amount of accommodation extended to a member is usually predicated upon the amount of his fortune?

A. It might be three times his fortune.

Q. How is the union organized?

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A. The management is the same as with the society. A president, cashier, and a board of supervision. The president of each society is a representative from that society to the union. The members of the union are the societies. Each society sends representatives to the annual meeting, and these representatives select and choose the managers of the union.

Q. And also the board of supervisors?

A. Yes.

Q. Do the officers of the union work without salary?

A. Yes, just as those of the society; but in every union bureau of any importance at least one of the managers is paid.

Q. And the amount of capital of these various unions differ?

A. Yes.

Q. The capital is subscribed in cash by the different societies, who own and vote the stock?

A. Each society has one vote, and they own the stock.

Q. About what is the average amount of capital of the unions?

A. Several hundred thousand marks. The tendency is to increase. Some have a million marks.

Q. The bills which you hold to the extent of 36,000,000 marks are rediscounted for the unions?

A. Yes.

Q. In addition you have purchased bills in the open market of 18,000,000 marks?

A. Yes.

Q. You also show 49,000,000 marks of securities; nearly one-third of your assets?

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PREUSSISCHE CENTRAL - GENOSSENSCHAFTS - KASSE.

Bilanz der Preussischen Central-Genossenschafts-Kasse vom 31. März 1908.

AKTIVA.	Mark.	Mark.
Barbestand sowie Guthaben bei der Reichshauptbank und der Bank des Berliner Kassen-Vereins		557,979.64
Fällige Zinsscheine		28,966.15
Wechsel:	Mark.	
(a) von Verbandskassen erworbene	36,366,027.79	
(b) an der Börse und von sonstigen Kunden gekaufte Wechsel	18,172,822.02	
(c) zum Inkasso	469,818.25	
(d) ausländische (Devisen)	6,130.30	
abzüglich der dem Geschäftsjahr 1908 zufallenden Spesen und Zinsen	55,014,798.36 / 416,745.80	54,598,052.56
Wertpapiere:		
(a) Schatzscheine	14,656,000.00	
(b) Mündelsichere Staats- und Kommunalpapiere	35,137,199.95	49,793,199.95
Guthaben (bei Banken, Bankiers usw. gegen Unterpfand börsengängiger Wertpapiere)		9,172,240.89
Lombard-Forderungen:		
(a) an Verbandskassen	6,461,391.65	
(b) an landschaftliche und provinzielle Institute	460,142.00	
(c) an andere Kunden	1,174,785.11	
(d) an Spar- und Kommunalkassen	12,257,638.86	20,353,957.62
Forderungen in "Laufender Rechnung":		
(a) an Verbandskassen (Gesetz vom 31. Juli 1895 § 2 Ziffer 1 a)	24,838,425.50	
(b) an landschaftliche Darlehnskassen und ähnliche Institute (Gesetz vom 31. Juli 1895 § 2 Ziffer 1 b und 1 c)	2,041,057.73	26,879,483.23
Aval- und Akzept-Kredite		1,327,395.55
Für fremde Rechnung verkaufte, noch nicht zur Ablieferung gelangte Wertpapiere und sonstige schwebende Abrechnungen		475,994.38
Dienstgebäude		1,108,879.54
		164,296,149.51

PASSIVA.	Mark.	Mark.
Grundkapital:		
(a) Einlage des Staates (Gesetz vom 31. Juli 1895 § 3, Gesetz vom 8. Juni 1896 § 1, Gesetz vom 20. April 1898 § 1)	50,000,000.00	
(b) Einlagen von Verbandskassen (Gesetz vom 31. Juli 1895 § 5)	2,400,000.00	52,400,000.00
Rücklagen (Gesetz vom 31. Juli 1895 § 6 Ziffer 1, Gesetz vom 8. Juni 1896 § 2)		4,540,570.67
Darlehne (von Banken und Bankiers usw.)		50,319,600.00
Guthaben in "Laufender Rechnung":		
(a) der Verbandskassen (Gesetz vom 31. Juli 1895 § 2 Ziffer 1 a)	3,322,743.65	
(b) der landschaftlichen Darlehnskassen und ähnlicher Institute (Gesetz vom 31. Juli 1895 § 2 Ziffer 1 b und 1 c)	263,156.54	3,585,900.19
Depositen:		
(a) täglich fällige	20,825,826.47	
(b) an Kündigung gebundene	30,129,418.05	50,955,244.52
Avale und Akzepte		1,327,395.55
Zurückgestellte Beträge für schwebende Geschäfte (Abnahme gekaufter Wertpapiere usw.)		191,893.55
Geschäftsgewinn		975,545.03
		164,296,149.51

Balance sheet of the Preussischen Central Genossenschafts-Kasse March 31, 1908.

ASSETS.		
Cash and balance with Reichsbank and with Kassen-Verein		$132,799
Coupons		6,894
Bills discounted:		
(a) From the Unions	$8,655,115	
(b) From the stock exchange and other customers	4,325,132	
(c) For collection	111,817	
(d) Foreign bills	1,459	
	13,093,523	
Deducting expenses and interest for year 1908	99,186	12,994,337
Securities:		
(a) Treasury bills	3,488,128	
(b) State and communal paper	8,362,654	11,850,782
Balances with banks, bankers, etc. (secured by stock exchange collateral)		2,182,993
Loans on collateral:		
(a) To the Unions	1,537,811	
(b) To agricultural institutes	109,514	
(c) To other customers	279,599	
(d) To savings banks	2,917,318	4,844,242
Loans in current account:		
(a) To the Unions (law of July 31, 1895, sec. 2, No. 1a)	5,911,545	
(b) To agricultural loan offices and similar institutions (law of July 31, 1895, sec. 2, 1b and 1c)	485,772	6,397,317
Acceptances		315,920
Securities sold but not yet delivered, and other unsettled accounts		113,287
Office buildings		263,913
Total		39,102,484

LIABILITIES.		
Capital:		
(a) Contributed by the State (law of July 31, 1895, sec. 3; law of June 8, 1896, sec. 1; law of Apr. 20, 1898, sec. 1)	$11,900,000	
(b) Contributed by the Unions (law of July 31, 1895, sec. 5)	571,200	$12,471,200
Surplus (law of July 31, 1895, sec. 6, No. 1; law of June 8, 1896, sec. 2)		1,080,656
Loans from banks and bankers		11,976,065
Balances in current account:		
(a) Of the Unions (law of July 31, 1895, sec. 2, No. 1a)	$790,813	
(b) Of agricultural loan offices and similar institutions (law of July 31, 1895, sec. 2, 1b and 1c)	62,631	853,444
Deposits:		
(a) Demand	4,956,547	
(b) Subject to notice	7,170,801	12,127,348
Acceptances		315,920
Amounts reserved for pending accounts		45,671
Profit and loss		232,180
Total		39,102,484

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A. We invest our capital in securities which we can use as collateral for credit with the Reichsbank. The sum is about equal to our capital.

Q. Is this bank restricted in any way as to the character of investments it may make?

A. We do not buy securities which would not be accepted by the Reichsbank. We are not restricted as to the bills which we take from the unions.

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The Schulze-Delitzsch Cooperative Credit Societies; Interview with Herr Kleemann, Director at the Dresdner Bank.

Q. When were the first of your cooperative societies organized?

A. In 1848. They were organized on a voluntary basis and for philanthropic purposes. It was five years later that Doctor Schulze took charge and brought them together into one common organization; that is to say, each of the cooperative societies remained independent, but they together formed a union. The principle upon which the Schulze-Delitzsch institutions were founded was that the small tradesmen could buy more advantageously if they formed an association to buy together. Artisans in the same line would buy raw material jointly. That was one advantage of forming such a society, and the other advantage was that by forming a society in which every member was liable for the entire indebtedness of the association each member could better secure the necessary credit for his business than if he stood alone.

Q. When they were organized was it in one community—in one small town?

A. Of course they started in one place. They were first organized in a town called Delitzsch; the name of Schulze-Delitzsch comes from this town and the organizer of the common society, Doctor Schulze, who was afterwards known as Schulze-Delitzsch.

Q. And then from this first organization others developed in other localities?

A. Yes; they developed very rapidly. The first cooperative society in Delitzsch was founded for the purpose of

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purchasing merchandise. Afterwards they formed other societies not only for purchase, but for production and for sale. The first form which developed was for the purchase of means of subsistence, such as sugar, coffee, grain, wine, cigars, etc. Then they bought agricultural machinery, threshing machines, etc., which they would rent to small farmers in the country who could not purchase such machinery. They also formed societies to build houses for peasants and working people.

Q. Were these several different societies?

A. All different societies. Each society had a special scope, but all founded on the basis of Schulze-Delitzsch that each member should be liable for all the liabilities of the society, which gave the societies a high standing and credit.

Q. Are we to understand that there might be six or seven societies in one town?

A. There might be six or seven with different purposes. Later on Schulze-Delitzsch came to the conclusion that it would serve working people and small tradesmen to have cooperative societies founded simply for the purpose of extending credit to them. That was the last development in the system. The system was the same—all members were liable. Originally each share was for 500 marks and everyone who wanted to become a member had to buy a share. Originally there was no law for such societies, but later on a law was passed to the effect that the society could not be formed by less than seven members. The people who established these societies to extend credit to working people often did not want credit themselves, but paid in their 500 marks out of local patriotism or enthusiasm for the idea, but of course anyone subscrib-

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ing 500 marks became a member of the society and became liable for every penny he possessed.

Q. Did all societies located in the same town have the same capitalization, and was each member required to pay in the 500 marks, although he belonged to three or four of the societies?

A. It did not very often happen that the same person belonged to more than one society. There might have been several such cooperative societies in one town, but not usually, because these cooperative societies were, first of all, founded in the smaller places, and it was frequently the case that the business of a town would be confined to one industry. So it very seldom happened that more than one such association was necessary. The important principle of the Schulze-Delitzsch organization was the unlimited liability of its members, because it induced people of these localities, like physicians or professors, schoolmasters, and so on, who did not want any credit, to bring in their savings. The unlimited liability of the members gave them a proper guarantee, and in that way the society found the necessary means for giving credit, although its capital was very limited.

Q. They were organized on a principle similar to some of the Lloyds of to-day?

A. Yes; upon that principle. It was only after many years that Schulze-Delitzsch societies succeeded in getting a legal foundation. He started in the middle of the fifties, and it was only in the seventies that he succeeded in getting a federal law for such societies.

Q. Have the organizations a special charter?

A. No; they are organized under the federal law; it is part of our general commercial code.

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Q. That law applies not only to the Schulze-Delitzsch societies but also to the other cooperative societies?

A. It applies to all. The unlimited liability plan was the original plan, but later on they founded societies with limited liability.

Q. Can you state when?

A. In 1889. The liability was not limited to the amount of capital shares. It is the same plan as of the Canadian banks or of your national banks. For instance, in Canada each man owning $100 worth of stock is liable for another hundred dollars. It was something like that system, not exactly the same. It differed in each society. In one society the share would be 100 marks, and the liability would be fixed at 100 marks, or it might be 700 or 1,000. Of course the introduction of cooperative societies with limited liability gave the members a great advantage and they would more readily invest in such a society. Under the unlimited liability one man can own only one share, but under the limited liability one man could own many shares. Mr. Raiffeisen was the next man to organize cooperative societies, but on a somewhat different plan. His idea was to have the State a participant.

Q. When did he appear on the scene?

A. About the end of the fifties. Schulze-Delitzsch was opposed to the Raiffeisen idea because he feared that the members of the society might lose control. It was evident to him that a state which supplies money might secure control and use the society for purposes of its own. His idea was that the society could only be founded on a basis of self-control and self-responsibility; personally I agree with him. He endeavored to get people of different professions and occupations in a locality into the same

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society, thinking in that way to minimize the risk. By covering various occupations the society was stronger and not as susceptible to unfavorable conditions in any particular line. Raiffeisen wanted small societies organized in every small community, which often meant that only one occupation was represented in the society, and here there was no division of risks. His organization sometimes included no more than 15 or 20 members. Schulze favored larger societies. Another difference was that Schulze wanted to have all of the capital paid in at once. Raiffeisen had the idea of payments in easy installments. The officers of Schulze's societies were paid; Raiffeisen wanted them to serve from motives of patriotism. Schulze wanted loans to be extended for short periods only (say three months or so); Raiffeisen was willing to have credit granted for a number of years.

Q. For what periods would the Schulze-Delitzsch societies loan money?

A. Usually three months. Of course they could renew the loans, but the idea was that they should always keep close watch over their credits. In that way a great many of these cooperative societies developed into what are called "popular banks." You will find, for instance, in Switzerland a great many societies that were founded on the cooperative society's plan are now called banks. They also have branches.

Q. Is that also true here in Germany?

A. Yes.

Q. Do these banks receive deposits from anybody?

A. They may receive deposits from anybody. They may also do business with people other than their members, but are only allowed to extend credit to their members.

The organization of these different companies into one

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great society was prompted by the belief that there should be an interchange of views, giving to each the benefit of the experience of the others, and therefore was instituted the plan for a general meeting every year of the heads of the different institutions for the purpose of keeping in touch with each other. When the central society became too large the different provinces formed different main societies, and each main society had a manager with the title of director.

The directors of all the provincial main societies formed a board who elected a president of the whole organization. The first president was Schulze-Delitzsch. Doctor Crüger is president now.

As the number of Schulze-Delitzsch societies increased the volume of business interchanged between them became more and more important. They always endeavored to cooperate and work together to facilitate the large exchange and transfer of business. In consequence the idea finally resulted of establishing a central bank which would act as an agent and clearing house for the various societies and facilitate their business, and the Deutsche Genossenschaftsbank was therefore organized and located first in Frankfort and then in Berlin. You understand that all this happened before the establishment of the Reichsbank. The various societies became correspondents of the Deutsche Genossenschaftsbank, deposited funds with it, and invested a large part of their surplus funds through it. Though a large part of the stock was owned by the different societies, it was also owned by other institutions and individuals who were not members of the Schulze-Delitzsch societies. The bank was incorporated under our general companies law, the shareholders having no liability beyond the amount invested in the shares. The

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capital of the bank was 36,000,000 marks—$9,000,000. In 1904 this bank was absorbed by the Dresdner Bank, which gave its own stock in exchange for the stock of the Deutsche Genossenschaftsbank. The Dresdner Bank now acts as the agent and clearing house in Berlin of the various Schulze-Delitzsch societies.

It was a principle of the Deutsche Genossenschaftsbank and is now a principle of the Dresdner Bank to deal directly with each of the Schulze-Delitzsch societies. Under the Raiffeisen system the various societies in each province of Prussia have organized a main or head society, with which they correspond and through which they clear their business. The head societies in the various provinces transact their business through the Preussische Central-Genossenschafts-Kasse in Berlin, which does not deal directly with the individual societies throughout the State. Under this system each society is liable for all the liabilities of every society located within the Province, so that in dealing with the head societies the Preussische Central-Genossenschafts-Kasse has the joint guarantee of all the societies located within the province. We think that the Schulze-Delitzsch plan gives greater security to the central institution, for it induces the central institution to look with greater care to the conduct of each society with which it deals.

Q. How many different kinds of cooperative societies are there in Germany?

A. It is very difficult to classify them. The Raiffeisen Genossenschaften are confined to Prussia. There are other organizations in Saxony, Bavaria, and different States in Germany. They are not always known as Genossenschaften. Some of them are called banks, Volksbanken, Kredit-Vereine, Vorschuss-Vereine, but under our law

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they are required to print below their firm name the words "*Eingetragene Genossnschaft.*" It may be in small letters in the corner, but it must be added.

Q. How do you account for the run which occurred on the Friedrichsberg Bank the other day?

A. This institution received deposits from the public generally. Some of the depositors, for some reasons, became concerned, and as a result a run was started. As a matter of fact, that society had 2,000 members, each of whom was liable for the entire liabilities of the bank, which made the institution secure beyond question, but this fact was not appreciated when the run was started. There was not and could not have been a loss to the depositors.

Q. These societies are located all over Germany, in large cities, small towns—towns of three or four hundred inhabitants?

A. Yes.

Q. Are they independently governed or are they governed by a main association?

A. There is no special organization for supervision of these societies. They are quite independent. The Verband or union is only formed to give them counsel relative to business, but it has no executive power.

Q. The stockholders meet and elect officers and managers, as they do in any other banking corporation?

A. Yes.

Q. Will you kindly inform us as to the kind of business they do?

A. The general purpose is to make loans to the members of the society.

Q. They, in fact, do a regular banking business?

A. Yes; most of them.

Q. Do any of them loan to others than members?

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A. No; they only lend to members. They give credits only to members.

Q. What class of paper do they take in making advances?

A. They make loans in the form of cash advances, or in the form of discounting bills of exchange.

Q. By cash advances you mean cash credits?

A. Yes; they give cash against the obligation of their members.

Q. Is it similar to the Scotch system?

A. Yes; somewhat. You must not forget that in most cases the amounts involved are small. For instance, a member may want to borrow 500 marks. He wants it all immediately. He goes to the society and draws the 500 marks in cash. Usually if the society gives a credit of 10,000 marks to one of its members the money will be drawn as needed.

Q. How are these advances secured?

A. Mostly either by a guarantee of another member of responsibility, or by indorsement, or by a mortgage as collateral.

Q. They will take two-named paper?

A. Yes. They may buy single-name paper, or extend cash credits against single-named obligation, with security of mortgage.

Q. You now refer only to the Schulze-Delitzsch societies?

A. Yes.

Q. Are these societies under government supervision?

A. The law required that these societies should be examined every two years by the auditors of the various States in which they are located. The Schulze-Delitsch societies had a system of audit which was made independently of that required by law and which was so satisfactorily conducted that the State accepted their audit

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and abandoned its own. Whenever a society applies for credit it always sends a copy of the auditor's last report. A report of these societies is now being prepared and will be ready within a few days.

Q. Does this report cover all societies, or only the Schulze-Delitzsch?

A. It covers them all.

Q. Can you give us some recent statistics?

A. At the end of the year 1906 there were in the Empire a total of 15,000 of these societies. Of this number, 1,000 were Schulze-Delitzsch. The membership was 1,800,000, of which 600,000 belonged to the Schulze-Delitzsch societies. The paid-in capital amounted to 233,000,000 marks, of which the Schulze-Delitzsch societies have 180,000,000 marks. The surplus funds of the societies are 116,000,000 marks, of which the Schulze-Delitzsch have 72,000,000 marks. The total deposits were 2,335,000,000 marks, of which the Schulze-Delitzsch had 950,000,000 marks. You will notice that the Schulze-Delitzsch had 66 per cent of all the societies, 33 per cent of the members, 75 per cent of the capital, 62 per cent of the surplus, and 40 per cent of the deposits.

STATEMENT.

	Marks.	Dollars.
Capital	233,000,000	58,250,000
Surplus	116,000,000	29,000,000
Deposits	2,335,000,000	584,000,000
Bills and accounts	1,000,000,000	250,000,000
Discount credits	970,000,000	242,000,000
Open credits	140,000,000	35,000,000
Mortgages	36,000,000	9,000,000

Q. You show 1,000,000,000 marks classed as single-name and credit accounts?

A. Yes. Of that amount, 800,000,000 marks are constituted of advances made on paper, some of which may

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be single name, but all of which are secured or guaranteed; 200,000,000 marks are composed of open credits and in form not negotiable; 800,000,000 marks are negotiable but not of a character which are usually sold or borrowed upon.

Q. You show 970,000,000 marks which are classed as discount credits. Will you kindly describe their character?

A. That item is made up of negotiable paper of at least two and usually three good names, and of such a class as would be accepted by the Reichsbank, and is of higher class than the other paper mentioned. In the great majority of cases they are drawn against merchandise in the course of regular business, and are therefore called "bills of exchange."

Q. Will you kindly describe the item open credits and accounts current (*Konto-Korrent*), 140,000,000 marks?

A. These do not differ materially in character from the item 200,000,000 marks, except that it is in the form of an open credit advance for no fixed term.

Q. Do these societies purchase securities?

A. Yes; both for investments on their own account and for their members.

Q. Are they represented on the stock exchange?

A. No; they are represented through the Dresdner Bank, which executes orders for them amounting each year to an aggregate of 80,000,000 marks.

Q. About what would be the average size of the advances made by the Schulze-Delitzsch societies?

A. We can not give you an average. They discount amounts as low as 20 marks and as high as, perhaps, 200,000 marks.

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Q. Have you statistics showing the total liability of the hareholders?

A. No.

Q. Have you any figures showing the number of customers?

A. About corresponding to the number of members, because the member at the same time is a customer.

Q. But there are many customers who are not members?

A. There are not many.

Q. Deposits are received from other than customers, but no advances are made?

A. Credits are only extended to members.

Q. Do the societies transfer and make exchanges between themselves, or is that business now done through the Dresdner Bank?

A. I think the bulk of that business is done through the Dresdner Bank. They also correspond with each other, of course; for instance, a society with surplus funds will sometimes discount bills for another society in need of funds. The Schulze-Delitzsch societies are not obliged to deal with the Dresdner Bank, while, on the other hand, the Central-Genossenschafts-Kasse makes it a condition that the societies of their system deal exclusively with them. The Dresdner Bank do not so require, but we of course prefer to have them deal directly with it and not purchase bills from each other.

Q. What are the relations between the Schulze-Delitzsch societies and the Reichsbank?

A. The societies have a direct account with the Reichsbank.

Q. The attitude of the Reichsbank is the same toward them as toward any other bank?

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A. Yes; and their bills are frequently offered and taken by the Reichsbank the same as from other institutions.

Q. Have you figures showing the cash reserve of the associations?

A. No; there are no figures showing that.

Q. Do they carry their reserve with the Reichsbank or with the Dresdner Bank?

A. Principally with the Dresdner Bank, because they get interest upon it.

Q. Have you any idea of the amount of cash on hand?

A. No.

Q. It is probably a very small figure?

A. As a normal figure we may state that the societies all together have with the Dresdner Bank a credit balance of about 10 to 12 million marks, but that is their main cash reserve.

Q. You state that they carry balances at the Reichsbank.

A. I think these would not prove very important. The Reichsbank does not allow interest.

Q. Then they figure their first-class bills as a part of their reserve; at least they so regard it.

A. They have first-class bills, but their amount also is not important.

Q. Here is a society with 2,335,000,000 marks deposits and with perhaps 12,000,000 marks of cash reserve in the Dresdner Bank. They must either have some other reserve or a reasonably fair percentage of liquid assets.

A. The Dresdner Bank allows a credit to some of the societies of 200,000 or 300,000 marks. That is to say, when they want it they can send to the Dresdner Bank 200,000 or 300,000 marks of their bills against cash, and

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besides the credit with the Dresdner Bank they have also credit with the Reichsbank.

Q. Do they pay interest on deposits?

A. Yes.

Q. About what rate?

A. They pay an average of 4 per cent, which may be considered as an almost permanent rate. The money they get is in most cases money for a long period. They have to compete with the savings banks.

Q. Do they distinguish between time deposits and current accounts?

A. Yes, they do; but most of them have time deposits. Perhaps 60 per cent on time.

Q. What rates are charged on the advances made? Are they governed by the bank rate or are they quite independent of that?

A. As the purpose of these societies is not to make money, but to benefit their members, they make advances at a comparatively low rate, in small places usually at the bank rate, but in larger places they sometimes take 1 per cent over the bank rate, even more, but you may take it as a whole that all these advances are given at a rather low rate.

Q. But if they pay 4 per cent on their deposits and loan their money at a comparatively low rate, they would lose in the way of the expense of operation.

A. They charge some of their customers a percentage on the turnover or a fixed sum for the transaction of their business.

Q. What dividends are paid?

A. Small dividends. On the average, 5 per cent on the capital. Of course in some societies they would pay more

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and in others less. As these societies are managed independently and separately, one may have an advantage which the other will not have.

Q. In the city they discount at higher rates than in the country?

A. In large places they discount at higher rates. They loan for considerably less in the smaller towns than they do in the large cities. The loans against collateral may be at lower rates than those given by the Reichsbank, but in the city their rate would be higher than the Reichsbank.

Q. Here in Berlin?

A. Yes.

Q. Are the small societies at all in competition with the Reichsbank, where they have a branch?

A. No. There is no competition. They do a business which the Reichsbank would not do. They give credit to people who would not suit the Reichsbank, because they could not give the guarantee.

Q. Are they restricted in any degree as to the character of loans they may make?

A. The members fix at their meeting the highest sum of credit which may be allowed to any other member.

Q. How many directors are there in each board?

A. They must have at least two managers. They have also a board of supervision, which is not restricted in number, perhaps five or six. They try to have as many as possible.

Q. They are elected by the stockholders for one year?

A. For four or five years. There is no special stipulation in the law. In small places they elect men of the best judgment and information about the solvency and trustworthiness of the members who want credit. In the

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larger places they sometimes form corporations more for the purpose of making money.

Q. We understand that they handle a smaller class of business than the banks generally, and that it is not of as high character.

A. Yes; the expenses are higher and the bills are not quite as good.

Q. There are 150 cooperative societies of all classes in Berlin alone?

A. Yes; there are some very good and of high standing, and some which have no standing at all.

Q. These societies are more of a factor in the country than in the city, are they not?

A. Yes; because the possibility of getting credit is not so great in the country as in large communities. There are societies in places of 200 or 300 inhabitants.

Q. You state that in the country they lend for comparatively lower rates, compared with the Reichsbank or with whom?

A. Compared with societies in larger places.

Q. You would state that these cooperative credit institutions are not a factor in the city?

A. No; not in important cities.

Q. What taxes do they have to pay?

A. The income tax is levied on the same basis as for the banks. The commercial tax is not to be paid by societies when they only receive deposits from members, but as soon as their circle of clients includes other than members they have to pay the tax. It is not very high compared with the income tax.

Q. Do you mean they keep a certain account of those with whom they deal, who are not members, and make a return on that business to the Government?

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A. No. As far as they restrict their business absolutely to members they do not have to pay that tax, but as soon as they do business with others they have to pay that tax for the entire business.

Q. But they do pay the income tax?

A. Yes.

Q. Have they a pension system?

A. They have pensions for widows and orphans. As I told you, we are probably going to have a law about the pension funds.

Q. In what respect does the character of the business done by the association differ from that of any other commercial bank in Germany?

A. There is no difference at all.

Q. Are there many private banks in the smaller cities of fifteen or twenty thousand inhabitants, or would these societies handle all the business?

A. That depends upon the character. In the smaller towns more of the business will be done by these societies.

Q. You have 15,000 of these credit societies. Do they cover the entire field of banking in the country?

A. A very large part of it.

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KUR- UND NEUMÄRKISCHES RITTERSCHAFTLICHES KREDIT INSTITUT, BRANDENBURGER KREDIT INSTITUT, CENTRAL LANDSCHAFT, KUR- UND NEUMÄRKISCHE RITTERSCHAFTLICHE DARLEHNS KASSE.

Interview with Herr Geheimrat Heintze, President.

The Kur- und Neumärkisches Kredit Institut has three departments, the first, the Ritterschaftliche, which is for the large land proprietors only and was founded by Frederick the Great in 1777. The second, the Brandenburger, or peasants' department, which was founded in 1860. The third, the Ritterschaftliche Darlehns Kasse, which does a regular banking business. All these institutions are affiliated with the Central Landschaft, which is their head. The Central Landschaft was founded for the purpose of issuing bonds which are covered by mortgages taken by the first and second departments and also by some other issuing Landschaften.

Q. Where is the Central Landschaft located?

A. In this building. It is under our management.

Q. We will consider the corporation which comprises a department for loans to large landowners. What is the capital stock of this company?

A. Seven million marks. They received 20,000 thalers rom Frederick the Great, which was the first capital. The present capital represents that sum with profits, there having been no additional amounts paid in. This does not include our real estate. We have offices in various German cities, the value of which aggregates about 4,000,000 marks, making 11,000,000 marks altogether.

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Q. Who owns this company?

A. It is an association of landowners.

Q. How many members are there?

A. About a thousand.

Q. Each member has a specified monetary interest in the corporation?

A. These one thousand persons have not a direct interest, they are really in possession of the company, but in case it should be dissolved the question would arise whether or not they are entitled to the capital. You must make a difference between the companies which are actually owned and those controlled by the State. This one is controlled by the State, which control may be exercised by the President of the Province of Brandenburg—that is, this Province—and by the Prussian Minister of Agriculture, who presides at the meetings of this company.

Q. What becomes of the profits realized in the business?

A. They are added to the capital of the company.

Q. What benefit does a man receive in becoming a member of this association?

A. The first benefit is that he gets from us very cheap money. We give him bonds at 3, 3½, or 4 per cent, depending upon the money market. We do not charge the landowner for our service but only for the money. We can not call the loan that we make to him. That is another advantage he has. He can choose whether he wants to pay 3, 3½, or 4 per cent.

Q. How does the landowner obtain money through this institution?

A. Well, it is somewhat similar to the course followed by the Preussische-Central-Bodenkredit-Gesellschaft. The landed proprietor comes and asks for a loan, then the

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appraisement is made, and then we give him bonds for two-thirds of the actual value, receiving from him the mortgage on his property which is held as collateral for the bond.

Q. And he then sells the bond in the market?

A. Yes; or through the Darlehns Kasse. The difference between the Hypotheken Bank and the Ritterschaft is that the Ritterschaft gives him its bond in exchange for the mortgage and lets him market it himself, while the Hypotheken Bank gives him cash and issues and markets its own bonds independently.

Q. Will you tell me why a man should elect to take a bond bearing a rate of less than 4 per cent when he can get a 4 per cent bond? The company itself has to pay the interest on that bond?

A. Yes; the company pays the interest on the bond, but the borrower pays on his mortgage the same rate which the bond bears; it is therefore simply a question of amortization.

Q. About what rate does he pay?

A. Say he pays 3 per cent on the bonds, he also has to pay one-half per cent for the amortization, but this one-half per cent does not go to the company; it goes to a credit which is placed for him in the books of the company which is used for the amortization.

Q. Is the amortization always one-half per cent?

A. The one-half per cent is for all those proprietors who have not taken a mortgage for the full two-thirds value, but only one-half. In case they wish a full two-thirds mortgage they have to pay an additional 1 per cent amortization for the amount in excess of the one-half value.

Q. Has a member no other advantages?

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A. If the Darlehns Kasse—that is, the cash department of the institution—has large profits, the company has the option to say, for instance, that they will give 300,000 marks to the 1,000 persons who are interested in the institution, said sum being prorated and added to the amortization balances of the members.

Q. Is that the maximum amount which may be divided?

A. No; that is only an arbitrary amount. It depends upon the prosperity of the company. Since the founding of the company 3,000,000 marks have been used for that purpose.

Q. If I understand it correctly, it amounts to this: If the company has had a prosperous year they may set aside from their profits such an amount as they see fit for the benefit of their members, crediting their amortization balances.

A. Yes.

Q. How does the company make a profit?

A. We make no profit whatsoever in this department. The only profit is the interest on our capital.

Q. How do you provide for operating expenses, salaries, and the like?

A. The interest of the capital, 7,000,000 marks.

Q. Does an individual, becoming a member, have to pay any fee?

A. No.

Q. Anybody can become a member by borrowing from the institution?

A. Yes.

Q. Are there any members of this institution who are not borrowers?

A. No; if the people do not borrow they do not become members.

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Q. If a man becomes a member of this institution he has some claim upon the assets of the association. If he pays off his obligation, does he then cease to be a member?

A. At once.

Q. If a landowner wants to borrow money he comes here and makes an application. If his application is granted that transaction constitutes him a member of this association?

A. Yes; absolutely. When he has paid the obligation everything ceases.

Q. Does the borrower have no expenses whatever to pay?

A. To the man who appraises his property he has to pay the traveling expenses and a small fee for appraising the property.

Q. Are there any other expenses besides appraising the estate?

A. Yes; for the document which is drawn up he has to pay 3 marks. That is all.

Q. You made the statement that the original amount invested in this company was 20,000 thalers, and that it had accumulated from profits to 7,000,000 marks. How do you reconcile that with the statement that there is no profit?

A. Well, there is no profit to the credit institution. All the profit comes from the Darlehns Kasse, which does a regular banking business. They, for instance, issue letters of credit and do a foreign exchange business.

Q. I understand the corporation of which we have been speaking is merely a corporation for the purpose of making mortgages on large land estates and issuing their bond therefor, and is in no other sense a financial corporation.

A. Yes; that is correct.

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Q. What are the liabilities of the members of the association?

A. They have no liabilities beyond those mentioned, viz, payment of money borrowed, interest, and amortization.

Q. In other words, the member has no liability beyond the repayment of the money he borrows.

A. None whatsoever.

Q. Why should not everyone desiring to borrow money become a member of this institution?

A. Many go to other institutions for the reason that they can not get enough from us.

Q. How much money is now loaned by this company on farm lands?

A. 191,000,000 marks, on December 31, 1907.

Q. The amount of bonds issued by this company corresponds exactly with the amount of mortgages held by them?

A. Yes.

Q. According to the statement, the amount advanced to each borrower would average 190,000 marks. Is that about the average?

A. Yes; that would be about the average.

Q. How small an amount would you loan?

A. It is not fixed, but practically about 50,000 marks for the Ritterschaften.

Q. About what is the maximum?

A. About 1,000,000 marks.

Q. And these loans are confined entirely to landed estates?

A. Yes; only great land estates.

Q. Is there any limit to the total amount you may loan?

A. No limit whatever.

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Q. Are all the mortgages held as collateral for any and all of the bonds issued by the bank?

A. Yes.

Q. These mortgages are not deposited with the State Controller as in the case of the Pfandbrief Bank?

A. No; they are held here. The State has nothing to do with it.

Q. You state that all the directors must be interested in the company. Do they have any financial liability?

A. No, they are only chosen from land proprietors.

Q. Is there any significance in the difference you make between the different kinds of Pfandbriefe? There are old Pfandbriefe, new Pfandbriefe, and central Pfandbriefe.

A. The old Pfandbriefe are issued on a particular property, and bear its name. For instance, a mortgage is given, say, upon the estate of Mr. von Bülow, the name of which is Bülow Grounds. The bonds issued against this mortgage would be called Bülow Grounds bonds.

Q. The old bonds were issued on the mortgage of special property; how long did that practice continue?

A. Until 1858.

Q. What were the new ones?

A. Before 1858 the debt was simply inscribed in the official book, and against this debt the bonds were issued, naming the individual property. And after 1858 the bonds were issued against the aggregate amount of mortgages in this institution.

Q. What are the Central bonds?

A. The Central bonds are issued by the Central Landschaft, an institution of which this company is a member, and whose head office is here. All the bonds to-day are issued by the Central Landschaft for all the different Landschaften and Ritterschaften. In 1873 we gave up the

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Kur- und Neumärkische Pfandbrief because the market was rather limited, and all the similar institutions were combined in this Central Landschaft, and now only these bonds are issued. That was because there was a large foreign market for these bonds. Many are sold in Holland and elsewhere abroad.

Q. Are all the Landschaften of Prussia members of the Central Landschaft?

A. With the exception of Silesia, East Prussia, and Posen all the Landschaften are members.

Q. Are all the Landschaften which belong to the Central Landschaft jointly responsible for all bonds issued by that institution?

A. Yes, they are all held responsible.

Q. How many Landschaften form the Central Landschaft?

A. Eight.

Q. Are the bonds of which we have been speaking as being issued by this company issued by the Central Landschaft or by this company? Do they bear the name of this company or the Central Landschaft?

A. Practically only Central Landschaft Pfandbriefe are issued, but there are a few people who prefer our own issues out of tradition. To-day there are outstanding about 3,000,000 marks of the old bonds, 15,000,000 marks of the new Kur- und Neumärkische bonds, and 171,000,000 marks of the Central Landschaft bonds. In all, 190,000,000 marks.

Q. Can you state the amount of bonds issued by the Central Landschaft?

A. 426,000,000 marks.

Q. Then this company has issued nearly half of the total amount?

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A. Yes; that is right.

Q. Are these bonds traded in on the market as freely as the bonds issued by the mortgage banks?

A. Yes.

Q. Take bonds with the same maturity and bearing the same rate of interest, how would yours compare in price with theirs?

A. Ours rule about 1 per cent higher than those of the other mortgage banks, but our bonds generally rule about 1 per cent below Imperial and Prussian issues of the same rate.

Q. Do you find it necessary to make many foreclosures or take over property?

A. It is the principle not to sell property in arrears, but to conserve it for the family of the landed proprietor; sometimes we keep it for them for twenty-five years. Last year we foreclosed on five estates amounting to about 2,000,000 marks. These covered all in arrears, and, as before stated, we had carried one of them for twenty-five years.

Q. What is the cost of properties now held by the company taken under foreclosure?

A. 2,000,000 marks.

Q. Thus far we have touched only upon the mortgages on large estates.

A. Yes.

Q. Are the peasant mortgages made by this company, or is that a separate company?

A. As stated, there are two branches—one the Ritterschaftliches, the land estate institute, and the other the Brandenburger Institute, which handles the small loans.

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Q. Are the statements of this department made separately?

A. Yes.

Q. Is it an association?

A. Yes.

Q. Would a member of this association also be a member of the Ritterschaft?

A. No.

Q. To what territory are the loans of the Ritterschaft confined? Are they made in all parts of Germany, or only in the State of Prussia?

A. The mortgages made by this company are confined to Brandenburg.

Q. Who controls and appoints the management of this company?

A. The members of the associations elect a general assembly, which consists of thirty-two members, and this general assembly serve as a board of supervisors. The board elects the officers, consisting of a president and vice-president, and two directors.

Q. Are they elected for a limited time?

A. For six years.

Q. How frequently do the members have a meeting?

A. Once a year.

Q. And they elect the board for one year?

A. No, for six years.

Q. Has the company a special charter?

A. Yes, we have a special charter.

Q. Is the Brandenburger Kredit Institut organized on practically the same lines as the Kur- und Neumärkische?

A. Yes; the only difference between the two institutions is that the farmer who wants to take out bonds against the mortgage has to pay one-tenth per cent

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commission on the nominal amount of his mortgage in excess of the amortization, and this one-tenth is to cover the expense of the Ritterschaftliche Institut, which at the same time governs this Brandenburger Institut.

Q. Then the peasants pay the expense of the Ritterschaftliches Institut?

A. Yes, to some extent.

Q. How many members are there in the Brandenburger institution?

A. 10,013.

Q. To what territory are the loans confined?

A. To Brandenburg, together with Pomerania, Silesia, and Saxony. Both institutions cover the same territory. The only exception is that large estates of the Lausitz do their business with the Brandenburger instead of the Ritterschaftliches.

Q. The form of organization, the relationship of the member to the organization, and the method of handling the business are exactly the same in the Brandenburger as in the Ritterschaftliches?

A. The only difference is the additional advantage of the Kur- und Neumärkische Ritterschaftliches, that they occasionally receive a certain amount of the profits from the Darlehns Kasse. That would be impossible for the Brandenburger.

Q. How much money has been loaned by the Brandenburger Kredit Institut?

A. 141,000,000 marks.

Q. What is the minimum size of loans made?

A. One thousand marks.

Q. And the maximum?

A. Two hundred thousand is as much as they ordinarily would reach.

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Q. This is the main office of the Kredit Institut. Have they other offices or branches?

A. Yes, they have several branches. They have one in Frankfort on the Oder and one in Perleberg, one in Prenzlau, and one near Berlin.

Q. Has the Ritterschaftliches more than one office?

A. Yes, they have the same offices as the Brandenburger.

Q. Are we correct in understanding that the Brandenburger Institut, lending to peasants, is organized on exactly the same lines as the Ritterschaftliches Institut, except that the members of the Brandenburger are required to pay a commission on the mortgages made, and do not have any interest in the profits which may be realized by the company?

A. With only these two exceptions the business is conducted in exactly the same manner. The peasants receive bonds for the mortgage made, which they can market through the Darlehns Kasse or elsewhere, as they choose, and these bonds are all issued through Central Landschaften, as is the case with the Ritterschaften.

Q. Is the organization of the Brandenburger as to the official management the same as the Ritterschaftliches?

A. The directors and officers who take care of the business are the same persons. The personnel is the same in each, only the general assembly is different. The 32 members of the general assembly of the Ritterschaften are different from those of the Brandenburger.

Q. How can you be sure that the same officers are going to be elected by two different boards?

A. The Brandenburger has nothing to do with the selection of officials, because the management is in the hands of the Ritterschaften. If the Brandenburger

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should disagree with the others, they have the right to leave the business, and then they would have to fix up new offices and elect new officials.

Q. It is to their advantage to remain?

A. Yes.

Q. Are the other Landschaften divided in much the same way into Ritterschaften and small credit institutions?

A. Yes, as a rule the other Landschaften are organized in the same manner.

Q. Is this business growing?

A. Yes, it increases from year to year.

Q. The appraisements are made by the officials of this company?

A. Yes.

Q. And they are not approved by any government official?

A. No.

Q. Are the bonds issued only upon the approval of the board?

A. Yes; the board examines the mortgages and then issues the bond.

Q. The usual percentage of advance is from 50 to 66 per cent?

A. Yes.

Q. The usual length of time is 55½ years?

A. Yes.

Q. Can a borrower anticipate payment of his mortgage?

A. A borrower can pay his mortgage at any time, but the company can not call it until it matures.

Q. For what length of time are the bonds of the company issued?

A. Without any limit.

Q. They have no maturity?

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A. No.

Q. When can they be presented by the holder for payment?

A. They can not be presented for payment.

Q. You do not mean they are irredeemable?

A. They have no maturity.

Q. What is the practice when mortgages are voluntarily paid?

A. We call in and retire a like amount of our bonds.

Q. Suppose I hold some of these bonds, and they do not call them and I want the money?

A. You can sell the bond on the market.

Q. But suppose I can not find anybody to buy?

A. You go to the company and they buy them.

Q. But you are not obligated to buy them at any time?

A. No; the company is not obliged to do so. In practice these bonds are constantly being purchased by the company out of the amortization fund. The company usually avails itself of the opportunity to purchase when the bonds are offered below par. We have always the right of calling the bonds in at par.

Q. Besides the two departments there is also a third, which is a banking department?

A. Yes; the Darlehns Kasse. It is a part of the organization or institution which is under the Ritterschaften, and the capital employed in that department belongs to the institution. The only significance of that department is that it is the financial department of this business.

Q. Does it transact a regular banking business?

A. Yes; similar to that of the Reichsbank.

Q. They receive deposits?

A. Yes; they have 33,000,000 marks.

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Q. The profits realized in this business are not paid out, but may be prorated among the members of the Ritterschaftliche Institut?

A. Yes.

Q. Do you receive deposits from merchants and individuals?

A. Yes; from corporations, from individuals, from merchants, from private people.

Q. Are any of the funds received on deposit invested in the mortgages through one of the other branches?

A. No; they are kept entirely separate.

Q. How are the deposits invested? That is, what is the character of bills purchased and loans made?

A. We loan money on call and buy prime bankers' bills, and do a regular banking business.

Q. Are you restricted as to the character of business you may do?

A. No; we also have safe-deposit vaults.

Q. Does this department purchase and carry the bonds of the other two departments?

A. Yes. In case the Pfandbriefe go below a certain rate we would buy them at the exchange.

Q. You also issue communal bonds or lend to communities?

A. Yes.

Q. That is the same business which the Hypotheken Banks do?

A. Yes; it is the main business of the institution.

Q. What is the usual size of loans made to communities?

A. There are some communities which take as much as 10,000,000 marks. The community of Schönerberg recently decided to build a railroad for 18,000,000 marks, and of course they came here to get it.

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Q. The Darlehns Kasse issues a bond which is sold on the general market?

A. Yes.

Q. Are these bonds issued through the Central Landschaften?

A. No, the Darlehns Kasse is entirely separate. Its own banking department issues bonds known as "communal bonds," secured by communal obligations. These bonds are exactly of the same character as those issued by the Hypotheken Banken.

Q. Are these bonds secured by municipal obligations, or may they be of other public corporations?

A. Yes, but communal corporations.

Q. And these bonds may be called at par?

A. Yes.

Q. By whom is this institution comprising these three branches owned?

A. It is owned by itself. It has no ownership

Q. Does the State exercise or have authority to exercise any particular power of control over it?

A. No, the State has nothing to do with it.

Q. Has the Empire?

A. No.

Q. How frequently are statements required?

A. Once a year.

Q. Are reports made to the members of the association?

A. The members of the association and the Prussian Government receive one copy of the report

Q. Am I correct in understanding that whatever profits the Darlehns Kasse earns above the expenses of its management are paid to the credit institution, to the Ritterschaften?

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KUR- UND NEUMÄRKISCHES RITTERSCHAFTLICHES KREDIT INSTITUT, BRANDENBURGER KREDIT INSTITUT, CENTRAL LANDSCHAFT, KUR- UND NEUMÄRKISCHE RITTERSCHAFTLICHE DARLEHNS KASSE.

Bilanz-Konto der Kur- und Neumärkischen Ritterschaftlichen Darlehns-Kasse am 31. Dezember 1906.

ACTIVA.		Mark.
Kassa-Konto		1,712,546.94
Effekten-Konto		15,071,209.75
Zinsschein-Konto		253,942.22
Wechsel-Konto		206,959.70
Debitores:	Mark.	
In Konto-Kurrent-Sachen	18,511,524.40	
In Pfandbriefsbeleihungs-Sachen	1,435,472.51	
In Hypotheken-Krediten	17,104.40	
		19,964,101.31
Hypotheken-Konto Hötensleben		1,000,000.00
Inventar-Konto		12,996.58
Gewährte Darlehne zur Deckung von Kommunal-Schuldverschreibungen		84,958,950.00
Gewährte Communal-Zuschuss-Darlehne		110,114.60
Effekten für Spezial-Reserve-Konto II (Kommunal-Schuldverschreibungen)		38,785.95
Effekten für Tilgungsfonds für Kommunal-Darlehne		2,960,869.85
		126,290,476.90

PASSIVA.		Mark.
Kapital-Konto		4,144,740.04
Spezial-Reserve-Konto I		543,238.25
Spezial-Reserve-Konto II (Kommunal-Schuldverschreibungen)		54,877.32
Kreditores:	Mark.	
In Konto-Kurrent-Sachen	19,164,704.71	
In Depositen-Sachen	14,395,535.92	
In Pfandbriefsbeleihungs-Sachen	4,000.31	
		33,564,240.94
Pensionsfonds für die Beamten der Ritterschaftlichen Darlehns-Kasse		63,489.28
Kommunal-Schuldverschreibungs-Umlauf:		
À 3 Prozent	234,800.00	
À 3½ Prozent	84,724,150.00	
		84,958,950.00
Guthaben der Kommunal-Verbände am Tilgungsfonds:		
In Bar	71.22	
In Wertpapieren	2,960,869.85	
		2,960,941.07
		126,290,476.90

Balance sheet of the Kur- und Neumärkische Ritterschaftliche Darlehns-Kasse, December 31, 1906.

ASSETS.		
Cash		$407,586
Securities		3,586,948
Interest account		60,438
Bills discounted		49,256
Loans:		
In current account	$4,405,743	
On mortgages	341,643	
On mortgage credit	4,071	
		4,751,457
Hötensleben mortgage		238,000
Inventory		3,093
Loans to cover communal bonds		20,220,230
Supplemental communal loans		26,207
Securities for special reserve		9,231
Securities for sinking fund for communal loans		704,688
Total		30,057,134

LIABILITIES.		
Capital		$986,449
Special surplus No. 1		129,290
Special surplus No. 2		13,061
Deposits:		
Current accounts	$4,561,199	
Deposit accounts	3,426,137	
Mortgage loan accounts	953	
		7,988,289
Pension fund		15,110
Communal bonds:		
At 3 per cent	55,882	
At 3½ per cent	20,164,349	
		20,220,231
Balances of communes for redemption fund:		
In cash	17	
In securities	704,687	
		704,704
Total		30,057,134

Kur- und Neumärkisches Ritterschaftliches Kredit-Institut, December 31, 1906.

	Marks.	$45,568,208
Loans	191,463,060	
Old Kur- und Neumärkische bonds bearing the name of the property	2,933,060	698,070
New Kur- und Neumärkische bonds	15,846,000	3,771,348
Central-Landschaft bonds	171,759,900	40,878,856
	190,538,960	45,348,274

Neues Brandenburgisches Kredit-Institut, December 31, 1906.

	Marks.	
Mortgage loans	141,848,900	33,760,038

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A. No, they are not paid to the Ritterschaften. They are added to the capital of the credit institution.

Q. How many Landschaft institutions or associations are there in the Empire?

A. About fifteen; one for each province.

Q. Eight of them are centralized here in the Central Landschaft?

A. Yes.

Q. Are there other Central Landschaften in the Empire?

A. No; this is the only Central Landschaft.

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BANK DES BERLINER KASSEN-VEREINS.

Berliner Kassen Verein, Interview with Herr Hoppenstedt.

Q. When was this bank organized?

A. In 1823, under the general companies act.

Q. What are its particular functions?

A. This bank might be called strictly a clearing bank. It clears transactions made on the stock exchange and also checks on banks which do not clear through the Reichsbank Clearing House. As you know, our banks do a large stock exchange business. It is their custom to send to us all securities sold to others clearing through us with a list of the purchasers. We charge the purchasers the amounts due from them and credit the amounts received from them, balancing every night. The securities are delivered to the various purchasers. Some settlements are made daily and others monthly. A large volume of checks and bills are also cleared. This is simply a clearing business.

Q. You show loans and discounts in your statement. What is the character of these?

A. We invest our funds in first-class loans and prime bills. Nothing else.

Q. Is this bank owned by the other banks?

A. It is partly owned by other banks. There is also a commission of shareholders of the bank, among whom are the first banks of our city. These are members of our board.

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BANK DES BERLINER KASSEN-VEREINS.

Bilanz der am 31. Dezember 1907.

AKTIVA.	Mark.
Wechsel-Bestände:	
(*a*) Wechsel auf Berlin	8,568,337.55
(*b*) Wechsel auf Reichsbankplätze	7,132,387.33
Bestand an diskontierten Effekten	13,395.00
Bestand an Effekten für den Beamten-Unterstützungs-Fonds	1,222,673.95
Darlehne gegen Unterpfand	4,189,300.00
Debitoren zur Verrechnung auf Giro-Konto pp	1,908,453.99
Am 2. Januar 1908 zahlbare Wechsel und Effekten	282,295.80
Kassen-Bestände einschliesslich Giro-Guthaben bei der Reichsbank	3,110,422.15
Grundstücks-Konto Oberwallstrasse 3	330,000.00
Grundstücks-Konto Hinter der Katholischen Kirche 2	1,500,000.00
	28,257,265.77

PASSIVA.	Mark.
Aktien-Kapital	9,000,000.00
Reserve-Fonds	1,350,000.00
Kreditoren im Giro- und Bankverkehr	15,563,774.80
Beamten-Unterstützungs-Fonds	1,251,343.14
Dem Jahre 1908 zufallende Zinsen von Wechseln und Effekten	99,545.00
Baureserve-Konto	100,000.00
Noch zu berichtigende Unkosten pro 1907	114,447.70
Reingewinn	778,155.13
	28,257,265.77

Balance sheet of the Berliner Kassen-Verein, December 31, 1907.

ASSETS.	
Bills discounted:	
(*a*) Payable at Berlin	$2,039,266
(*b*) Payable at towns with Reichsbank branches	1,697,508
Securities	3,188
Securities for bank officials' pension fund	290,996
Loans on collateral	997,053
Unsettled clearing accounts	454,212
Bills and notes due January 2, 1908	67,186
Cash, including balance at the Reichsbank	740,280
Real estate (1)	78,540
Real estate (2)	357,000
Total	6,725,229

LIABILITIES.	
Capital	$2,142,000
Surplus	321,300
Deposit accounts	3,704,178
Bank officials' pension fund	297,820
Interest upon bills and securities due in 1908	23,692
Building surplus account	23,800
Unpaid bills for 1907	27,239
Profits	185,200
Total	6,725,229

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Q. Is it the custom for all banks which clear through you to have a balance in order to facilitate the payment of debits through clearing?

A. Yes.

Q. What dividends do you pay?

A. Eight per cent last year.

Q. What is your stock selling for?

A. 130.

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Berliner Sparkasse; Interview with Herr Stadtrat Emil Gehricke, President.

Q. Is the business of this bank confined to the city of Berlin?

A. Yes.

Q. Have you more than one office?

A. We have several in Berlin, but as the city of Berlin is responsible for all the deposits made with the Sparkasse, it is only allowed to do business within the city.

Q. Is the bank organized under a special charter?

A. We have a special concession from the Prussian Government.

Q. Is it different from the other city savings banks?

A. No; it is the same. There is a special law governing all the city savings banks within the State of Prussia. We have eight branch offices, which pay and receive and conduct business as at the main office, and in addition we have 200 *Annahmestelle*—i. e., places where money can be deposited. They are mostly in grocery shops.

Q. Are there any banks of a similar character in the city of Berlin?

A. Not one. This is the only city of Berlin savings bank.

Q. What other classes of savings banks are there in Berlin or in the State?

A. In Prussia there are also district savings banks, *Kreis Sparkassen.* All large cities like Charlottenburg have their own city savings bank, but the district savings banks are more for the country parts of the State. For

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instance, there are Kreis Sparkassen in Cöpenick and some of the small suburbs in Berlin.

Q. May they do business in any of the cities?

A. Yes, they are allowed to. We will not receive deposits outside of the city of Berlin, because as long as the city of Berlin is responsible for our deposits our business must be confined to the city.

Q. Is there a district savings bank in the city of Berlin?

A. Only a branch office.

Q. What is the distinction between the district and the city savings bank?

A. There is hardly any difference, because they are all governed by a statute prepared for them by the Prussian Government. The Kreis or district is responsible for the deposits of the Kreis Bank.

Q. Do the Kreis savings banks confine their business to the town in which they are located?

A. No. One has offices here.

Q. Is the city in which the main office is located responsible for the deposits of the institution including the deposits in the branch here?

A. Yes. The other savings banks are located in various cities within the State, but may have branches in towns and even in other cities. The principal difference is that the City Savings Bank of Berlin does not receive deposits from anybody outside of Berlin, while the other city and district banks do receive deposits outside.

Q. Is it customary for the district savings banks to have many places where deposits may be received, as in shops?

A. Yes, that is customary all over Germany.

Q. Does the system as it prevails in Prussia prevail generally throughout the other States of the Empire?

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A. Yes, in the other States it is similar.

Q. Then there is practically only one character of savings bank in the German Empire?

A. There are in Hamburg private savings banks.

Q. Are they an important factor compared with the district savings banks?

A. No, they are hardly known.

Q. Are the restrictions which govern this bank practically those which govern the savings banks of the Empire?

A. Yes, the restrictions are about the same for all the Sparkassen all over Germany.

Q. How small an amount is received on deposit?

A. From 1 mark up.

Q. What is the maximum amount?

A. Under the old statute the maximum amount is 1,000 marks, but application has been made for a new statute fixing the maximum amount at 3,000 marks. They are allowed to receive institutional and trustee funds to any amount.

Q. What is the amount of the deposits of this institution?

A. About 350,000,000 marks.

Q. What rate of interest is paid on deposits?

A. Always 3 per cent.

Q. Has that rate changed during the last twenty years?

A. No, it has never been changed. Interest is only allowed from the first of each month and on sums not withdrawn during the month.

Q. What is the surplus of the bank?

A. 29,000,000 marks.

Q. How many depositors has the bank?

A. At the end of 1906 we had about 826,000.

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Q. What is done with the profits accumulated beyond the interest paid to depositors?

A. Our net profits are added to the reserve fund.

Q. Has there ever been any distribution of profits since the organization of the bank?

A. No, they are added to the reserve funds.

Q. When was this institution organized?

A. 1822.

Q. The reserve fund to-day shows the aggregate profits of the bank since its organization?

A. No. In the year 1853, 150,000 marks were used to build an orphan asylum and between 1881 and 1885, 887,306 marks were used to build schools. Further, 2,000,000 marks will be used now to buy the place of the former botanical garden for the city.

Q. As far as you know, has there ever been a division of profits in any savings bank?

A. The other city and district savings banks as a rule carry a portion of profits to their reserve fund, and also pay certain amounts to benevolent societies, hospitals, schools, and churches.

Q. Is there any question as to whom the surplus belongs?

A. No, there is no question about it. The statute provides that they may distribute their surplus funds among city benevolent institutions. They can use it, according to their judgment, for the good of the community or the city or the State. It must, however, go for the public purposes, or for payment of public debts.

Q. It belongs, then, to the city?

A. Certainly, or to the community.

Q. Is 3 per cent the usual rate throughout the Empire?

A. Yes.

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Q. Has there been any agitation on the part of the depositors for an increase of rate on the theory that they are entitled to some of that reserve?

A. No; there is the competition of the large banks, where higher rates are sometimes paid.

Q. What are the restrictions in regard to its investment? How may the funds of the bank be invested?

A. Only in trustee securities; that is, securities that are permitted by law, such as German and Prussian state loans, city bonds, and mortgage bonds.

Q. By mortgage bonds you mean bonds issued by mortgage banks?

A. Yes; Pfandbriefe. We may purchase bills with three good signatures, prime bills. We may make loans to the city of Berlin for certain improvements. Of course we own our real estate.

Q. Are you restricted as to the amount of money you may invest in prime bills?

A. Yes; there is a restriction. We can take about 20,000,000 marks of bills; strangely just now we have not any.

Q. Are you losing deposits?

A. Yes; we are paying out large sums.

Q. Are the other savings banks also losing?

A. Yes; and they are obliged to sell some of their stock, bonds, and securities to meet the withdrawals. We are not obliged to do this, because we can at any time get money from the Stadt Hauptkasse.

Q. Is this a recent movement, or has it been gradually going on for months?

A. For months.

Q. Is the money being withdrawn to pay current expenses, or for investment, or to be deposited elsewhere?

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A. To pay current expenses.

Q. Do you carry a cash reserve?

A. We always have a cash reserve to meet demands, usually about one-quarter of a million marks.

Q. Do you carry an account with the Reichsbank or the Seehandlung?

A. No.

Q. Is there any law requiring a savings bank to carry a reserve in cash or in bank?

A. No; they are not allowed to deposit any money with the private banks, such as the Deutsche Bank.

Q. May you deposit with the Reichsbank or Seehandlung?

A. We may, but do not.

Q. What do you do with the cash received?

A. We buy securities.

Q. Do you not carry an account in some bank upon which you may draw?

A. No; we do not. We clear our purchases and sales through the Kassen Verein.

Q. Then you really carry an account with the Kassen Verein?

A. No; only clear through them.

Q. How do you secure cash with which to meet withdrawals?

A. From the Stadt Hauptkasse.

Q. That is the city treasury?

A. Yes; we borrow money from the city treasury.

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Interview with Herr Von Mendelssohn, Mendelssohn & Co.

In conference with Mr. Von Mendelssohn we learned that he entertains a very high regard for the Reichsbank. A reasonable increase in the Kontingent is the only change that he would favor. He is not in sympathy with the criticisms made by the agrarian party. He states that a moderate increase in the bank rate is not viewed with any concern, and that it is a very effective means for controlling gold movements, citing the comparatively recent increase in the gold reserve as evidence of the effectiveness of the measure. He expressed the opinion that the financial field of Germany would be thoroughly covered by making inquiries concerning the Reichsbank, the private or joint stock banks, the mortgage banks, the Landschaften, the Kassen Verein, the credit associations (Schulze-Delitsch and Raiffeisen systems), the state banks (Central-Genossenschafts-Kasse and the Seehandlung).

The Seehandlung in its functions may be taken as typical of the state banks of other States in the Empire, such as the Royal Bank in Nuremburg, which is the state bank of Bavaria.

There are several Renten-Banken and Landes-Kultur-Renten-Banken located within the various States in the Empire. These, however, are not banks, in that they do not receive deposits, purchase bills, or perform the usual function of a bank, confining their business entirely to the lending of money upon real estate, taking mortgages against which they issue their bonds. These bonds are guaranteed by the States in which the institutions

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are located. The companies have no capital stock, and according to the latest figures show accumulated profits of $4,000,000. The total amount of their bonds outstanding in April, 1908, was 270,000,000 mark, ($67,500,000).

He added that there are some international banks located in Germany whose business is, however, largely in other countries, and therefore not a factor of importance in the finances of the Empire. Some of these important international banks are partially owned or controlled by some of the important private banks of Germany, and through them invest funds in foreign countries.

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S. Bleichroeder; Interview with Doctor Von Schwabach.

In a conference with Doctor Von Schwabach he expressed his absolute confidence in the Reichsbank, regarding it as perfectly adapted to the needs of Germany, adding that in his judgment the organization or system could not be materially improved. He would favor an increase in the Kontingent, but beyond that believes that no change could be made for the better. When asked if an increase in the bank rate was received with any concern he replied that it was merely regarded as a warning. He stated that an increase in the rate does attract gold to Germany, but that it could not be raised sufficiently to prevent gold exports if gold were needed elsewhere.

Referring to the experiences in the autumn of 1907 he stated that he expressed to Doctor Koch, then President of the Reichsbank, the belief that it would be wise for the Imperial Bank of St. Petersburg, the Reichsbank, the Bank of France, and the Bank of England to cooperate and voluntarily offer to the United States (probably to the Secretary of the Treasury) an immediate shipment of gold, believing that that very act would relieve conditions in the United States and allay apprehension in this country.

He stated that he views with no concern the issue of taxed notes by the Reichsbank. When asked if there were other criticisms from respected sources as to any of the regulations or practices of the Reichsbank he said that there were some who thought the discrimination of 1 per cent in the rate on Lombards was a little severe; that many thought that one-half of 1 per cent would be

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quite sufficient. He added that there had been criticisms from the agrarian party emanating largely from the large landowners, members of the nobility, who feel that the Reichsbank is not organized to render to them as great advantages as to commercial and industrial enterprises. While this party is powerful, he does not feel that there will be any change as a result of their criticisms. He does not agree with their views. When asked as to an estimate of the amount of gold in the pockets of the people, he replied that he could name no figure, that it undoubtedly was a very large amount. Referring to the law enacted last year establishing a legal status for checks for the purpose of increasing their use, he expressed the opinion that checks would be more generally used than heretofore; that at present they are a very small factor in the transaction of business within the Empire, it being almost entirely confined to the transfer system. In explaining he said that almost all bills of large size were paid by the debtor by means of an order upon his bank to transfer to the bank of the creditor the amount due, this order being in the way of a letter of instruction, but that in the case of small individual and personal bills cash was generally used in settlement. In Hamburg it is the practice to use the transfer system almost entirely even in small transactions—that is, a bill of the tailor would be paid by an order to the bank of the debtor to transfer to the account of the tailor in his bank the amount due, it being the practice there for each merchant to have on his letter heads and billheads the name of his bank.

In reply to an inquiry as to the volume of business done by the Genossenschaften, he stated that it was very important and of very large volume. He regarded the sys-

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tem generally with favor, although he criticised the principle of the Preussische Central-Genossenschafts-Kasse; that institution, having no shareholders but being owned by the State, is in a position to make advances to its customers at rates with which other financial institutions can not compete, the net result of which may be a loss to the State and therefore to the taxpayer. He stated that last fall the Central-Genossenschafts-Kasse borrowed money in the street on Lombards, of his house among others, paying interest at 7 per cent, and lending the sums thus borrowed to their customers at 4 per cent. He argued that this was bad in practice and should not be permitted.

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SWITZERLAND

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SWITZERLAND.

Statement of Mr. Leon Rueff, Managing Director of the London Branch of the Swiss Bankverein.

Mr. RUEFF. We have in Switzerland 22 Cantons, which are in fact separate States. They are all autonomous, and have their own special arrangements, and nearly all have cantonal banks. The capital of part of these banks has been supplied by the Canton, in the form either of cash or securities, or through the issue of cantonal bonds.

The Canton of Zurich, for instance, has a cantonal bank, which received its initial capital through the State issuing a fixed loan and handing over the proceeds to the bank.

According to law these banks could issue a certain ratio of notes, which, however, had to be covered by 40 per cent in gold or legal tender (5-franc pieces, etc.). The other 60 per cent had to be covered by liquid assets. Those assets, used by the cantonal banks as cover for their notes, included bills with two well-known signatures, either Swiss or foreign, cash in hand, and advances made on Swiss federal and cantonal securities.

Agitation has been going on for twenty years to grant a monopoly of note issue to the Federal Government. We have in Switzerland the system of referendum, and in the course of the eighties a popular vote was asked for in respect of the introduction into the constitution of an article giving the exclusive right of issuing notes to the

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Federal Government, which could hand it over to a bank. This was at first rejected by popular vote. In 1891, however, the article was adopted, but remained a dead letter, as the Legislature was unable to decide whether they would have a state bank or an absolutely private bank, the shares being held by the public, the right of control, however, being in the hands of the Government, as in the case of the banks of France and of Germany.

Three years ago a law was passed, and accepted by referendum on October 6, 1905. The law was published on October 11, 1905. An opposition was yet raised against it, which, however, did not succeed in getting together the necessary 30,000 signatures for reconsideration, and it finally went into effect on January 9, 1906, at the end of the legal period of three months, reserved for the referendum.

This law provides (art. 1) that the Confederation shall give the exclusive right to issue notes to a central issuing institution, created in conformity with the provisions of this law, under the name of Swiss National Bank. This Bank has all the rights of a private individual, but is administered under the supervision of the Confederation.

The National Bank has for its principal objects to reguate the money market of the country, and to facilitate payments and transfers of money. It undertakes without cost the service of exchequer of the Confederation, so far as the latter will delegate it to the Bank.

It has a capital of 50,000,000 francs in 100,000 shares of 500 francs each. Two-fifths of this amount was subscribed by the Cantons, one-fifth by the existing banks of issue, and two-fifths by the public. Only Swiss citizens or corporations domiciled in Switzerland can be shareholders.

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The operations of the Bank are strictly limited to—

1. The issue of notes.

2. The discounting of bills maturing three months later and bearing two signatures at least.

3. The sale or purchase of foreign bills or checks payable in specie.

4. Advances for three months on obligations (bonds), but not on shares.

5. Transfers and money orders.

6. Purchases for its own account, but only as temporary investment of money, of the bonds of the Federal or Cantonal Governments or of foreign states, provided that they are bearer securities and of easy realization.

7. Purchase and sale of gold and silver specie and bullion and advances upon the same.

8. Issuing of gold and silver certificates.

The bank may receive on deposit gold or silver bars or foreign coin at a certain ratio and issue its notes against them. Coins should be delivered in 2½-kilogram lots or pieces of the same denomination. Advances are made on the basis of 3,000 francs on the kilogram of gold nine-tenths fine. [Reading:]

9. Opening of interest-bearing and noninterest-bearing deposit accounts.

They can not allow interest to anybody but the Confederation. This is to prevent the National Bank from competing with other banks. [Reading:]

10. The safe-keeping of securities and objects of value.

11. Subscriptions on commission of a third party to federal and cantonal loan issues, but without participating on its own account for same.

They can not take part in any underwriting syndicate. [Reading:]

The Bank will publish its loan and discount rates at regular intervals and will issue bank notes of the denomination of 50, 100, 500, and 1,000 francs. Its note issue will have to be balanced to its full

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amount by a 40 per cent specie reserve and 60 per cent bills acquired at home or abroad. It will also be obliged to hold a reserve to balance all of its short-term engagements—all those which will terminate in ten days.

The distribution of profits is minutely provided for. Ten per cent of the profits go to the reserve fund. After this a dividend up to 4 per cent maximum of the fully paid-up share capital has to be paid. Out of the remainder the indemnities will be paid to the Cantons upon a special scheme and the surplus will be distributed as to one-third to the Confederation and two-thirds to the Cantons.

The Swiss National Bank has no tax to pay upon its issue, while the private banks had to pay taxes.

All Cantons in general will receive for the first fifteen years an indemnity of 30 centimes per capita, while Cantons, which draw profits from their cantonal banks, will receive a special distribution. After the first fifteen years every Canton will receive 80 centimes per capita, and in case the surplus in any financial year is insufficient to meet these payments the federal treasury will advance the sums necessary to pay the indemnities.

This is to take the place of the amounts formerly received by the Cantons from the taxes on the issue of the private banks. The Federal Government has the customs duties with which to pay these amounts, if the Bank should not make sufficient profit. The Federal Government has no right to direct taxation, but it has some monopolies, the surplus of which is applied partly to the service of the federal loans and partly goes to the Cantons as compensation for their having given up the taxes formerly levied by them on the articles now subjected to federal monopoly.

By federal law of October 15, 1897, the Confederation was authorized to acquire the railroads, and the transaction should be completed in 1909. But the railroads are an absolute separate institution; the revenue does

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not go into the general fund of the State. Out of the surplus they have to provide, first, for interest and amortisation of their loans, and for the payment of all debts outstanding, while any surplus remains as a reserve fund.

I will now give you some of the principal regulations governing the conduct of the Bank:

The shares are only transferable by indorsement, and this transfer must be approved by the committee of the Bank.

The National Bank is the custodian of the public funds, for which it does not allow any interest; it makes all payments for the Federation without charge. It also receives for safe-keeping all securities which belong to the Federal Government and all its different funds, like pension funds, etc.

The Bank is obliged to publish a statement every week. All statements are published in two languages—French and German—but the bank notes are printed in the three national languages—French, German, and Italian.

The Bank has no right to discount bills at a lower rate than the official rate. The Bank can have no private rate of discount. Therefore they find it sometimes difficult to buy bills, because they have the competition of all the other banks. The bank rate at present is 3½ per cent, while the market rate is but 3⅛ per cent.

The principal purpose of the Bank is to regulate the Swiss monetary system, not to make dividends and to issue notes.

Of the profits 10 per cent is taken for a reserve fund, but there can not be more than 500,000 francs in one year taken for this purpose, and only until the reserve fund has attained 30 per cent of the paid-up capital. This is to

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prevent the Bank from accumulating big reserves, so that the Cantons would receive less. Afterwards 4 per cent maximum dividend may be declared to the shareholders.

The payment which has to be made by the National Bank to the Confederation, and which is given up by the Confederation to the Cantons, is composed of the following items: Fifty centimes per 100 francs of the authorized issue on December 31, 1904, of each Canton, 30 centimes per capita in each Canton of the population as given by the last federal census.

Q. How many branches has the Central Bank?

A. Eleven.

Q. How is the Bank managed?

A. There is a bank council composed of 40 members named for four years; 15 are designated by the meeting of the shareholders and 25 by the federal council. They must be Swiss citizens and representatives of finance, commerce, industry, agriculture, etc.

The nomination of these 40 members is made in the following way: The federal council nominates in the first instance, the president and the vice-president. After that the general meeting of shareholders nominates 15 members, and gives notice to the federal council of the nominations which they have made. The federal council, after receiving these nominations, proceeds to the nomination of 23 other members, of which not more than 5 can be members of the federal chambers and not more than 5 be members of the governments of the Cantons. In the choice of these 23 members an equitable representation is assured to the leading banking centers and the principal centers of commerce and industry. The members of the council do not have to deposit shares as qualification for membership.

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Q. How long does the president act as president after being designated by the federal council?

A. Four years.

This legislation was a compromise between the radicals, who wanted a pure state bank and the conservatives, who wanted a federal bank. The Federal Government guarantees the Cantons a certain income for having taken away the income from their banks, but there is no guarantee of the 4 per cent dividend.

Q. Was there much discussion in your Parliament?

A. A great deal; it has taken twenty years' fighting to accomplish this result.

Q. It seems they were all in favor of some centralized authority of one kind or another. What were the conditions of the country, which led everybody to desire the centralization of their note issues and banking power?

A. For instance, we had no facilities of exchange between say Berne and Zurich and other places, and it was often difficult to transfer money from one place to another. The banks conducting these operations were private undertakings, which looked for profits and not so much for the interest of the community. At certain times, such as crop-moving periods, it was very difficult to get notes and money transferred. There was also fear that some of these institutions might not be sound.

Q. Was there any distrust of banks in one Canton by the people of other Cantons?

A. There was a very rigid supervision by a federal comptroller. Therefore, as regards the bank notes, there was no distrust, but as regards the management of certain banks and their other business there was some distrust. To prevent these difficulties, in the seventies or eighties, a concordat was concluded by the different issuing banks,

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and that association gave as many facilities as possible for the transfers. There was a kind of clearing house in Zurich. The banks did not want a central institution, and so they cooperated with the view of rendering the creation of a central bank unnecessary. This was about twenty-five years ago.

The concordat was composed of issuing banks and its power amounted to 50 per cent of the banking strength of Switzerland. It is not now in existence, but the cantonal banks have started a new association to defend their interests. Their bank notes will be gradually withdrawn, but they now have a defensive organization so as to discuss between themselves the steps they shall take to continue in business and how they will go on after all this has been settled.

We are making an active propaganda in Switzerland for the use of checks. The postal savings bank and postal-check transfer system have been started. Individual debts are paid mostly in bank notes or coin, but efforts are now made to avoid transfers of actual money and to increase the use of checks.

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ITALY

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ITALY.

Interview with Comm. Tito Canovai, Chief General Secretary of the Banco D'Italia.

Q. How many different kinds of banks are there in Italy?

A. There are the three issue banks, viz, the *Banca d'Italia*, the *Banco di Napoli*, the *Banco di Sicilia;* then there are a number of commercial banks, without the right of emission. There are about 830 popular banks and cooperative credit societies.

Q. Are there any postal savings banks?

A. Yes; and there are private savings banks, too.

Q. At the beginning of the United Kingdom of Italy in 1870, how many issue banks were there?

A. Six. They were the banks of the different states and three were later fused into the Bank of Italy.

Q. When was this fusion effected?

A. In 1893, at the time of the failure of the Banca Romana.

Q. Who was the minister of finance at the time when the change was effected?

A. The project was presented to the Parliament by Signor Lacava, minister of the commerce, and Signor Grimaldi, minister of the treasury, and was vigorously defended before the Chamber by the president of the council, Signor Giolitti, and of course by the ministers of

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finance and of commerce also. There were some political questions connected with the failure of the *Banca Romana*, and it unchained many political passions. A commission of inquiry of seven persons was appointed which made a report to the Parliament.

Q. What, in a general way, were the circumstances which led to the fusion of these banks?

A. The immediate circumstance was the failure of the Roman Bank. The newly organized Bank of Italy became charged with the liquidation of the Roman Bank, and was successively obliged by the law to set aside 2,000,000 a year to cover the losses which will amount to more than 60,000,000 liras, although the Roman Bank had only a capital of 15,000,000. The liquidation of the Roman Bank will have to be accomplished at the end of 1913.

Q. Did this fusion of the three banks take place at the time of the failure of the Roman Bank or before that failure?

A. At the time of the failure.

Q. What were the banks which were fused into the Bank of Italy?

A. The National Bank of the Kingdom (*Banca Nazionale nel Regno*), the Tuscan National Bank (*Banca Nazionale Toscana*), and a small Tuscan bank of credit (*Banca Toscana di Credito*), which also had the right of issue.

Q. Will you explain why the failure of the *Banca Romana* led to this fusion?

A. The failure merely presented an opportunity to modify a villainous banking system, and to improve the deplorable conditions of the banks. Negotiations for the fusion of the three banks had already been entered upon

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before the failure of the Roman Bank. But there were political elements involved, and regional antagonism had impeded all attempts at fusion up to that point. The failure of 1893 made it clear that the banking system was in a very bad condition and the necessity of establishing one big bank was felt. Up to that time it had not been possible to do so because the people of the different regions wanted their own regional banks. The failure of the *Banca Romana* was seized upon as a pretext for the fusion of the three banks.

Q. Why were not the banks of Naples and Sicily included in the fusion?

A. They were maintained because the people of the south of Italy were jealous for their ancient institutions.

Q. At that time Italy had suspended payment in coin, had she not, in 1893? Paper money was at a discount?

A. Yes; the notes of the banks were legal tender and they were practically irredeemable; in 1881 the "cours forcé" was legally abolished and the "cours légal" subsisted. In 1881 the influx of gold caused by the loan of 644,000,000 made by England, through the minister of finance (Magliani), brought the notes down to par. This operation was much criticised in Italy.

Q. But at the time of this fusion of the banks in 1893 there was again "cours forcé," was there not?

A. No; only the "cours légal" existed; but after all it is little more than a play upon words, the notes were practically not redeemable, although some provisions of the banking act provided for their redemption in different cities.

Q. How much of the time between 1881 and 1893 were the notes maintained at par?

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A. Some years, as it appears by the following prices of the exchange:

Prices of the Italian exchange.

Year.	Maximum.	Minimum.
1881	101,55	98.72
1882	104.22	99.32
1883	101.25	98.75
1884	100.40	99.77
1885	101	100.14
1886	100.45	99.84
1887	101.76	100.40
1890	102.21	100.10
1893	115.95	103.97

Q. Why did it require an act of Parliament to effect the fusion of those banks?

A. Because they were issuing banks whose existence and privileges came from the law.

Q. Did each of these banks have a separate charter with separate rights and distinct privileges?

A. As far as the issue of notes is concerned, no; there had been a uniform law for all bank-note issue after 1874. Originally the banks were subject to the laws of the particular states, but they were at that time all subjected to the law of the Kingdom of Italy.

Q. Then the note-issue privileges of all the banks were the same after 1874?

A. Yes.

Q. Are the banks of Naples and Sicily quite similar to the Bank of Italy in their organization and functions?

A. The Banco di Napoli and the Banco di Sicilia were institutions which had a patrimony rather than a subscribed capital, and they are also different in having a pawnbroking branch, a savings-bank branch, and in

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conducting, to a small extent, a land-credit business. They have no shareholders, and their capital has been obtained by money left them and accumulated from profits. They are the oldest banks in Italy, but they did not originally have the privilege of note issue.

Q. To whom do these banks belong?

A. To themselves; there are no shareholders.

Q. Do they not practically belong to the Government?

A. No; they belong to themselves; they were formerly regarded in a sense as charitable institutions.

Q. Who receive the dividends?

A. No one; the capital accumulates.

Q. By whom are the officers appointed?

A. Under the Kingdom of Naples and Sicily, and also under the Kingdom of Italy, the general manager, the general secretary, and the director of the branch offices were appointed by the Government; but the relative regulations were often modified. At present the Government appoints the general manager, the general secretary, and two members of the board of directors (Consiglio di Amministrazione). Besides the board of directors there is a general board of directors (Consiglio Generale) composed of members elected by the provincial, municipal, and commercial communities of the cities specially interested in the two banks. The general manager and the under general manager of the Bank of Italy are selected by the superior council, but they must be approved by the Government. The directors of the branch offices are named by the council of the bank on the proposal of the general manager.

Q. Does the local government now have anything to do with the government of the bank?

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A. In an economic sense, and as far as the business of the Italian banks are concerned, the local government has nothing to do; but the banks are absolutely under the strict superintendence of the Government.

Q. When did the banks of Naples and Sicily obtain the right of issuing notes?

A. In 1874. Before that year they issued special titles called "*fede di credito*" and *polizze*, like "bons de caisse," payable to bearer, which circulated as money in the Kingdom of Naples and Sicily; the two banks were at that time authorized to issue notes for a small amount. The law of 1874 was intended especially to regulate the monetary situation in Italy because everybody was issuing "notes," even individuals and commercial firms; the country was overrun with little notes of 50, 25, and 20 centimes issued by everyone who liked to do so. The same law had for another principal purpose the constitution of a banking *consortium* which had to furnish to the Government one thousand million lira of notes, against interest payments of 0.50 per cent a year for the first four years and of 0.40 per cent after. These notes were at *cours forcé.*

Q. But after 1874 the emission was governed by the general law?

A. Yes.

Q. And it was limited to the six banks?

A. Yes, except the Monte dei Paschi di Siena. In the Province of Siena there is an ancient institution that issued some notes—agrarian notes—which circulate only in that province; they still continue.

Q. How was the emission of notes limited in those six banks after 1874?

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A. The limit of the issue was three times the amount of the capital or three times the patrimony for the banks which had no capital, but there had to be a cash reserve of one-third.

Q. The law of 1874 required that?

A. Yes.

Q. But was there at that time any metallic stock?

A. Yes; there was a metallic stock, but it was always kept in the bank, it was never touched; very much as gold is kept in Spain to-day.

Q. The banks of Naples and Sicily are still issuing notes under the act of 1874?

A. Now they are issuing notes under the new law.

Q. There has been no change in the law of 1874?

A. The law of 1874 has been modified principally in 1881, when the "cours forcé" was abolished, and in 1893.

Q. Was it changed as regards the amount of metallic stock?

A. The law of 1893 fixed the metallic stock at 40 per cent, but in practice the Italian banks have surpassed that proportion; the Bank of Italy sometimes goes so far as to hold 77 per cent. One of the conditions of the Italian law is that the banks have the right to issue notes up to a certain fixed sum with a cash stock of 40 per cent, but above that the notes must be entirely covered by cash, like the gold certificates in America. The normal maximum for the Bank of Italy is 660,000,000 liras, for the Bank of Naples 200,000,000 liras, for the Bank of Sicily 48,000,000 liras. The provisions for note issue in the Russian Bank most closely resemble those of the Italian banks in this regard. The Bank of France can only issue to a certain fixed amount, even with a covering of cash,

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and in order to exceed this amount it must have the approval of Parliament.

Q. Is there any provision that the other 60 per cent must be covered by bills of exchange, etc., like the Reichsbank?

A. Yes, naturally it must be covered by bills, not exceeding four months to run, with two solvent signatures, such as tradespeople or banks, or by loans upon securities of the state or guaranteed by it.

Q. Is there any provision in the law governing note issue which would allow the banks to issue notes in excess of the maximum without an equivalent covering of cash, or below the maximum without the 40 per cent covering? Will you explain these provisions in detail?

A. The three banks are authorized to issue notes in excess of the maximum, and as far as—

The Bank of Italy	50,000,000
The Bank of Naples	15,000,000
The Bank of Sicily	4,000,000

provided that the notes have a covering of cash of 40 per cent, and on the condition of paying a tax of one-third of the current rate of discount.

The banks may also issue an equal amount of notes—always covered by cash in the above-mentioned proportion—on the condition of paying a tax equal to two-thirds of the rate of discount. For further issue until the issues reach—

For the Bank of Italy	150,000,000
For the Bank of Naples	45,000,000
For the Bank of Sicily	12,000,000

a tax equal to the whole rate of discount is charged. Every issue beyond the above-mentioned limits, or every issue of notes not covered by metallic reserve, is subject to a penalty of 7.50 per cent.

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Q. Do the notes of the Bank of Sicily circulate outside of Sicily?

A. They have legal tender power in all the provinces where the Bank of Sicily is represented. The principle is that the notes of the three banks are legal tender in the provinces where they have a branch or a correspondent.

Q. Would you find a note of the Bank of Sicily, for instance, in Milan or Venice?

A. Yes; because the bank of Sicily is represented there. There exist also arrangements between the three banks to receive notes where they are not legal tender; they are then centralized in the Bank of Italy or in the two other banks, each of which keeps them and sends them to the nearest establishment for redemption. Although we have a system of plurality of banks of issue, the agreement is so complete between them that it is not perceived that there is a plurality of banks. The inconveniences of the system are not noticed.

Q. Does the Bank of Italy, in fact, control the whole?

A. Yes; in principle I have never approved the plurality of issuing banks. I published in 1888 a volume against a plurality of banks. A single bank forms the strength of a country. I hope the United States will soon have a unity of issuing banks.

Q. As a matter of fact, do the notes of the Bank of Sicily circulate far outside of Sicily, and do the notes of the Bank of Naples circulate outside of Naples?

A. Yes; practically in all Italy. But every ten days the exchange is made between the three banks, through a regular system of mutual redemption.

Q. Is it a provision of the law that such an exchange must be made every ten days?

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A. Yes; it is a system which resembles that employed in the Scotch banks. The Bank of Italy has, for example, a certain number of notes of the Bank of Sicily; the Bank of Sicily has a certain number of notes of the Bank of Italy; on every tenth day they exchange notes.

Q. Can the Bank of Italy pay out over its counter the notes of the Bank of Naples or Sicily, or is it obliged to present those notes for redemption?

A. It can pay them out. There are arrangements by which each bank pays out the notes of the others; so that the mutual redemption is made only for the notes remaining in the cash at the end of ten days.

Q. Does this clearing of the notes take place at the central office of the banks, or in every city is there a separate clearing?

A. In every city where there is a branch or a correspondent.

Q. Does the Government deposit its funds in the Bank of Naples and in the Bank of Sicily with the same freedom that it would in the Bank of Italy?

A. It only deposits its funds in the Bank of Italy, which conducts the business of the treasury of the state.

Q. Then the Bank of Italy has virtually become in a peculiar sense the bank of the Government?

A. It is the treasury of the Government, like the Bank of England.

Q. It helps in the issue of government loans?

A. Yes.

Q. Does the Bank of Sicily or the Bank of Naples also assist?

A. They are always associated.

Q. Does the Bank of Italy pay interest upon the deposits of the Government?

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A. Yes; the Bank of Italy is obliged to pay interest on deposits exceeding 40,000,000.

Q. Is this interest fixed or variable?

A. It is 1½ per cent.

Q. For a deposit in excess of 40,000,000 francs?

A. Yes.

Q. Does that rate of interest change?

A. No; it is fixed by contract.

Q. Is the contract renewed from time to time?

A. No; it has remained since 1895.

Q. It is a contract, not a law?

A. Yes; it is an agreement approved by the law.

Q. Does the bank receive any compensation from the Government for doing its business?

A. The Bank of England receives half a million pounds sterling. The Bank of Italy receives nothing.

Q. On the other hand, do the banks of Naples and Sicily or the Bank of Italy have to pay anything to the Government for such privileges of emission as they enjoy?

A. Yes; naturally—all three banks. Formerly it was only a tax on the circulation of notes.

Q. What is that tax?

A. One per cent formerly.

Q. On the entire emission?

A. On the productive circulation; that which is not covered by cash. Notes covered by cash are not taxed. In 1874 the tax on the circulation was 1 per cent; afterwards it was 1.48 per cent; in 1893 it was again 1 per cent, and in 1897 the law prescribed that if the three banks reduced the amount of the "immobilizations" before the time prescribed by the law, the tax should be reduced from 1 per cent to one-half and afterwards to one-fourth per cent, and that when the liquidation should be completed

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the tax should be reduced to one-tenth of one per cent. But from the time the tax on the circulation had been reduced to one-tenth of one per cent the banks were to begin to pay their profits to the Government.

Q. In what proportion?

A. One-third of the profits for the state after the 5 per cent and until 6 per cent are paid to the capital, and one-half to the state over 6 per cent dividend.

Q. That applies to all the banks?

A. The 5 per cent applies only to the capital of the Bank of Italy and to the capital and reserve of the banks of Naples and Sicily. It is an advantageous concession that was made for the banks of Sicily and Naples because they have no shareholders.

Q. What is included as cash in speaking of the covering of the notes?

A. Not less than three-quarters must be in gold. The banks may include, for the remaining, silver money and foreign bills payable in gold, treasury bonds of governments having a sound monetary currency, and also certificates of sums deposited in foreign banks of issue, and banker correspondents of the Italian treasury, up to the amount of—

11 per cent of the notes of the Bank of Italy, within the normal limit.
15 per cent for the Bank of Naples, within the normal limit.
15 per cent for the Bank of Sicily, within the normal limit.

Q. Do the banks receive exemption from the circulation tax for amounts lent to the Government?

A. Yes.

Q. Does the Bank of Italy have a fixed rate of discount for discounting bills?

A. In Italy there is a special system about that. Generally, in other countries there is a rate of discount

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fixed for all operations, and in Italy we have a rate of discount called "official," which is now 5 per cent, and which is the same for all the banks. It is approved by the Government and can not be changed without the approval of the minister of the treasury. We have the right to discount for intermediary popular banks and others bills at 1 per cent below the official rate. Then we have the right to discount first-class bills, at three months, with two signatures, at a minimum rate of 3 per cent.

Q. That applies to the three banks?

A. Yes.

Q. Are the rates the same in the banks, say, for prime bills?

A. Yes; there is a variable scale between the minimum and the maximum; they can not go below 3 per cent.

Q. But for the same kind of bill, would the rate be the same in the three banks?

A. Yes.

Q. Is that regulated by agreement?

A. Yes; they agree and communicate with the minister of the treasury.

Q. They must agree before modifying?

A. Yes.

Q. If the Bank of Italy has a rate to-day for prime bills, would they let the banks of Sicily and Naples know, in the same place, of the rate they were charging for those prime bills?

A. They always agree as to the minimum. They say, for instance, to-day we will discount for no less than 3½ per cent. The minimum is decided by an understanding.

Q. Practically, you only have one bank as regards discount?

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A. Yes. The regulations of the law are the same for the three banks and, as I have already said, the cordial relations existing between them have practically eliminated all the disadvantages arising from a plurality of banks. As the Bank of Italy is very much larger than the other two, it is in a position virtually to control the market.

Q. Does the Bank of Italy often change its rate of discount?

A. No, as far as the official rate is concerned, but often in the case of the reduced rate.

Q. There is a great difference between the Bank of England and the Bank of France in this respect; does the Bank of Italy resemble the Bank of France or the Bank of England.

A. It is between the two. We do not need to follow strictly a policy of influencing the market as our metallic reserve is not exposed to exportation as is the case in England, but we must of course pay attention to the interior conditions of the country, and to the conditions of the market here and abroad, because the bank according to its capacity must arrange so as not to find itself in difficulties and to exercise a moderating influence on the currency and on the market.

Q. What are the rates for loans on collateral—are they the same in all the banks?

A. Yes.

Q. Are they higher than the rate of discount?

A. Lower sometimes. In most countries the rate for loans is higher than the rate for discount, in order to check speculation; in Italy we have generally the same rate for discount and loans up to a certain point. Sometimes it is one-half per cent lower for loans, but there is

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no risk, as stock operations are very limited in Italy and are confined to the credit banks and bankers, and also as the issue banks lend money only on state securities. In times of stress the rate would of course be suddenly raised.

Q. Do you pay interest on deposits and does the rate depend upon whether the accounts are on demand or on time?

A. Deposits are all practically at sight. We have also a quite special system of deposits in Italy. Our banks issue certificates (bons de caisse) good throughout all Italy and even abroad in making payments; they can be indorsed like a check. They do not bear interest.

Q. And you have current accounts?

A. They are current accounts on sight, but really there are no time deposits, practically they are all demand deposits.

Q. Do you have time deposit certificates (bons à écheance fixe)?

A. No, only in a very limited way. We have a system of bank management by which the cashier can not enter the vault without the intervention of a member of the local council, who is not always there. Every morning are drawn from the vault the sums necessary for the usual business of the day. If, for instance, a client in a small town should come and ask for a comparatively large sum, if the board were all absent, he would only get it the next morning.

Q. Does the bank pay any interest upon such deposits?

A. Yes, but not on the "bons de caisse." The bank pays an interest of one-half per cent on the deposits. The new law has changed that, about six months ago. Formerly, the interest was proportionate to one-third of

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the official current rate of discount. The law above mentioned has established that the rate of interest should be proportionate to two-thirds of the rate of interest paid by the postal savings banks; and may amount to 2 per cent.

Q. Who fixes the interest rate of the postal savings banks?

A. The Government.

Q. By law?

A. By order of the minister of the treasury.

Q. Is it changed sometimes?

A. Yes. The new law, which has proportioned the interest on the banking current accounts to two-thirds of the interest paid by the postal savings banks, was inspired by the fact that in times of crisis you have a phenomenon that the public never understands—that money is lacking. The money, however, has not been destroyed; more money is required for business, but a large quantity of money is hidden. Therefore issue banks have been allowed to pay a higher rate of interest in order to draw in the money from the people who hoarded it, and put it at the disposal of the market.

Q. The law therefore says now that banks can pay for deposits a rate of interest which may equal 2 per cent, but practically the rate of interest paid is not more than one-half of 1 per cent?

A. Yes.

Q. How much would the bank of Italy pay on deposits of other banks? Does it pay them a higher interest?

A. No; the same. There are some few exceptions in favor of charitable institutions. Private banks do not keep their reserve with the Bank of Italy.

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Q. Private banks, then, keep their own stock of money?

A. Yes; generally.

Q. Does the Bank of Italy rediscount bills of the other banks?

A. Yes; but that depends upon the conditions prevailing at the time on the market. It is only when the resources of the private banks are exhausted and they need money that they go to the issue banks.

Q. What proportion of its liabilities does the Bank of Italy hold in cash?

A. There is no law.

Q. But in practice?

A. More than 70 per cent of reserve as compared with the notes.

Q. Who regulates the amount of notes issued by the banks of Naples and Sicily? Is there any conference as to the extent of the issue?

A. No; there are the legal limits of which I have spoken.

Q. In almost every country there is a considerable fluctuation in the course of every year, which repeats itself year after year, in the amount of the notes issued. Is that true of the bank of Italy?

A. Yes. There are very interesting diagrams on this subject, which I will furnish you, bringing them up to date.

Q. What is the percentage of fluctuation?

A. As the proportion of the cash to the notes increases, the fluctuation between the minimum and maximum diminishes, because the paper currency, which is represented by cash, has been gradually growing during the last years. It is only the currency covered by 40 per cent of cash which fluctuates in accordance with the fluctuations of the discounts and loans operations.

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Q. What is the amount of fluctuation to-day?

A. It was once between 400,000,000 and 500,000,000 liras, but now it is less.

Q. How much is it now, approximately?

A. Between 200,000,000 and 250,000,000. In the year 1908 it was only 183,000,000 liras.

Q. That is, about an eighth of the outstanding amount.

A. Yes; about.

Q. About 13 or 14 per cent?

A. Yes; about.

Q. Does anybody in Italy pay bills by checks as in England or America?

A. This use was very limited, but it is developing, especially in northern Italy, where the banking institutions are more numerous.

Q. Do you ever pay any of your ordinary bills—market men, tailor, or grocer—by a check?

A. It is quite unknown. In Italy we sometimes use the "*bons de caisse*" (certificates of deposit).

Q. Are they payable to bearer or to order?

A. To order.

Q. But are they made out to a certain name?

A. Yes; and they must be indorsed.

Q. Are they for a fixed sum?

A. For any sum.

Q. Can one deposit money in the bank and get deposit certificates for different sums?

A. Yes; he can go to the bank and deposit a certain sum and get deposit certificates of different denominations.

Q. In ordinary transactions would you be likely to take out deposit certificates from the bank of different denominations?

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A. Yes.

Q. A manufacturer, for instance, who wanted to pay his workmen would go to the bank with a list of the amounts and receive and pay out the certificates instead of cash?

A. He would do that; but in practice that would be exceptional. These deposit certificates may also be used for transmitting money from one place to another. They are received by other banks of issue and go through the same clearance system after ten days as checks.

Q. When a business man goes to bank and presents a bill for discount, what would he receive for that bill?

A. Bank notes.

Q. If he has a current account he could have his current account credited?

A. Yes.

Q. Does he receive sometimes "*bons de caisse?*"

A. If he asks for them.

Q. The 40 per cent regulation is also for the "*bons de caisse,*" as well as for the bank notes?

A. Yes; they are considered as notes.

Q. In practice, how would a man get these "*bons de caisse?*" If he had discounted paper at the bank and had an account at the bank and had salaries to pay, he could make out a list, take it to the bank, and get "*bons de caisse*" for any denomination that he wanted; not necessarily decimal amounts, but for 53 francs, for instance, or 87?

A. He asks for what certificates he likes; any amount, any kind of certificate. The dividends on the shares of the bank are paid with "*bons de caisse.*"

Q. Would you use them to pay your tailor?

A. Yes.

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Q. In practice would you pay your tailor or your grocer with them?

A. Yes; but the use in such a way is very limited. These "*bons de caisse*" are a guaranty against theft or loss, because payment can be stopped at the bank.

Q. They are payable to order in the first instance, but suppose a man gives one to his tailor, does he indorse it to the order of his tailor, or does it afterwards become payable to bearer?

A. Each receiver of the certificate indorses it.

Q. Every man through whose hands it passes signs it, and when it finally comes into the hands of the bank it has the indorsements of all. Is that so?

A. Yes.

Q. Is it signed in the first instance by an officer of the bank?

A. By the manager and the cashier.

Q. Does the Bank of Italy lend money on overdrafts?

A. No.

Q. You have nothing like what they call in Scotland the "cash credit system?"

A. No.

Q. Is the Bank of Italy a private joint stock bank?

A. Yes.

Q. The state has no interest in it?

A. No.

Q. Does the state appoint any of the officers?

A. No. The general manager and the under general manager are elected by the board, but must be approved by the State.

Q. What is the capital of the Bank of Italy?

A. Nominally 240,000,000 liras, of which 180,000,000 liras are paid in. We have an ordinary legal surplus

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which now amounts to 48,000,000 liras, and an extraordinary surplus of 10,000,000 liras.

Q. Have the shareholders of the company any liability beyond the capital they have paid in?

A. Each share is of 800 liras nominal and 600 paid up.

Q. What class of people own these shares?

A. All classes.

Q. Is there any limitation as to the amount they may hold?

A. No.

Q. Does every share have a vote in the election of the managers?

A. No; every shareholder must have 20 shares in order to have one vote.

Q. And each 20 shares after that equal one vote?

A. Yes, but there is a limit; no one shareholder may have more than 50 votes.

Q. Are there any large shareholders?

A. Yes; 2,000, 3,000, and 4,000 shares; some credit establishments possess a large number of shares.

Q. Is there any limitation put upon the transfer of shares from one person to another? Must it be done with the consent of the management?

A. No. Only, in cases of dispute, of heritage, the tribunal must consent to the transfer.

Q. Can you state briefly the form of organization of the bank?

A. The English and American system have a president as supreme manager; in Italy it is the general manager

Q. What is the term of his service?

A. There is no term. There is also an under general manager.

Q. How often are the elections held?

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A. Only in case of vacancy?

Q. How are the directors elected?

A. The Bank of Italy has 11 principal branches (*sedi*), 69 branches (*succursali*), and 22 agencies. The superior council (board of directors) is composed of 22 members, 18 of which are elected by the local board of each principal branch among the members elected by the triennial meeting of the shareholders held in the said principal branches and four elected by the general annual meeting of the shareholders held in Rome.

Q. Does the Government exercise any supervision over or make any examination into the business of the bank.

A. There is a central bureau of inspection at the ministry of the treasury.

Q. Do they inspect all the banks?

A. All the issue banks.

Q. And how often do they make that inspection?

A. Every three years they make a general inspection; and now and then they make an inspection of the assets. And there is also a permanent commission of supervision of the banks which is composed of senators and deputies and is like a tribunal. This meets from time to time. When questions arise between the banks and the treasury, a report is made and the commission sends this report to the ministry of the treasury.

Q. Are the banks required by law or practice to make regular reports of their operations?

A. Every ten days a statement of their condition must be published. The model of the articles to be mentioned is given by the Government. Every year the banks make a report.

Q. For all banks?

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A. For all issue banks.

Q. When does the privilege of the Bank of Italy expire?

A. According to the law it will expire in the year 1923.

Q. That is to say, the bank has a privilege of how many years?

A. Thirty years.

Q. It is renewed every thirty years?

A. Not as a system. The law of 1893 granted the privilege till 1913; but a later provision of law arranged that if the bank should have accomplished all the obligations of the law, especially those regarding the liquidation of their old immobilization affairs, its privilege will be renewed for another period until 1923, which has just happened. The law of 1907 and of last year have made several modifications, and this new text I will send you.

Q. In France when the privilege is renewed the Government generally imposes a higher tax, or royalty, and in Germany similarly the Government exacts more from the bank at each renewal; is this true of the Bank of Italy?

A. I must tell you that in principle I prefer the system of the participation of the state in the profits of the bank rather than a tax on the circulation of notes. A tax on the circulation of notes strikes them at the moment when they leave the bank, and strikes them just as much when a loss ensues as when the business is profitable. It strikes the instrument of the work, not the result of the work. You lend 50,000 francs to a man who does not repay you; you lose your capital, plus the tax on the notes; this is antieconomic and antifiscal. On the contrary, the participation of the state in the profits is more economic, more honest. In Italy we have the double system; the tax on

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the circulation now reduced to one-tenth of 1 per cent and the participation in the profits.

Q. The Bank of France has been obliged to give 40,000,000 francs to the Crédit Agricole. Has anything like that been exacted from the Bank of Italy?

A. No. The Bank of Italy is obliged to make advances to the treasury—statutory advances—up to 115,000,000 liras, and the Bank of Sicily up to 10,000,000 liras; but that only operates when the treasury is in want of money. As the budget of the state to-day shows a surplus there is no need for advances from the bank. The advances to the state bring interest of 1½ per cent.

Q. There is no permanent debt on the part of the state to the bank?

A. No; but Italian banks are obliged to have a fixed amount of state securities "*fondi di scorta.*"

Q. Then the Bank of Italy has never been obliged to contribute to any other institut on?

A. No, but the bank has contributed with 15,000,000 of its surplus to the constitution of the "*Instituto italiano di Credito Fondiario.*" You will see in the report that I shall send you why the bank created its own *crédit foncier*, which is now in liquidation. In prinicple, issue banks should only discount commercial bills, and not even industrial bills. But sometimes it is found convenient in practice to discount bills for landowners, but it is always for four months, not for two, four or five years, etc.

Q. Who in general are the customers of the Bank of Italy?

A. The customers are of many sorts. They include, for instance, credit institutions, banks, people's banks, and

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cooperative credit societies, to which we are obliged to give reduced rate of discount. Any kind of institution may come to the Bank of Italy to discount its bills.

Q. Has the Bank of Italy any branches in the small towns?

A. Yes. In all the chief provincial towns. The Bank of Italy being the financial representative of the state in the provinces, is obliged to have a branch in order to work as the treasury. We have branches in the other towns. We have agencies in many small towns.

Q. What do these agencies do?

A. The agencies can not undertake discounting operations directly, because in the statutes of the bank it is declared that no commercial bill can be discounted without the authorization of the discount committee, who decide by the majority. An agent can not, therefore, have powers which even the manager of the bank does not possess. But it was perceived that this hindered the development of business in some towns, and quite recently the superior council of the bank approved some modifications by which there will be named "first-class agencies" who will have a small discounting committee, which will be able to undertake discounting operations directly within certain limits.

Q. In the agencies and small towns, are the customers composed of small tradespeople, sometimes of peasants?

A. Of industrial people, small tradespeople.

Q. Sometimes even farmers?

A. Yes; agricultural owners.

Q. Very rarely peasants?

A. No; for the bank, under its new system, always tries to give the preference to commercial bills.

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Q. What is the relation of the Bank of Italy to the clearing houses?

A. The Bank of Italy conducts the clearing houses in Rome, Florence, Genoa, and Milan. The Bank of Italy, by delegation of the chambers of commerce of Rome, Genoa, Florence, and Milan, has the direction of the clearing houses.

Q. Is the clearing house in the building of the bank, as it is in the Reichsbank at Berlin?

A. Yes. In Rome, it is in an agency quite near the stock exchange; in Milan, it is in the bank building; in Florence and Genoa also. It happens that every day institutions want to borrow money for their balance sheets, etc., for one day, two days, three days, or for the settlement, and the bank lends for this purpose, specially on bonds. It would be well for me to add that we have just tried a system of "stock current accounts" and stock clearings. Customers who have securities, such as bankers, brokers, etc., deposit them at the bank at a special counter called the "dossiers," then with an order they transfer the shares and securities. In settling accounts, shares are thus transferred from deposit of one person to that of another.

Q. It is perhaps rather like the Kassenverein of Berlin. Can you describe for us a little more specifically the system of "*compte courant de titres*" (share current accounts) and the method of clearing stocks at the bank?

A. The Bank of Italy created three years ago this special service called "*service des dossiers*," or "stock current accounts." This service is attached to and works as an addition to the clearing houses of Rome, Milan, and Genoa, where it is not yet fully organized.

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These three, with the Florence branch, form the four clearing houses, managed by the Bank of Italy by delegation from the chambers of commerce of the said towns. All shares quoted at the stock exchange are received in the portfolio of each customer and the transfer from one portfolio to another is done by order (check). This system has not been largely developed in Italy, on account of the undeveloped condition of the Italian stock market; but I think it would be very useful, especially in a country where there is much movement in shares, such as the United States.

Q. Did the bank have much to do with the ending of the "*cours forcé*" and the reestablishment of the exchange at par?

A. I will write of that in the report I am to send you. You will find many remarkable things in that report. In 1893 we had a circulation of notes of 650 million liras of the Bank of Italy, and exchange reached the maximum of 16 per cent; whereas now we have 1,300,000,000 in circulation and exchange at par. That means that the qualitative theory has triumphed over the quantitative theory. We have now a larger as well as a healthier currency.

Q. We should also like to have some information regarding banks in general in Italy. Are there credit establishments with numerous branches?

A. There are 160 credit societies, the larger of which are the following:

	Liras.
Banca Commerciale Italiana, paid-up capital	105, 000, 000
Credito Italiano, paid-up capital	75, 000, 000
Banco di Roma, paid-up capital	70, 000, 000
Società Bancaria Italiana, paid-up capital	40, 000, 000

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Q. Do they have many branches?

A. The Banca Commerciale has 31 branches; the Credito Italiano, 17; The Banco di Roma, 25, of which 5 are in foreign countries; the Società Bancarià, 11.

Q. Is their business like that of the Crédit Lyonnais? Do they discount bills, make advances, etc.?

A. They discount bills, and they also make loans and contango operations; they interest themselves in industrial matters, somewhat as the German banks do. In 1907 the relative merits of the French and German systems were discussed; the French banks conduct many financial operations for the state, the provinces, etc., but they have fewer industrial operations. It was discussed whether banks receiving deposits should take part in industrial financing.

Q. Your Italian banks are more like the German banks?

A. Yes. In 1905 some of the banks pushed their participation in industrial affairs perhaps too far, but since the crisis they have considerably reduced that sort of business and now the situation of these banks is very satisfactory.

Q. Were there serious failures at the time of the crisis?

A. There was a serious panic. As regards bankruptcies, the Società Bancaria was in great difficulty; but Mr. Stringher, the general manager of the Bank of Italy, used his personal influence and his great authority, and he succeeded in having the bank reconstructed and new capital paid in, and now the Società Bancaria is in excellent condition.

Q. Does the *credit foncier* still exist?

A. The *credit foncier* of the banks of issue was put into liquidation by the law of 1893.

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Q. Naturally it takes a long time for a mortgage bank to terminate its affairs?

A. Yes.

Q. Are there no banks to-day which lend on mortgage?

A. Yes; private banks, and private savings banks, and also other institutions, as the "*Opere pie di S. Paolo*," "*Monte dei Paschi di Siena.*"

Q. But no joint stock companies?

A. There is the *Credit Fondiario Italiano*, with a paid-up capital of 40,000,000 liras.

Q. Does it do its business in the country or in town?

A. In town and in country.

Q. But in the country what banks have you?

A. Agricultural credit has not yet been organically developed; there are small institutions which give agricultural credit, such as the *Monte dei Paschi*, and the Bank of Sicily, which does agricultural credit business, but there are no big institutions for agricultural credit. There are more than 1,300 small cooperative societies which are interesting themselves in agricultural credit.

Q. The popular banks are different, are they not?

A. Yes, in principle, but some of them also extend credit to agriculture. There are some very big popular banks, for instance, the popular banks of Milan and of Cremona, which have become great institutions.

Q. Have they branches?

A. Yes, in some cases. The Popular Bank of Cremona has 7 branches.

Q. When was your postal savings bank system organized?

A. It was created by the law of May 27, 1875.

Q. How are the deposits of the postal savings bank invested?

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A. The deposits are paid into the state bureau of deposits and loans, *Cassa dei depositi e prestiti*, and are invested for one half in state securities, and for the other in loans to the provinces and municipalities in accordance with the law.

Q. What is the amount of these deposits? And the number of depositors?

A. The amount up to date is nearly 1,500,000,000 liras, and the number of depositors is more than 5,000,000.

Q. Has the system worked satisfactorily?

A. Yes.

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Abstract of the balance sheet of the Bank of Italy for October 31, 1909.

[Nominal capital, 240,000,000 lire; paid-in capital, 180,000 lire.]

ASSETS.	Liras.	LIABILITIES.		Liras.
Gold	947,059,879.58	Capital stock		240,000,000.00
Silver	102,511,140.50	Surplus		48,000,000.00
Various cash items	9,916,494.56	Extraordinary surplus fund		10,000,000.00
		Notes in circulation:		
Total cash	1,059,487,514.64	With a reserve of 40 per cent lire	651,504,895.43	
Domestic bills of exchange	447,910,091.38	With metaiic reserve up to the full amount	825,575,104.57	
Foreign bills of exchange	69,507,253.89			1,477,080,000.00
Loans	103,954,092.86	Demand liabilities		124,117,094.29
Advances to the National Treasury	170,349,041.65	Ordinary deposits		60,851,481.28
Deposits in Italian banks	26,647,476.00	Interest-bearing deposits		6,661,835.36
Deposits in foreign banks	32,985,485.63	Sums held for account of the State and of the provinclai governments		203,349,270.63
Due from shareholders	60,000,000.00	Miscellaneous items		54,187,369.91
Real estate	21,699,925.19			
Funds set apart for the liquidation of the Banca Rómana	80,451,512.02			
Permanent fund of the Credito Fondinario	30,000,000.00			
Advances to the Association for the Improvement of the Health of Naples	38,442,706.12			
Debts of banks, firms, and individuals	46,447,135.05			
Miscellaneous items	36,364,817.04			
Total	2,224,247,051.47	Total		2,224,247,051.47

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