

**N. W. HARRIS & CO.,**

BANKERS,

PINE STREET COR. WILLIAM,

CHICAGO.

NEW YORK.

BOSTON.

Deal Exclusively in Municipal, Rail-  
road and other Bonds adapted for  
trust funds and savings.

*ISSUE TRAVELERS' LETTERS OF CREDIT  
AVAILABLE IN ALL PARTS OF THE WORLD.*

QUOTATIONS FURNISHED FOR PURCHASE, SALE OR EXCHANGE.

---

If you wish to **BUY** or **SELL**

TRACTION COMPANY BONDS OR STOCKS,

GAS COMPANY BONDS OR STOCKS, FERRY COMPANY BONDS OR STOCKS,

INDUSTRIALS,

WRITE

TELEGRAPH,

TELEPHONE,

OR CALL ON

**GUSTAVUS MAAS,**

30 BROAD STREET, - NEW YORK.

ESTABLISHED 1868.

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**KING, HODENPYL & CO.,**

BANKERS & BROKERS,

7 Wall Street,  
NEW YORK.

217 La Salle Street,  
CHICAGO.

STREET RAILWAY, GAS AND ELECTRIC LIGHT SECURITIES,

---

**WHITAKER & COMPANY,**

BOND AND STOCK BROKERS,

300 North Fourth Street, - St. Louis, Mo

INVESTMENT SECURITIES AND MUNICIPAL  
BONDS. WE BUY TOTAL ISSUES OF CITIES,  
COUNTIES, SCHOOL AND STREET RAILWAY  
COMPANY BONDS.

MONTHLY CIRCULAR QUOTING LOCAL SECURITIES MAILED ON APPLICATION

Chartered 1836

# GIRARD TRUST COMPANY

PHILADELPHIA, PA.

**CAPITAL, \$2,500,000**

**SURPLUS, \$7,500,000**

Acts as Trustee of Corporation Mortgages,  
Registrar and Transfer Agent.

Assumes Entire Charge of Real Estate.

Interest Allowed on Individual and Corpo-  
ration Accounts.

Safes to Rent in Burglar-Proof Vaults.

Acts as Executor, Administrator, Trustee,  
Assignee and Receiver.

Depository under Plans of Reorganization.

Financial Agent for Individuals or  
Corporations.

## OFFICERS.

EFFINGHAM B. MORRIS, *President.*

WM. NEWBOLD ELY, *First Vice-President.*

CHARLES JAMES RHOADS, *Treasurer.*

WILLIAM E. AUMONT, *Trust Officer.*

MINTURN T. WRIGHT, *Real Estate Officer.*

ALBERT ATLEE JACKSON, *Second Vice-President.*

EDW. SYDENHAM PAGE, *Secretary.*

GEORGE TUCKER BISPHAM, *Solicitor.*

## MANAGERS.

EFFINGHAM B. MORRIS,  
JOHN A. BROWN, Jr.,  
BENJAMIN W. RICHARDS,  
JOHN B. GARRETT,  
WILLIAM H. JENKS,

WILLIAM H. GAW,  
FRANCIS I. GOWEN,  
GEO. H. McFADDEN,  
HENRY TATNALL,  
ISAAC H. CLOTHIER.

THOS. DEWITT CUYLER,  
C. HARTMAN KUHN,  
JAMES SPEYER,  
RICHARD A. McCURDY,  
GEORGE G. HAVEN,

AUGUSTUS D. JULLIARD,  
EDWARD J. BERWIND,  
RANDAL MORGAN,  
EDWARD T. STOTESBURY,  
CHARLES E. INGERSOLL,  
B. F. CLYDE.

# The American Trust and Savings Bank

Established 1889

# Chicago

## STATEMENT OF CONDITION, SEPTEMBER 7, 1904

RESOURCES.		LIABILITIES.	
Loans and Discounts	\$11,376,345.03	Capital Stock Paid in	\$2,000,000.00
Bonds	2,815,002.65	Surplus and Profits	1,296,799.01
Cash and Exchange	7,970,435.03	Deposits	18,864,983.70
	<u>\$22,161,782.71</u>		<u>\$22,161,782.71</u>

## OFFICERS.

EDWIN A. POTTER, *President.*

JOY MORTON, *Vice-President.*

JAMES R. CHAPMAN, *2d Vice-President.*

JOHN J. ABBOTT, *Cashier.*

OLIVER C. DECKER, *Assistant Cashier.*

FRANK H. JONES, *Secretary.*

WILLIAM P. KOPF, *Assistant Secretary.*

GEORGE B. CALDWELL, *Mgr. Bond Dept.*

WILSON W. LAMPERT, *Auditor.*

## DIRECTORS

A. MONTGOMERY WARD, *Montgomery Ward & Co.*  
W. H. McDOEL, *Prest. C., I. & L. (Monon) R. R.*  
CHARLES T. TREGO, *Board of Trade.*  
EDWIN A. POTTER, *President.*  
V. A. WATKINS, *Retired Lumberman and Capitalist.*  
F. W. PECK, *Capitalist.*  
G. B. SHAW, *Formerly President G. B. Shaw Lumber Co.*  
WILLIAM KENT, *Kent & Burke, Cattle.*

E. P. RIPLEY, *President Atchison, T. & Santa Fe Ry.*  
JOY MORTON, *Joy Morton & Co., Salt.*  
T. P. SHONTS, *President Toledo, St. L. & Western R. R.*  
JAMES R. CHAPMAN, *Second Vice-President.*  
CHARLES H. THORNE, *Montgomery Ward & Co.*  
B. THOMAS, *President Chicago & Western Ind. R. R.*  
CHAS. H. DEERE, *Deere & Co., Plows, Moline, Ill.*  
JOHN F. HARRIS, *Harris, Scotten & Co.*

General Banking, Trust, Bond and Savings Departments.

# **VERMILYE & Co.**

## **BANKERS,**

**Nassau and Pine Streets,  
NEW YORK.**

**13 Congress Street,  
BOSTON.**

**Maryland Telephone Building,  
BALTIMORE.**

**Dealers in U. S. Government Bonds and other  
Investment Securities. List of current Of-  
ferings furnished upon application.**

**Deposits received and interest allowed on  
Balances, subject to draft at sight.**

**Commission Orders executed in all the principal  
markets.**

**Members of the New York and Boston Stock  
Exchanges.**

---

# **KEAN, VAN CORTLANDT & Co.,**

**30 Pine Street, New York.**

## **BANKERS**

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**TRANSACT A GENERAL FOREIGN AND DOMESTIC  
BANKING BUSINESS.**

**DEALERS IN INVESTMENT SECURITIES.**

# BROWN BROTHERS & CO.,

*New York, 59 Wall Street.*

*Philadelphia, 4th and Chestnut Streets.*

*Boston, 50 State Street.*

— AND —

## ALEX. BROWN & SONS,

Baltimore and Calvert Streets, Baltimore.

ALL CONNECTED BY PRIVATE WIRE.

MEMBERS OF THE NEW YORK, PHILADELPHIA, BOSTON AND BALTIMORE STOCK EXCHANGES.

---

Execute Orders on Commission for Purchase and Sale of  
Stocks, Bonds, and all Investment Securities.

BILLS OF EXCHANGE BOUGHT AND SOLD.

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Arrangements made with Banks and Bankers in the  
United States enabling them to Issue their own Drafts on  
Foreign Countries.

*Commercial Letters of Credit and Travelers' Letters of Credit  
issued, available in all parts of the world.*

*Also International Cheques.*

*Collections made on all points; Telegraphic Transfers of Money  
made between this Country and Europe.*

*Deposit Accounts of American Banks, Bankers, Firms and  
Individuals received upon favorable terms.*

*Certificates of Deposit issued payable on demand or at a  
stated period.*

---

## BROWN, SHIPLEY & CO.,

FOUNDER'S COURT, LOTHBURY, E. C.,

AND FOR THE CONVENIENCE OF TRAVELERS, 123 PALL MALL, S. W.,

LONDON.

# LEE, HIGGINSON & CO.,

Boston, Mass.

## INVESTMENT SECURITIES.

---

### *FOREIGN EXCHANGE*

DRAWN ON

Messrs. N. M. ROTHSCHILD & SONS,

AND

Messrs. COUTTS & COMPANY,

LONDON;

Messrs. MORGAN, HARJES & COMPANY,

PARIS;

Messrs. M. M. WARBURG & COMPANY,

HAMBURG.

---

**Travelers' Letters of Credit**

AVAILABLE IN ALL PARTS OF THE WORLD.

Members of New York, Boston and  
Chicago Stock Exchanges.

# HARVEY FISK & SONS

NEW YORK

62 Cedar St.

BOSTON

10 Post Office Square

— Represented in —

PHILADELPHIA

JAMES H. CHAPMAN,

421 Chestnut St.

HARTFORD, CONN.

H. L. WILKINSON,

Conn. Mutual Life Bldg.

CHICAGO

D. K. DRAKE,

Continental Nat'l Bk. Bldg.

MEMBERS OF THE NEW YORK AND BOSTON STOCK EXCHANGES



UNITED STATES BONDS,  
RAILROAD, MUNICIPAL  
AND OTHER  
INVESTMENT SECURITIES

---

OUR LIST OF INVESTMENT SECURITIES SENT ON APPLICATION

# New York Security and Trust Company

26 BROAD STREET

CAPITAL . . . . . \$3,000,000  
SURPLUS and PROFITS . . . . . 9,250,000

Allows interest on deposits subject to cheque.

Manages estates. Acts as executor, trustee, etc.



## Trustees

- Charles S. Fairchild, Chairman  
Otto T. Bannard  
S. Reading Bertron  
James A. Blair  
Robert W. de Forest  
John B. Dennis  
Marshall Field  
Charles W. Harkness  
James J. Hill  
F. N. Hoffstot  
Arthur Curtiss James  
Frederic B. Jennings  
Walter Jennings  
Willard V. King  
Woodbury Langdon  
John A. McCall  
Gordon Macdonald  
John J. Mitchell  
Charles Parsons  
John S. Phipps  
George W. Perkins  
E. Parmalee Prentice  
Edmund D. Randolph  
Norman B. Ream  
B. Aymar Sands  
John W. Sterling  
James Stillman  
Myles Tierney  
P. A. Valentine  
Alexander S. Webb, Jr

## Executive Committee

- Otto T. Bannard  
James A. Blair  
John B. Dennis  
John A. McCall  
Gordon Macdonald  
George W. Perkins  
Edmund D. Randolph  
Norman B. Ream  
James Stillman

## OFFICERS

- OTTO T. BANNARD, President  
WILLARD V. KING, Vice-President  
HENRY E. AHERN, Secretary  
FREDERICK J. HORNE, Asst. Secretary  
ALEXANDER S. WEBB, Jr., Vice-President  
MORTIMER N. BUCKNER, Treasurer  
HERBERT W. MORSE, 2nd Asst. Secretary

Incorporated 1889

# Fisk & Robinson

## BANKERS

**Members New York Stock Exchange**

35 CEDAR STREET  
NEW YORK

28 STATE STREET,  
BOSTON

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### BANKING DEPARTMENT

DEPOSIT ACCOUNTS of Corporations, Firms, and Individuals received subject to sight draft. Certificates of deposit issued payable on demand or at a stated date. Interest allowed on daily balances and on money deposited pending investment. Loans made on approved security.

### FISCAL AGENCY

ACCOUNTS for the payment of bonds, coupons, dividends, etc., and for the transfer and registration of securities received from municipal, railroad, and other corporations.

### INVESTMENT DEPARTMENT

UNITED STATES BONDS, Guaranteed Stocks and other investment securities bought and sold. List of current offerings suitable for Savings Banks or Trust Funds sent on application. Orders on New York Stock Exchange and in sound and marketable unlisted securities executed on commission for cash.

# VAN NORDEN TRUST COMPANY

Fifth Avenue and 60th Street  
NEW YORK

Capital and Surplus, \$2,000,000



## OFFICERS

WARNER M. VAN NORDEN,	President
THOMAS P. FOWLER,	Vice-President
ARTHUR KING WOOD,	Sec'y and Treas.
WILLIAM W. ROBINSON,	Ass't Secretary
AMES HIGGINS,	Ass't Secretary
JAMES B. HAIG, JR.	Ass't Treasurer

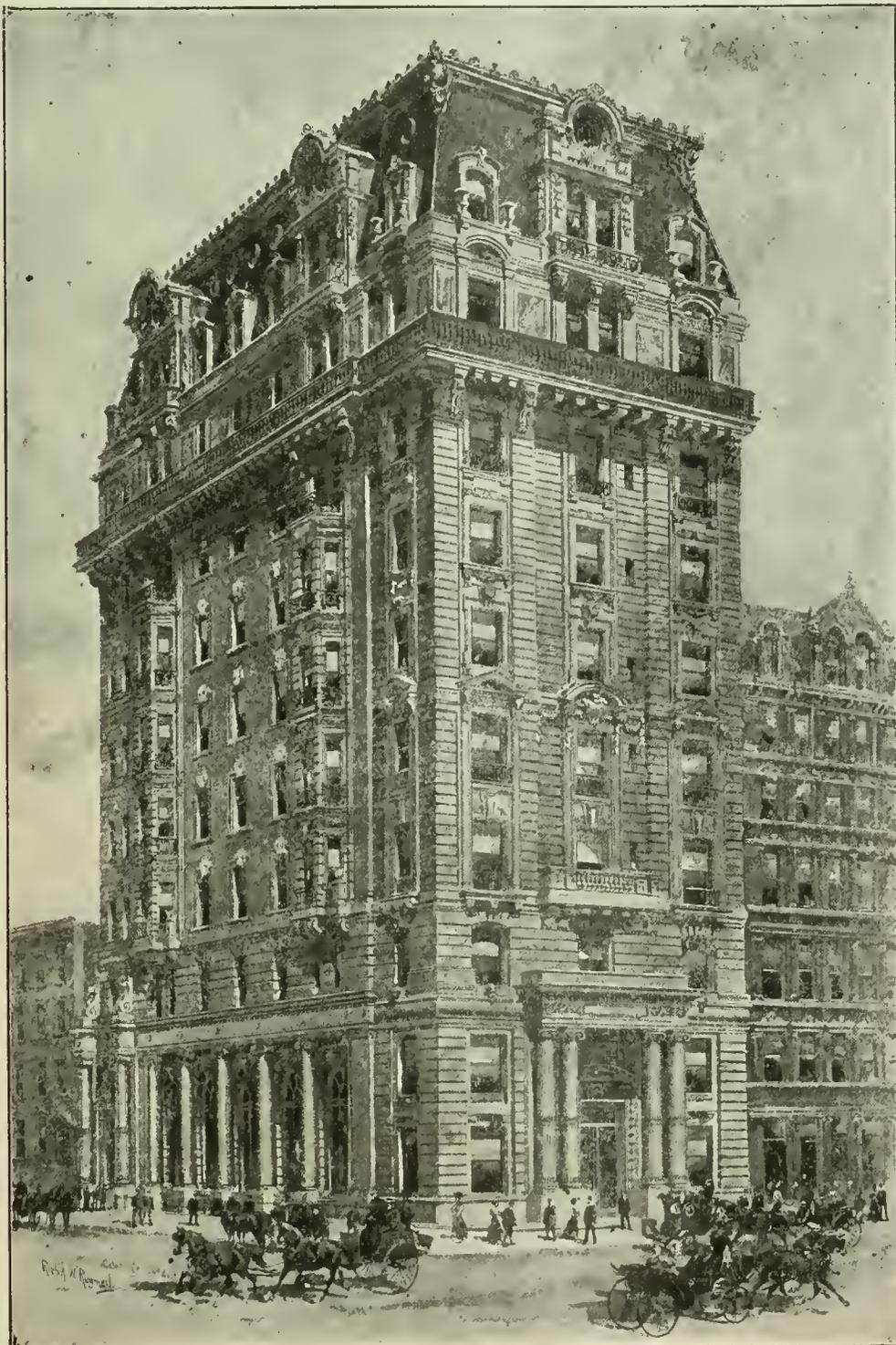
WILLIAM F. HAVEMEYER, . Chairman Executive Committee

## TRUST DEPARTMENT

EDWARD S. AVERY, . Trust Officer

THE permanent home of the Van Norden Trust Company, here shown, is on the southeast corner of Fifth Avenue and 60th Street. Every modern facility and luxury is provided for the convenience and comfort of customers. The banking-room on the ground floor, one of the most spacious in the City, 26 feet in height, without columns or obstructions of any kind, is finished in Italian marble and mahogany, and covers a total floor area of 7,591 square feet. Under the main banking floor are the safe deposit, silver and trunk vaults of the Van Norden Safe Deposit Company.

The location is ideal for the quiet transaction of business, being removed from the turmoil of busy streets and yet most convenient of access. Here Fifth Avenue broadens into the Plaza, and directly opposite the Company's door is the main entrance to Central Park and the beautiful new Sherman Statue. Surrounding the Plaza are famous hotels and clubs, this being the center of the wealthiest and most fashionable residential section of America.



# The Hanover National Bank

of the City of New York

Cor. Nassau and Pine Streets

Established 1851

Capital and Surplus, \$9,000,000



JAS. T. WOODWARD, President  
JAS. M. DONALD, Vice-President  
WM. HALLS, Jr., Vice-President  
WILLIAM WOODWARD, Vice-President

ELMER E. WHITTAKER, Cashier  
WM. I. LIGHTHIPE, Ass't Cashier  
HENRY R. CARSE, Ass't Cashier  
ALEXANDER D. CAMBELL, Ass't Cashier

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## The Hanover Safe Deposit Co.

Hanover Bank Building, New York

Safes of great variety ranging from \$5 to \$700 per annum.  
Vaults on the level of sidewalk; open from 9 A.M. to 5 P.M.,  
and every facility provided for the examination of securities.

VERNON H. BROWN, President  
HENRY R. CARSE, Treasurer

WILLIAM WOODWARD, Vice-President  
ALEXANDER KING, Sec'y and General Manager

# New York Life Insurance and Trust Company

CHARTERED IN 1830

52 WALL STREET, NEW YORK

Grants annuities. Accepts Trusts created by Will or otherwise. Manages property as Agent for the owners. Allows interest on deposits payable after ten days' notice. Legal Depository for Executors, Trustees and Money in Suit.

**Accepts only Private Trusts and declines all Corporation or other Public Trusts.**

## TRUSTEES

Charles G. Thompson  
Henry Parish  
Frederic W. Stevens  
Stuyvesant Fish  
Edmund L. Baylies

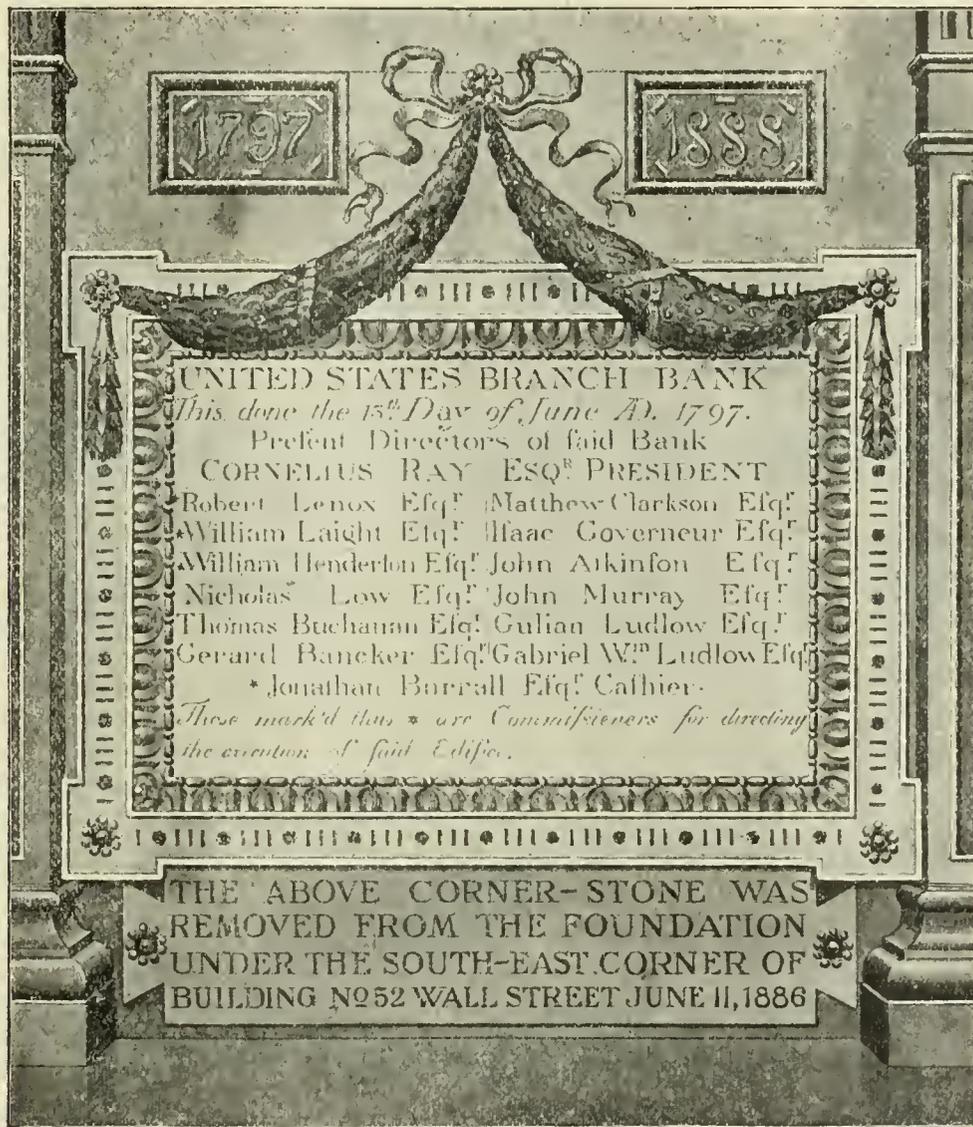
George S. Bowdoin  
Henry C. Hulbert  
Henry A. C. Taylor  
C. O'D. Iselin  
W. Emlen Roosevelt

H. Van Rensselaer Kennedy  
Henry I. Barhey  
John Jacob Astor  
Joseph H. Choate  
Samuel Thorne

John L. Cadwalader  
Augustus D. Juillard  
Henry Lewis Morris  
George G. DeWitt  
Cornelius Vanderbilt

John McL. Nash  
Philip Schuyler  
John Claflin  
Cleveland H. Dodge  
F. Augustus Schermerhorn

**HENRY PARISH, President**  
**WALTER KERR, 1st Vice-President**      **HENRY PARISH, Jr., 2d Vice-President**  
**GEORGE M. CORNING, Secretary**      **Z. W. van ZELM, Ass't Secretary**  
**IRVING L. ROE, Asst. Secretary**



CORNER STONE OF THE OLD UNITED STATES BRANCH BANK.  
Placed in the Directors' Room of the New York Life Insurance and Trust Company, in 1888.

## STATEMENT

Made to the Banking Department of the State of New York at the close of business on June 30, 1904

ASSETS		LIABILITIES	
Real Estate	\$1,751,500.00	Capital	\$1,000,000.00
Bonds and Mortgages	3,702,927.13	Surplus Fund and Undivided Profits	3,945,554.02
Loans on Collaterals	4,371,609.67	Deposits in Trust	30,048,843.80
Bills Receivable	12,714,524.53	Annuity Fund	2,094,655.43
Cash in Company's Vaults	3,100,000.00	Life Insurance Fund	390,370.82
Cash in Bank	1,708,087.79	Interest Due Depositors, Taxes, &c.	660,408.11
Accrued Interest, Rents, Suspense Acc't, &c.	565,159.41		
Bonds and Stocks, Market Value	10,226,023.65		
	<u>\$38,139,832.18</u>		<u>\$38,139,832.18</u>

# Guaranty Trust Company

OF NEW YORK

MUTUAL LIFE BUILDING, 28 NASSAU STREET  
LONDON OFFICE, 33 LOMBARD ST., E. C.

DEPOSITARY OF THE GOVERNMENT OF THE PHILIPPINE ISLANDS.

CAPITAL, \$2,000,000

SURPLUS, \$5,000,000

DEPOSITS, \$43,000,000

Interest paid on cheque accounts and on Certificates of Deposit.  
Travellers' Letters of Credit available in all parts of the world and  
Commercial Letters of Credit Issued.  
List of carefully selected securities for investment issued monthly  
and mailed upon application.

#### OFFICERS.

JOHN W. CASTLES, President.  
GEORGE R. TURNBULL, Vice-President. OSCAR L. GUBELMAN, Vice-President.  
JOHN GAULT, Manager Foreign Dept. WM. C. EDWARDS, Treasurer.  
E. C. HEBBARD, Secretary. F. C. HARRIMAN, Assistant Treasurer.  
R. C. NEWTON, Trust Officer.

#### DIRECTORS.

WALTER G. OAKMAN, Chairman.  
George F. Baker. E. H. Harriman. Adrian Iselin, Jr. Norman B. Ream.  
George S. Bowdoin. G. G. Haven. James N. Jarvie. Henry H. Rogers.  
Frederic Cromwell. Edwin Hawley. Augustus D. Juilliard. H. McK. Twombly.  
John W. Castles. R. Somers Hayes. Richard A. McCurdy. Frederick W. Vanderbilt.  
Walter R. Gillette. Charles R. Henderson. Levi P. Morton. Harry Payne Whitney.

# The LIBERTY NATIONAL BANK of New York.

# BLAKE BROTHERS & Co.

50 Exchange Place,  
NEW YORK.

84 State Street,  
BOSTON.

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Dealers in all issues of  
**NEW YORK CITY BONDS**  
and other  
**MUNICIPAL BONDS.**

Commercial Paper.

Investment Securities.

Members New York and Boston Stock Exchanges.

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INCORPORATED 1853.

## United States Trust Company of New York

45 and 47 WALL STREET.

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CAPITAL, - - \$2,000,000.00  
SURPLUS AND UNDIVIDED PROFITS, \$12,250,114.79

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LYMAN J. GAGE, President.

D. WILLIS JAMES, Vice-President.

JAMES S. CLARK, Second Vice-President.

HENRY L. THORNELL, Secretary.

LOUIS G. HAMPTON, Assistant Secretary.

JOHN A. STEWART, Chairman of the Board of Trustees.

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ESTABLISHED 1829

## MERCHANTS' EXCHANGE NATIONAL BANK

Of the City of New York

---

PHINEAS C. LOUNSBURY, President.

EDWARD V. GAMBIER, Assistant Cashier.

ALLEN S. APGAR, Vice-President and Cashier.

EDWARD K. CHERRILL, Assistant Cashier.

Accounts of Banks, Bankers, Merchants and Manufacturers Solicited.

# JAS. H. OLIPHANT & CO.

20 BROAD ST.

**BANKERS**

NEW YORK

## INVESTMENT SECURITIES

Our Statistical Department is well equipped with official reports and original data, and is prepared to furnish all obtainable information concerning Railroad and Industrial Corporations. We give particular attention to individual investors, and will furnish upon application a list of desirable investments. Dividends and interest collected and remitted.

Members New York Stock Exchange.

Correspondence Invited.

# GUARDIAN TRUST COMPANY

OF THE CITY OF NEW YORK

170 BROADWAY

**CAPITAL AND SURPLUS - \$1,000,000**

DEPOSITORY FOR STATE, CITY AND COURT FUNDS

THIS COMPANY IS AUTHORIZED TO ACT AS ADMINISTRATOR, ASSIGNEE, COMMITTEE, EXECUTOR, FISCAL AGENT, TRANSFER AGENT, GUARDIAN, REGISTRAR, TRUSTEE, RECEIVER.

FRANK W. WOOLWORTH, President  
GEORGE W. FAIRCHILD, Vice-President

HERBERT H. SWASEY, Vice-President  
R. ROSS APPLETON, Vice-President

LATHROP C. HAYNES, Secretary  
J. FRANK CHANDLER, Ass't Secretary

# Real Estate Trust Company of New York

30 NASSAU STREET, NEW YORK CITY.

ESTABLISHED 1890.

**Capital, Surplus and Profits, \$1,100,000**

*Designated Depository by the State of New York for Court Funds, Canal Funds, Reserve Fund of State Banks, General Funds. By Supreme Court for Supreme Court Funds. By the City of New York for City Funds.*  
**RECEIVES DEPOSITS (Allowing Interest) ACCEPTS TRUSTS.**

HENRY C. SWORDS, President  
H. H. CAMMANN, Vice-President

H. W. REIGHLEY, 2d Vice-Pres't and Sec'y  
CHARLES M. VAN KLEECK, Ass't Sec'y

### TRUSTEES

James M. Varnum  
Charles C. Burke  
Lispenard Stewart  
Henry Lewis Morris  
Edwin A. Cruikshank  
Henry C. Swords

H. H. Cammann  
H. W. Reighley  
Charles A. Peabody  
Charles A. Schermerhorn  
James I. Raymond  
Joel F. Freeman

Douglas Robinson  
Charles S. Brown  
George G. DeWitt  
Henry K. Pomroy  
Percy Chubb  
Franklin B. Lord

J. Roosevelt Roosevelt  
Harrison E. Gawtry  
Frank S. Witherbee  
Robert Goelet  
Frederic de Peyster Foster

# KING, HODENPYL & CO.

**BANKERS**

7 WALL STREET,  
NEW YORK

217 LA SALLE ST.,  
CHICAGO

Street Railway, Electric Light and  
Gas Securities

MEMBERS NEW YORK AND CHICAGO STOCK EXCHANGES

# LATHAM, ALEXANDER & CO.

BANKERS

AND

COTTON COMMISSION MERCHANTS.

NOS. 16 AND 18 WALL STREET,  
NEW YORK.

*Conduct a General Banking Business.*

Members of the New York Stock and Cotton Exchanges.

Accounts of Banks, Bankers, Merchants and Individuals received on favorable terms, and Interest allowed on Daily Balances, subject to check at sight.

CONTRACTS FOR COTTON FOR FUTURE DELIVERY BOUGHT AND SOLD ON COMMISSION.

## United States Mortgage and Trust Company,

MAIN OFFICE  
55 Cedar Street.

NEW YORK

WEST END OFFICE  
73d St. and Broadway.

CAPITAL, - - \$2,000,000.

SURPLUS, - - \$3,000,000.

TRANSACTS A GENERAL BANKING BUSINESS.

Allows interest on Deposits subject to check. Is Legal Depositary for Court and Trust Funds. Acts as Fiscal Agent for Cities and Corporations. Buys and Sells Foreign Exchange. Makes Cable Transfers and Collections. Issues Letters of Credit available in all parts of the world. Issues Commercial Credits. Loans Money on Bond and Mortgage. Issues First Mortgage Trust Gold Bonds. Acts as Trustee, Registrar and Transfer Agent.

TRANSACTS A GENERAL TRUST BUSINESS.

### OFFICERS

GEORGE W. YOUNG, President  
GEORGE M. CUMMING, Vice-President.  
LUTHER KOUNTZE, Vice-President.  
JAMES TIMPSON, Vice-President.  
EBEN B. THOMAS, Vice-President.  
CLARK WILLIAMS, Vice-President.

CALVERT BREWER, Secretary.  
CARL G. RASMUS, Treasurer.  
WILLIAM C. IVISON, Asst. Treasurer.  
GEORGE A. HURD, Asst. Secretary.  
ALEX. PHILLIPS, Mgr. Foreign Dept.  
CHAS. B. COLLINS, Mgr. West End Office.

### DIRECTORS

C. LEDYARD BLAIR.  
WILLIAM B. BOULTON.  
DUMONT CLARKE.  
C. A. COFFIN.  
GEORGE M. CUMMING.  
C. C. CUYLER.

CHARLES D. DICKEY.  
WILLIAM P. DIXON.  
ROBERT A. GRANNISS.  
G. G. HAVEN, JR.  
CHAS. R. HENDERSON  
GUSTAV E. KISSEL.

LUTHER KOUNTZE.  
WILLIAM B. LEEDS.  
RICHARD A. McCURDY.  
CLARENCE H. MACKAY.  
ROBERT OLYPHANT.  
MORTIMER L. SCHIFF.

VALENTINE P. SNYDER.  
LOUIS A. THEBAUD.  
JAMES TIMPSON.  
EBEN B. THOMAS.  
ARTHUR TURNBULL.  
CORNELIUS VANDERBILT.  
GEORGE W. YOUNG

# THE WASHINGTON TRUST CO.

OF THE CITY OF NEW YORK

Stewart Building, 280 Broadway

**Capital, Surplus and Undivided Profits, \$1,500,000**

DAVID M. MORRISON, President

CHARLES F. CLARK,

GEORGE AUSTIN MORRISON,

} Vice-  
Presidents

FRANCIS H. PAGE, 2d Vice-President

M. S. LOTT, Secretary

H. F. PRICE, Asst. Secretary

## TRUSTEES

Charles F. Clark  
Charles H. Russell  
George H. Prentiss  
Phineas C. Lounsbury  
David M. Morrison

William Whiting  
David B. Powell  
H. J. S. Hall  
J. Fred'k Chamberlin  
Clarence W. Seamans  
William A. Putnam

Seth E. Thomas  
Lucius K. Wilmerding  
Geo. Austin Morrison  
Joseph C. Baldwin  
John F. Anderson, Jr.

Charles F. Cutler  
Carl Schefer  
E. C. Converse  
John Harsen Rhoades  
Francis H. Leggett

## INTEREST ALLOWED ON DEPOSITS

This Company is especially designated by the **Supreme Court of the State of New York** a legal depository for Court and Trust Funds, and is authorized to do any and all other business usually done by Trust Companies of responsibility and standing.

# T. W. STEPHENS & CO.

**BANKERS**

2 Wall Street, New York

## Corporation and Municipal Bonds For Investment

HENRY P. HATCH.

Established 1863

ARTHUR M. HATCH.

# W. T. HATCH & SONS

*Bankers and Brokers*

96 BROADWAY and 6 WALL STREET  
NEW YORK

MEMBERS OF NEW YORK STOCK EXCHANGE

**DEALERS IN INVESTMENT STOCKS AND BONDS**

*Personal attention given at the New York Stock Exchange for the purchase and sale  
on commission of Stocks and Bonds for cash or on margin.*

# COLONIAL TRUST COMPANY

222 BROADWAY, NEW YORK

**CAPITAL, SURPLUS and UNDIVIDED PROFITS, \$2,400,000**

## Transacts a General Trust Business

Takes entire charge of Real Estate. Acts as Trustee for Railroad and other Mortgages. Transacts a General Banking Business and allows interest on daily balances.

### OFFICERS

JOHN E. BORNE, President

RICHARD DELAFIELD,  
CORD MEYER,  
JAMES W. TAPPIN, } Vice-Presidents

ARPAD S. GROSSMANN, Treasurer  
EDMUND L. JUDSON, Secretary  
PHILIP S. BABCOCK, Trust Officer

### TRUSTEES

HENRY O. HAVEMEYER  
ANSON R. FLOWER  
WM. T. WARDWELL  
LOWELL M. PALMER  
JOHN E. BORNE  
PERCIVAL KÜHNE  
CORD MEYER

PERRY BELMONT  
DANIEL O'DAY  
SETH M. MILLIKEN  
FRANK CURTISS  
L. C. DESSAR  
HENRY N. WHITNEY  
VERNON H. BROWN

THEO. W. MYERS  
JOHN S. DICKERSON  
GEO. WARREN SMITH  
RICHARD DELAFIELD  
JAMES W. TAPPIN  
GEO. W. QUINTARD  
GEO. EDWARD IDE

# The Trust Company of America

149 BROADWAY, NEW YORK

Capital, Surplus and  
Undivided Profits  
**\$4,144,565.96**

William H. Leupp, President  
Henry S. Manning, Vice-President  
Raymond J. Chatry, Secretary  
Albert L. Banister, Treasurer

TRANSACTS A GENERAL TRUST COMPANY BUSINESS

## HIGH GRADE RAILROAD BONDS

Suitable for Banks and Bankers

## GUARANTEED R. R. STOCKS

(EXEMPT FROM TAX)

Suitable for Executors, Trustees, &c.

*Descriptive List of Offerings on Application*

**A. M. KIDDER & CO.,** 18 WALL ST., NEW YORK

MEMBERS OF THE NEW YORK STOCK EXCHANGE

# THE LINCOLN NATIONAL BANK OF THE CITY OF NEW YORK

Forty-Second St., opp. Grand Central Station

Designated Depository of the United States, State of New York and City of New York

## STATEMENT JULY 15th, 1904.

RESOURCES		LIABILITIES	
Loans and Discounts	: : \$ 6,502,176.86	Capital	: : : : \$300,000.00
U. S. Bonds	: : : 450,000.00	Surplus and Undivided Profits	: : 1,329,366.68
Bonds and Investments	: : : 5,208,611.49	U. S. Bond Account	: : : 450,000.00
Cash Exchanges and due from Banks	10,544,678.03	Circulation	: : : 292,800.00
	<hr/> \$22,705,466.38	Deposits	: : : : 20,333,299.70
			<hr/> \$22,705,466.38

### OFFICERS

President, **Thomas L. James** Vice-Presidents, **E. V. W. Rossiter, J. D. Layng, William A. Simonson**  
Cashier, **Charles Elliot Warren** Assistant Cashiers, **Talcott C. Van Santvoord, David C. Grant**

### DIRECTORS

**Thomas L. James, Matthew C. D. Borden, E. V. W. Rossiter, William Rockefeller, Eben E. Olcott**  
**Charles C. Clarke, J. D. Layng, James Stillman, William K. Vanderbilt, Jr., Joseph P. Grace**

Accounts of Banks, Bankers, Merchants and Individuals invited. Foreign and Domestic Exchange bought and sold. Telegraphic transfers of money on all points. Letters of Credit issued available in all parts of the world. Correspondence solicited. Burglar proof vaults. Fire proof storage. Safes \$5.00 per year and upwards.

# KNICKERBOCKER TRUST CO.

66 Broadway,  
100 W. 125th St.

358 Fifth Avenue,  
3d Av. & 148th St.

**CHARLES T. BARNEY, President.**  
**FRED'K L. ELDRIDGE, 1st Vice-Pres.**  
**JOSEPH T. BROWN, 2d Vice-Pres.**  
**JULIAN M. GERARD, 3d Vice-Pres.**  
**B. L. ALLEN, 4th Vice-Pres.**  
**FRED'K GORE KING, Sec'y and Treas.**  
**J. M'LEAN WALTON, Ass't Sec'y.**  
**HARRIS A. DUNN, Ass't Treas.**  
Trust Department, **WILLIAM B. RANDALL, Trust Officer.**  
Harlem Branch, **W. F. LEWIS, Manager.**  
Bronx Branch, **JOHN BAMBEY, Manager.**

### BOARD OF DIRECTORS.

<b>JOSEPH S. AUBRBACH</b>	<b>CHARLES T. COOK</b>	<b>G. LOUIS BOISSEVAIN</b>
<b>HARRY B. HOLLINS</b>	<b>JOHN MAGEE</b>	<b>A. H. BARNEY</b>
<b>CHARLES T. BARNEY</b>	<b>HENRY C. BERLIN</b>	<b>PAYNE WHITNEY</b>
<b>A. FOSTER HIGGINS</b>	<b>CHARLES W. GOULD</b>	<b>ALFRED G. EVANS</b>
<b>JAMES H. BRESLIN</b>	<b>FRED'K L. ELDRIDGE</b>	<b>JAMES B. HAGGIN</b>
<b>J. TOWNSEND BURDEN</b>	<b>HENRY W. deFOREST</b>	<b>JAMES W. GERARD</b>
<b>HENRY F. DIMOCK</b>	<b>ALFRED B. MACLAY</b>	<b>HOSMER B. PARSONS</b>
<b>CHARLES F. WATSON</b>	<b>HARRY W. McVICKAR</b>	<b>CLARENCE MORGAN</b>
<b>FREDERICK G. BOURNE</b>	<b>WM. SLOANE</b>	<b>JOSEPH T. BROWN</b>
<b>C. LAWRENCE PERKINS</b>	<b>MOSES TAYLOR</b>	<b>HENRY R. HOYT</b>

# National Bank of North America

IN NEW YORK ORGANIZED 1851.

Capital, \$2,000,000 Surplus, \$1,000,000 Undivided Profits, \$1,000,000  
UNITED STATES, STATE AND CITY DEPOSITORY

### — OFFICERS —

**RICHARD L. EDWARDS, President.** **CHARLES W. MORSE, Vice-President.**  
**HENRY CHAPIN, JR., Vice-President.** **ALFRED H. CURTIS, Cashier.**  
**J. FREDERICK SWEASY, Asst. Cashier.** **EDW. B. WIRE, Asst. Cashier.**

### — DIRECTORS —

<b>Henry H. Cook,</b>	<b>Henry F. Dimock,</b>	<b>Robert M. Thompson,</b>	<b>Henry Chapin, Jr.,</b>	<b>William Carroll,</b>
<b>Warren Van Norden.</b>	<b>Mahlon D. Thatcher,</b>	<b>August Belmont,</b>	<b>Warner M. Van Norden,</b>	<b>Charles T. Barney.</b>
<b>David H. Houghtaling,</b>	<b>William F. Havemeyer,</b>	<b>Edward T. Bedford,</b>	<b>Oakleigh Thorne,</b>	<b>Hugh J. Chisholm.</b>
<b>John H. Flagler,</b>	<b>Richard L. Edwards,</b>	<b>Charles W. Morse,</b>		

**Buys and Sells Foreign Drafts. Issues Travelers' Letters of Credit.**

# The **IRVING** National Bank,

Chambers and Hudson Streets,  
NEW YORK.

Capital, Surplus and  
Profits,  
\$2,000,000

CHARLES H. FANCHER, President  
CHARLES F. MATTLAGE, Vice-Pres't  
SAMUEL S. CONOVER, Vice-Pres't  
BENJAMIN F. WERNER, Cashier

MERCANTILE ACCOUNTS WANTED.

## THE **EQUITABLE** TRUST COMPANY OF NEW YORK

15 NASSAU STREET

TRUSTEES:		TRUSTEES:
James H. Hyde, H. C. Deming, E. H. Harriman, H. C. Frick, C. B. Alexander, William H. McIntyre, T. H. Hubbard, Gage E. Tarbell, John F. Dryden, T. De Witt Cuyler, D. H. Moffat, Lawrence L. Gillespie, Clarence H. Mackay, William H. Baldwin, Jr., Sir William C. Van Horne, Chauncey M. Depew, W. B. Rankine,	Alvin W. Krech, President. James H. Hyde, Vice-President. L. L. Gillespie, Vice-President. F. W. Fulle, Sec. and Treas. Lyman Rhoades, Jr., Asst. Secretary. H. M. Walker, Asst. Treasurer.	J. W. Alexander, V. P. Snyder, Otto H. Kahn, James Henry Smith, Geo. H. Squire, Bradish Johnson, William Alexander, Alvin W. Krech, M. Hartley Dodge, H. M. Alexander, S. M. Inman, F. R. Coudert, H. H. Porter, Jr., W. H. Crocker, C. F. Adams, 2nd, John M. Hall, Edward M. House, L. F. Loree.

Solicits Deposits of Individuals and Corporations  
Interest on Daily Balances

CAPITAL, \$3,000,000      SURPLUS, \$9,000,000

## SEABOARD NATIONAL BANK

NEW YORK, N. Y.

Capital, \$500,000

Surplus (earned), \$1,400,000

*S. G. NELSON, Vice-President.*      *S. G. BAYNE, President.*  
*W. K. CLEVERLEY, Assistant Cashier.*      *C. C. THOMPSON, Cashier.*  
*J. H. DAVIS, Assistant Cashier.*

WE MAKE ESPECIAL EFFORTS TO PLEASE OUT OF TOWN CORRESPONDENTS  
ACCOUNTS SOLICITED.

# N. W. HALSEY & CO.

## BANKERS

Transact a General Banking Business. Allow interest on deposit accounts subject to cheque  
Act as fiscal agent for individuals and institutions. And deal in carefully selected

### BONDS FOR INVESTMENT OF INSTITUTIONAL AND PRIVATE FUNDS

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ESTABLISHED 1865.

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Investment Securities

*Members New York Stock Exchange.*

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## E. D. Shepard & Co.

### BANKERS

**Government,  
Municipal and  
Railway Bonds**

The National Bank of Commerce Building

31 NASSAU STREET  
NEW YORK

## Bankers Committees

We have served Bankers Committees as Controllers of Corporations whose affairs have necessitated the creation of a Bankers Committee and our experience as production engineers in conjunction with our accountancy experience has enabled us to render valuable services to such properties.

We can refer to our clients.

## Gunn, Richards & Co.

Production Engineers  
Public Accountants

43 Wall Street

43 Exchange Place

NEW YORK CITY

# Safe Deposit and Trust Company

OF BALTIMORE

NOS. 9, 11, 13 SOUTH STREET.

Organized in 1867.

Capital and Surplus, \$1,800,000

Acts as Trustee of Corporation Mortgages, Fiscal Agent for Corporations and Individuals, Transfer Agent and Registrar. Depository under plans of reorganization.

Acts as Executor, Administrator, Guardian, Trustee, Receiver, Attorney and Agent, being especially organized for careful management and settlement of estates of every character.

Fireproof Building with latest and best equipment for safety of contents.

Safes for rent in its large fire and burglar proof vaults, with spacious and well lighted coupon rooms for use of patrons.

Silver and other valuables taken on storage.

## DIRECTORS

MICHAEL JENKINS, Pres't.    H. WALTERS, Vice-Pres't.    FRANCIS WHITE    WALDO NEWCOMER  
NORMAN JAMES            BLANCHARD RANDALL    JNO. B. RAMSAY    JOHN W. MARSHALL

## FARMERS AND MERCHANTS NATIONAL BANK

BALTIMORE, MD.

TEMPORARY LOCATION, N. E. COR. CHARLES AND SARATOGA STS.

CAPITAL, \$650,000

SURPLUS and PROFITS, \$353,000

### OFFICERS

CHAS. T. CRANE,  
President.

WM. P. HARVEY,  
Vice-President.

CARTER G. OSBURN,  
Cashier.

J. E. MARSHALL,  
Asst. Cashier.

CORRESPONDENCE INVITED.

ORGANIZED JANUARY 17, 1807.

THE

## Farmers' and Mechanics' National Bank

PHILADELPHIA

CAPITAL - - - - - \$2,000,000

SURPLUS AND PROFITS - - - - - 1,100,000

### OFFICERS

HOWARD W. LEWIS, . . . President

JOHN MASON . . . Transfer Officer

HENRY B. BARTOW, . . . Cashier

EUGENE H. AUSTIN . . . Ass't Cashier



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68 WILLIAM STREET  
NEW YORK

TELEPHONE 1904 JOHN,

CABLE ADDRESS "SEAFORTH"

**GARRY BROWN & CO.**

Certified Public Accountants

55 LIBERTY STREET,

- NEW YORK

BALTIMORE  
UNION TRUST BUILDING

PROVIDENCE  
107 WESTMINSTER STREET

BOOKS OF FIRMS AND CORPORATIONS AUDITED SPECIALLY OR PERIODICALLY.

THE EQUITABLE INTEREST OF PARTNERS OR STOCKHOLDERS DETERMINED UNDER EVERY VARIETY OF COMPLICATION.

**LAWRENCE E. BROWN & CO.,**

**CERTIFIED PUBLIC ACCOUNTANTS,**

1422-1423 REAL ESTATE TRUST BUILDING.

**PHILADELPHIA.**

DERANGED AND DISPUTED ACCOUNTS INVESTIGATED AND ADJUSTED.

ACCOUNTS OF EXECUTORS, ADMINISTRATORS, AND TRUSTEES PREPARED FOR THE ORPHANS' COURT.  
LEGAL INVESTIGATIONS AIDED.

INVESTIGATIONS MADE FOR PROSPECTIVE PURCHASERS OR VENDORS.

**GEORGE S. CHASE**

**HARVEY S. CHASE**

**AUDITORS**

**AND**

**EXPERT EXAMINERS OF ACCOUNTS**

Fellows of the "INCORPORATED PUBLIC ACCOUNTANTS" of Mass.

ESPECIAL EXPERIENCE IN AUDITS OF MANUFACTURING AND MILL  
ACCOUNTS; OF MUNICIPAL ACCOUNTS, AND IN EXAMINATIONS OF  
INSOLVENT CORPORATIONS FOR CREDITORS OR ASSIGNEES.

**27 STATE ST., BOSTON, MASS.**

Telephone 3660 Main.

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**J. E. STERRETT**

**CERTIFIED PUBLIC ACCOUNTANT**

(PENNSYLVANIA)

**PHILADELPHIA**

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**NEW YORK**

**110 WALL STREET**

**LYBRAND, ROSS BROS. & MONTGOMERY**

**CERTIFIED PUBLIC  
ACCOUNTANTS**

**WALL STREET EXCHANGE BUILDING  
NEW YORK**

**STEPHEN GIRARD BUILDING  
PHILADELPHIA**

# LONG ISLAND LOAN & TRUST COMPANY

## BROOKLYN-NEW YORK CITY

Capital, \$1,000,000

Surplus & Profits, \$1,500,000

### DEPARTMENTS

Banking, Trust, Safe Deposit, Letters of Credit, Foreign Exchange

### OFFICERS

EDWARD MERRITT, President

DAVID G. LEGGET, Second Vice-President

CLINTON L. ROSSITER, First Vice-President

FREDERICK T. ALDRIDGE, Secretary

WILLARD P. SCHENCK, Assistant Secretary

**T**HE amount of business that a bank does is quite accurately reflected in the volume of the exchanges sent through the Clearing House.

In Rochester there are fourteen banks that make exchanges through the Clearing House, and during the past year **Nineteen Per Cent.** of all the business was sent in by the

## German-American Bank of Rochester

This was **over Three Per Cent.** more than was sent in by any other Rochester bank. The German-American Bank of Rochester has the largest capital and surplus of any bank in the city, its capital being

**\$500,000** and its surplus and profits **\$800,000**

# Utica Trust and Deposit Co.

UTICA, N. Y.

Capital,	-	-	\$200,000.00
Surplus,	-	-	200,000.00
Profits,	-	-	102,232.96

Deposits, \$3,300,000.

JAMES S. SHERMAN, President.

J. FRANCIS DAY, Secretary.

HAROLD W. STEVENS, President.

FRANK P. FURLONG, Cashier.

## HARTFORD NATIONAL BANK

HARTFORD, CONN.

**Capital, \$1,200,000**

**Surplus and Profits, \$785,000**

In Capital and Undivided Profits the strongest and largest Bank in New England  
outside of Boston. Established in 1792.  
Safe Deposit Boxes to Rent, \$5.00 and upwards.

W. S. BRIDGMAN, 2d Vice-President.

W. S. ANDREWS, Assistant Cashier.

# National Commercial Bank

OF ALBANY, N. Y.



**Capital**  
\$500,000

**Surplus**  
\$1,000,000

**Deposits**  
\$14,000,000

**OFFICERS**

Robert C. Pruyn  
President

Grange Sard  
Vice-President

Charles H. Sabin  
Vice-President

Edward J. Hussey  
Cashier

Hugh N. Kirkland  
Ass't Cashier

Walter W. Batchelder  
Auditor

DESIGNATED DEPOSITARY OF THE UNITED STATES, STATE OF NEW YORK AND CITY OF ALBANY

# NATIONAL EXCHANGE BANK

OF ALBANY, N. Y.

**CAPITAL, \$300,000**

**SURPLUS and PROFITS, \$140,000**

**OFFICERS**

JOHN D. PARSONS, Jr., President  
CHAUNCEY E. ARGERSINGER,  
Vice-President

JOHN J. GALLOGLY, Cashier  
CHARLES C. BULLOCK, Jr.,  
Assistant Cashier

*COLLECTIONS RECEIVE PROMPT AND CAREFUL ATTENTION*

# THE UNION TRUST COMPANY

OF ALBANY, N. Y.

**Capital, \$250,000**

**Surplus and Profits, \$305,000**

Transacts a General Trust and Banking Business

**Interest Allowed on Deposits**

GRANGE SARD, President

W. B. VAN RENSSELAER, Vice-President

T. I. VAN ANTWERP, 2d Vice-Prest. and Treas.

FREDERICK B. ADAMS, Secretary

MAC NAUGHTON MILLER, Assistant Treas.

ARTHUR L. ANDREWS, General Counsel

The Equipment in Every Department is Thorough, Modern and Efficient.

# AMERICAN NATIONAL BANK

## PROVIDENCE, R. I.

F. W. CARPENTER, <i>President</i>
EDWIN MILNER, <i>Vice President</i>
HORATIO A. HUNT, <i>Cashier</i>
WALTER G. BROWN, <i>Assistant Cashier</i>

Capital \$1,000,000.

COLLECTIONS AND CORRESPONDENCE  
RECEIVE CAREFUL AND PROMPT  
ATTENTION.

## Providence Banking Co.

141 Westminster Street, - - - Providence, R. I.

Capital and Surplus, \$1,000,000

DEALER IN HIGH GRADE INVESTMENTS AND MUNICIPAL  
BONDS.

FOREIGN EXCHANGE.

PRIVATE TELEGRAPH SERVICE TO NEW YORK AND BOSTON.

## Rhode Island Hospital Trust Co.

PROVIDENCE, R. I.

CAPITAL, - - - - - \$1,000,000  
SURPLUS EARNINGS, OVER 1,450,000

HERBERT J. WELLS,.....President	WILLIAM A. GAMWELL,..Assistant Secretary
SAMUEL R. DORRANCE.....Vice-President	PRESTON H. GARDNER,..Assistant Secretary
EDWARD S. CLARK.....Secretary	CYRUS E. LAPHAM,.....Assistant Secretary

### DIRECTORS

ROYAL C. TAFT	WILLIAM BINNEY	JOHN C. PEGRAM	STEPHEN O. METCALF
ROBERT H. I. GODDARD	WILLIAM B. WREDDEN	LYMAN B. GOFF	WALTER R. CALLENDER
GEORGE W. R. MATTESON	EDWARD D. PEARCE	ROWLAND G. HAZARD	GILBERT A. PHILLIPS
WILLIAM D. ELY	ROBERT KNIGHT	NELSON W. ALDRICH	EDWARD HOLBROOK
ROBERT I. GAMMELL	JOHN W. DANIELSON	SAMUEL R. DORRANCE	JAMES E. SULLIVAN
	HERBERT J. WELLS	HOWARD O. STURGES	BENJAMIN M. JACKSON

ESTABLISHED 1818.

## THE MERCHANTS NATIONAL BANK

Providence, R. I.

*UNITED STATES DEPOSITARY.*

ROYAL C. TAFT, President.  
SAMUEL R. DORRANCE, Vice-President.  
MOSES J. BARBER, Cashier.  
FRANK A. GREENE, Assistant Cashier.

Capital, - - -	\$1,000,000
Surplus Earnings, over	560,000

SEND YOUR PROVIDENCE COLLECTIONS TO THIS BANK.  
THEY WILL RECEIVE CAREFUL ATTENTION AND BE REMITTED FOR PROMPTLY AT A LOW RATE.

# OLD COLONY TRUST COMPANY

AMES BUILDING

BOSTON

Branch Office, 52 Temple Place

## STATEMENT, APRIL 30, 1904

### RESOURCES

Loans . . . . .	\$16,109,221.80
Massachusetts Bonds at par	1,000,000.00
British Consols . . . . .	742,000.00
Railroad and Other Securities	3,707,828.17
Real Estate . . . . .	1,175,000.00
Cash	
In Office, \$1,403,121.58	
In Banks, 6,813,158.96	8,216,280.54

\$30,950,330.51

### LIABILITIES

Capital Stock . . . . .	\$1,500,000.00
Surplus Fund . . . . .	5,000,000.00
Earnings Undivided . . . . .	357,465.57
Deposits . . . . .	24,092,864.94

\$30,950,330.51

## OFFICERS

GORDON ABBOTT, President.

FRANCIS R. HART, Vice-President.

JAMES A. PARKER, Vice-President.

PIERRE JAY, Vice-President.

### BANKING DEPARTMENT

F. G. POUSLAND, Acting Treasurer.

E. A. PHIPPEN, Assistant Treasurer.

F. M. LAMSON, Assistant Treasurer.

In charge of Temple Place Office.

### BOND AND REORGANIZATION DEPARTMENT

E. ELMER FOYE, Secretary.

### TRUST AND TRANSFER DEPARTMENT

JULIUS R. WAKEFIELD, Trust Officer.

### SAFE DEPOSIT VAULTS

JOSEPH G. STEARNS, Assistant Secretary.

## BOARD OF DIRECTORS

T. JEFFERSON COOLIDGE, Jr., Chairman.

GORDON ABBOTT  
OLIVER AMES  
C. W. AMORY  
SAMUEL CARR  
B. P. CHENEY  
T. JEFFERSON COOLIDGE  
CHARLES E. COTTING

PHILIP DEXTER  
EBEN S. DRAPER  
GEORGE F. FABYAN  
FREDERICK P. FISH  
REGINALD FOSTER  
GEORGE P. GARDNER  
HENRY S. HOWE  
WALTER HUNNEWELL

GEORGE V. L. MEYER  
LAURENCE MINOT  
RICHARD OLNEY  
HENRY R. REED  
NATHANIEL THAYER  
LUCIUS TUTTLE  
STEPHEN M. WELD

# Webster & Atlas National Bank OF BOSTON, MASS.

Capital, - - - - - \$1,000,000  
Surplus and Profits, - - - - - 685,000

JOHN P. LYMAN, President.  
JOSEPH L. FOSTER, Cashier.

JOSEPH S. BIGELOW, Vice-President  
ROBERT E. HILL, Assistant Cashier.

#### DIRECTORS.

WALTER HUNNEWELL,  
B. RODMAN WELD,  
JOSEPH S. BIGELOW,  
WILLIAM L. ALLEN,  
JOHN P. LYMAN,

WILLIAM J. LADD,  
THOMAS MOTLEY,  
ALFRED BOWDITCH,  
CHARLES B. BARNES, Jr.,

JOHN W. FARWELL,  
JOHN REED,  
FRANCIS A. PETERS,  
ANDREW G. WEBSTER,  
GEORGE E. BULLARD.

## *Tucker, Anthony & Co.*

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53 STATE STREET,

BOSTON, MASS.

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STOCK EXCHANGES.

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DENVER

SAN FRANCISCO

*Municipal and Corporation Bonds.*

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139 South Fourth Street, Philadelphia

ESTABLISHED 1837.

**Street Railway Bonds and Stocks a Specialty**

*Members of the Philadelphia and New York Stock Exchanges.*

New York Correspondents: { CLARK, DODGE & CO.  
FIRST NATIONAL BANK.

INTEREST ALLOWED ON DEPOSITS.

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BOSTON, MASS.

Capital  
\$1,000,000

*DIRECTORS*

C. F. ADAMS, 2d  
F. LOTHROP AMES  
HOBART AMES  
EDWIN F. ATKINS  
CHARLES S. BIRD  
GEORGE W. BROWN  
SAMUEL CARR  
GORDON DEXTER  
EUGENE N. FOSS  
ELMER P. HOWE

OFFICERS

N. W. JORDAN, President  
E. A. COFFIN, Treasurer  
C. H. BOWEN, Secretary  
G. W. AURYANSEN, Asst. Sec.

Acts as Trustee,  
Registrar and  
Transfer Agent.

Surplus Earnings  
\$1,500,000

*DIRECTORS*

DAVID P. KIMBALL  
N. W. JORDAN  
JOHN LAWRENCE  
S. E. PEABODY  
FRANCIS PEABODY, Jr.  
ALBERT A. POPE  
N. W. RICE  
ROYAL ROBBINS  
PHILIP L. SALTONSTALL  
CHARLES W. WHITTIER

TRANSACTS A GENERAL BANKING AND TRUST COMPANY BUSINESS.

## E. H. GAY & Co.

BANKERS

Municipal, Railroad, Street  
Railway, Water Power, Gas  
and Electric Light Bonds  
Bought and Sold.

We solicit offerings of  
Bonds on Railroads which  
are guaranteed by well-  
known lines.

25 Congress Street - - Boston  
1 Nassau Street - - New York  
421 Chestnut Street - - Philadelphia  
157 St. James Street - - Montreal

## INVESTMENT SECURITIES

### H. W. POOR & CO.

52 Devonshire St., Boston

LISTS UPON APPLICATION

# The Fourth Street National Bank of Philadelphia

**CAPITAL, - - - \$3,000,000**  
**SURPLUS AND PROFITS, \$4,800,000**

---

**ACCOUNTS OF BANKS AND BANKERS SOLICITED.**

---

FOREIGN EXCHANGE BOUGHT AND SOLD.

*EXCEPTIONAL COLLECTION FACILITIES.*

R. H. RUSHTON, President.  
FRANCIS L. POTTS, Vice-President.      B. M. FAIRES, 2nd Vice-President.  
E. F. SHANBACKER, Cashier.      W. Z. McLEAR, Asst. Cashier.  
FRANK G. ROGERS, Mgr. Foreign Exchange.

---

## The Central National Bank

PHILADELPHIA, PA.

ORGANIZED 1864.

Capital, - - - - - \$ 750,000  
Surplus and Undivided Profits - 2,450,000

THEO. KITCHEN, President  
T. L. DEBOW, Cashier      WILLIAM POST, Asst. Cashier

Accounts of Banks, Bankers, Individuals, Firms and Corporations Invited  
on the most Liberal terms consistent with safe banking.

---

EDWARD D. TOLAND      ROBERT TOLAND      ROBERT C. DRAYTON

## TOLAND BROTHERS & CO.

BANKERS

104 South Fifth Street, - - - Philadelphia

### INVESTMENT SECURITIES

Members of Philadelphia and New York  
Stock Exchanges

BRANCH OFFICE  
318 Real Estate Trust Building

# THE PHILADELPHIA NATIONAL BANK

PHILADELPHIA, PA.

ORGANIZED, 1803.

NATIONAL BANK, 1864.

CONDITION AT THE CLOSE OF BUSINESS SEPTEMBER 6, 1904.

RESOURCES.		
Loans and Discounts,	- - - - -	\$24,064,045 18
Due from Banks,	- - - - -	5,072,716 46
Exchanges for Clearing House,	- - - - -	\$2,732,242 81
Cash and Reserve,	- - - - -	13,410,036 31
		16,142,279 12
		<b>\$45,279,040 76</b>
LIABILITIES.		
Capital Stock,	- - - - -	\$1,500,000 00
Surplus and Net Profits,	- - - - -	2,440,717 54
Circulation,	- - - - -	1,041,800 00
DEPOSITS { Individual,	- - - - -	\$24,189,763 81
{ Bank,	- - - - -	16,106,759 41
		40,296,523 22
		<b>\$45,279,040 76</b>

### OFFICERS.

N. PARKER SHORTRIDGE, President.

LINCOLN GODFREY,  
Vice-President.

LEVI L. RUE,  
Vice-President.

HARRY J. KESER,  
Cashier.

HORACE FORTESCUE,  
Assistant Cashier.

### DIRECTORS.

N. Parker Shortridge  
J. Livingston Erringer  
Richard Ashhurst  
Lincoln Godfrey

John H. Converse  
George Wood  
Lawrence Johnson  
Alfred C. Harrison

Levi L. Rue  
George H. Frazier  
A. J. Cassatt  
Percival Roberts, Jr.

George H. McFadden  
Edward T. Stotesbury  
James F. Hope

*Accounts of Banks and Bankers Respectfully Invited.*

SAMUEL WELSH, T. HENRY DIXON, ALFRED R. THOMAS, J. ANDREWS HARRIS, JR.

## ERVIN & CO.

BANKERS

INVESTMENT SECURITIES

Drexel Building  
PHILADELPHIA

*Members of the New York and Philadelphia Stock Exchanges*

## EDWARD B. SMITH & CO.

BANKERS

INVESTMENT SECURITIES

511 Chestnut St.  
PHILADELPHIA

7 Wall Street, - - - - - NEW YORK

*Members New York and Phila. Stock Exchanges*

J. L. HALL, President.

LOUIS B. FARLEY, Cashier.

S. B. MARKS, JR., Vice-President.

HENRY T. BARTLETT, Assistant Cashier.

M. P. LEGRAND, Vice-President.

# The Merchants & Planters-Farley National Bank

MONTGOMERY, ALA.

CAPITAL \$500,000.00

SURPLUS \$100,000.00

UNDIVIDED PROFITS \$125,000.00

Adequate Resources, Conservative Management by Experienced Officers, a Modern Equipment in all Departments, and Direct Banking Connections, enable us to guarantee QUICK AND SAFE RETURNS to all banks sending us Alabama and other Southern Collections at the very LOWEST RATES.

This Bank has a LARGER CAPITAL, SURPLUS, UNDIVIDED PROFITS AND DEPOSITS than ALL OTHER BANKS in this city COMBINED.

“DROP US A LINE.”

See our Card advertisement in ANY Bankers' Directory.

Organized 1871

Capital  
\$225,000

Surplus and Profits  
\$100,000

The  
*First National Bank*  
of  
Montgomery, Ala.

A. M. BALDWIN, President.

A. S. WOOLFOLK, Cashier.

J. C. STRATFORD, Ass't Cashier.

### COMPARISON

	September 9, 1903	September 6, 1904
Deposits,	\$ 927,569.05	\$1,512,548.83
Total Resources,	1,445,773.93	2,052,462.24

J. W. KEYES  
President

E. C. GILLILAND  
Vice-Prest.

FELIX T. POPE  
Cashier

## Home Finance & Trust Co.

Capital & Surplus  
\$250,000.00

MEMPHIS, - TENN.

Have especial facilities for handling collections  
in the States of Tennessee,  
Mississippi and Arkansas.

SEND US YOUR BUSINESS

JACOB PHINIZY, President.  
WM. A. LATIMER, Vice-President.

CHAS. G. GOODRICH, Cashier.  
RUFUS H. BROWN, Assistant Cashier.

# Georgia Railroad Bank

AUGUSTA, GEORGIA

Capital \$200,000.00

Undivided Profits \$250,000.00

The largest bank in this particular section, we have the very best facilities for handling collection items.

YOU ARE INVITED TO TRY US.



ESTABLISHED 1861.

NATIONAL CHARTER 1900.

# LOWRY NATIONAL BANK

ATLANTA, GA.

*Designated Depository of the United States.*

**CAPITAL, \$500,000**

**SURPLUS AND PROFITS, \$425,000**

ROBT. J. LOWRY, Pres.  
JOS. T. ORME, Cashier.

THOS. D. MEADOR, Vice-Pres.  
HENRY W. DAVIS, Asst. Cashier.

DIRECTORS

THOS. EGLESTON      THOS. D. MEADOR      WM. G. RAOUL      SAM'L M. INMAN      T. J. AVERY  
MELL R. WILKINSON      ROBERT J. LOWRY      JOS. T. ORME      JOHN E. MURPHY

Accounts solicited. Foreign exchange and Letters of Credit available in all parts of the world.

## CHATTANOOGA

*Designated United States and State Depository.*

OFFICERS

CHAS. A. LYERLY, Pres.  
J. T. LUPTON, Vice-Pres.  
J. P. HOSKINS, Cashier.  
W. H. DeWITT, Asst. Cashier.

## NATIONAL

Assets Two and One-Quarter Million Dollars

CHATTANOOGA,  
TENN.

*Capital and Surplus  
One-Quarter Million Dollars*

## BANK

### The American National Bank

Louisville, Ky.

Capital,	- - - -	\$800,000
Surplus and Earnings, over	- - - -	200,000
Deposits,	- - - -	5,000,000

*Correspondence Invited.*

LOGAN C. MURRAY,	- - -	President
J. S. BOCKEE,	- - -	Vice-President
R. F. WARFIELD,	- - -	Cashier
CHAS. C. CARTER,	- - -	Ass't Cashier

I. H. KEMPNER, President  
J. T. McCARTHY, Cashier

J. M. MOORE, Vice-President  
R. LEE KEMPNER, Asst. Cashier

### Texas Bank and Trust Co.

Galveston, Texas.

Capital,	- - -	\$200,000
Surplus,	- - -	\$200,000

Send your Texas Collections to us in bulk as we cover the State with our Branches and Correspondents.

We invite correspondence from out-of-town banks because we believe we can be of service to them.

**We Buy and Sell Foreign Exchange  
and are large buyers of  
Cotton and Grain Bills.**

# FIRST NATIONAL BANK

NASHVILLE, TENN.

UNITED STATES DEPOSITORY.  
 CAPITAL, - \$400,000                      DEPOSITS, - \$3,000,000

F. O. WATTS, President.                      RANDAL CURELL, Cashier.  
 D. S. WILLIAMS, Vice-President.        R. E. DONNELL, Asst. Cashier.  
 L. K. THOMPSON, Auditor.

## Tennessee Collections.

We reach 83 per cent. of the banking population of the State direct through our reciprocal bank correspondents and therefore offer the safest and quickest way for handling your collections. Your business is respectfully solicited.

# ATLANTA NATIONAL BANK

ATLANTA, GA.  
 UNITED STATES DEPOSITORY.



### Statement of Condition (Condensed) Sept. 6th, 1904.

Resources	Liabilities
Loans and Discounts . . . \$3,550,113.01	Capital Stock . . . . \$ 500,000.00
United States Bonds . . . 406,475.00	Surplus and Undivided Profits . . . . . 372,404.32
Other Bonds and Stocks . . 417,663.80	Circulation . . . . . 200,000.00
Real Estate . . . . . 75,600.00	Deposits . . . . . 4,402,802.11
Safety Deposit Vault, Furniture and Fixtures . . . 31,056.45	
Five per cent. Redemption Fund . . . . . 10,000.00	
Cash on hand \$457,574.81	
Due from Banks 526,723.36      984,298.17	
\$5,475,206.43	\$5,475,206.43

CHAS. E. CURRIER, President.            HUGH T. INMAN, Vice-President.        A. E. THORNTON, Vice-President.  
 H. R. BLOODWORTH, Cashier.        GEO. R. DONOVAN, Asst. Cashier.        JAMES S. FLOYD, Asst. Cashier.

Accounts of banks, merchants, corporations and individuals solicited. Every accommodation given which responsibility and balances warrant. Letters of Credit issued. Bills of Exchange drawn on all parts of the world. Travellers' Checks sold.

# American National Bank

NASHVILLE, TENN.

Capital, . . . . . \$1,000,000.00  
 Shareholders' Liability, . . . . . 1,000,000.00  
 Surplus and Undivided Profits, . . . . . 160,000.00  
 Security to Depositors, . . . . . \$2,160,000.00

This Bank furnishes the greatest security to depositors of any Bank in Tennessee. All accounts solicited.

OFFICERS.

W. W. BERRY, President.                      A. H. ROBINSON, Vice-President.        N. P. LESUEUR, Cashier.

DIRECTORS.

G. M. NEELY                      LESLIE CHEEK                      BYRD DOUGLAS                      OVERTON LEA  
 ROBT. J. LYLES                      HORATIO BERRY                      JNO. B. RANSOM                      NORMAN KIRKMAN  
 A. H. ROBINSON                      THOS. L. HERBERT                      R. W. TURNER                      W. W. BERRY  
 N. P. LESUEUR

# The National Bank OF COMMERCE of Norfolk.

UNITED STATES, UNITED STATES COURT  
AND CITY DEPOSITORY.

Capital Paid in,	- - -	\$500,000
Surplus and Undivided Profits,	-	300,000
Total Deposits,	- - -	2,900,000

Respectfully invites the business of Banks, Merchants, and  
Individuals, promising to all such the best possible  
attention to their several interests, and such  
as would be expected of a conservative,  
modern banking institution.

NATHANIEL BEAMAN, President.  
TAZEWELL TAYLOR, Vice-President.  
H. M. KERR, Cashier.  
M. C. FEREBEE, Asst. Cashier.  
F. A. PORTER, Asst. Cashier.

# THE NORFOLK NATIONAL BANK

NORFOLK, VA.

UNITED STATES DEPOSITARY.

Capital,	. . . . .	\$400,000
Surplus and Profits,	. . . . .	450,000

CALDWELL HARDY, C. W. GRANDY,  
President. Vice-President.  
A. B. SCHWARZKOPF, W. A. GODWIN,  
Cashier. Ass't Cashier.

With Well Established Connections, this Bank has  
Unsurpassed Facilities in Every Branch  
of Legitimate Banking.

*Accounts of Banks and Bankers Received  
on Most Favorable Terms.*

COLLECTIONS MADE AND MONEY TRANSFERRED TO  
ALL PARTS OF THE WORLD.

# THE CITIZENS' BANK OF NORFOLK, VA.

Capital, \$300,000.

Surplus, \$250,000.

## OFFICERS

W. W. MOSS, President. J. W. PERRY, Vice-President. McD. L. WRENN, Vice-President.  
TENCH F. TILGHMAN, Cashier. GEORGE J. TWOHY, Trust Officer. NORMAN BELL, Jr., Asst. Cashier.

*Accounts of Banks, Corporations, Firms and Individuals Solicited.*

# RUDOLPH KLEYBOLTE & Co.

NEW YORK.

CINCINNATI.

CHICAGO.

DEALERS IN HIGH GRADE

MUNICIPAL  
RAILROAD  
PUBLIC SERVICE CORPORATION

# BONDS

Netting Investors 3½ to 5 per cent.

LISTS MAILED UPON APPLICATION

# The Central National Bank,

CLEVELAND, O.

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Capital,	-	-	-	-	-	-	-	\$800,000.00
Surplus and Undivided Profits,	-	-	-	-	-	-	-	400,000.00
Deposits,	-	-	-	-	-	-	-	4,500,000.00
Loans,	-	-	-	-	-	-	-	4,500,000.00

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## OFFICERS

J. J. SULLIVAN, President.

E. W. OGLEBAY, Vice-President.

C. A. PAINE, Cashier.

L. J. CAMERON, Asst. Cashier.



## The Citizens Savings and Trust Company

CLEVELAND.

Statement, August 1st, 1904.

### RESOURCES.

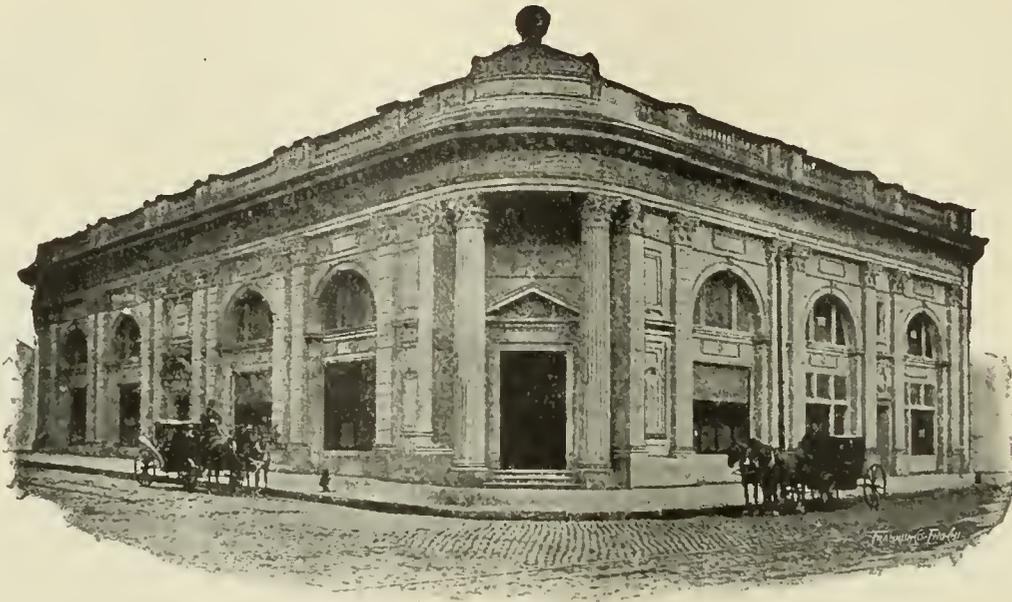
Cash on hand and in banks	-	-	-	\$6,214,650.49
Loans on real estate and approved collateral	-	-	-	17,514,920.31
Bonds and stocks	-	-	-	10,939,732.28
Citizens building and other real estate	-	-	-	1,588,107.45
				<hr/>
				\$36,257,410.53

### LIABILITIES.

Capital stock	-	-	-	\$4,000,000.00
Surplus and profits	-	-	-	2,149,078.33
Deposits	-	-	-	30,108,332.20
				<hr/>
				\$36,257,410.53

THE CITIZENS SAVINGS AND TRUST COMPANY, CLEVELAND, IS THE OLDEST AND THE LARGEST TRUST COMPANY IN OHIO.

4 PER CENT. INTEREST IS PAID ON SAVINGS ACCOUNTS AND 2 PER CENT. ON ACCOUNTS SUBJECT TO CHECK.



## Mississippi Valley Trust Company

N. W. COR. FOURTH AND PINE STREETS, ST. LOUIS

Capital, Surplus and Profits, \$8,300,000

The Business of this Company is conducted in Five Departments, as follows:

1. **FINANCIAL OR MONEY DEPOSIT**—Receives deposits on time, savings and checking accounts and pays interest thereon; loans money on St. Louis city real estate and listed high-grade securities; buys and sells domestic and foreign exchange; issues its own Letters of Credit available everywhere
2. **TRUST OR FIDUCIARY**—Executes all manner of Trusts; acts, under authority of the law, as Executor, Administrator, Trustee, Guardian, Curator, Register and Transfer Agent of Bonds and Stocks, Receiver and Financial Agent for non-residents and others; becomes sole surety on bonds required by law to be given
3. **BOND OR INVESTMENT**—Buys and sells selected high-grade Investment Securities. List of Bonds for sale on application. Commission orders, at usual rates, executed with promptness
4. **REAL ESTATE**—Manages, Sells, Rents and Appraises St. Louis city real estate. Pays Taxes, places Insurance
5. **SAFE DEPOSIT OR STORAGE VAULTS**—Rents Safe Deposit boxes in Fire, Burglar and Mob Proof Vault at \$5 and upward per annum; stores, at special rates, trunks and boxes containing silverware and other bulky valuables

ALL BUSINESS STRICTLY CONFIDENTIAL. CORRESPONDENCE INVITED

### OFFICERS

JULIUS S. WALSH, President	
BRECKINRIDGE JONES, Vice-Prest. and Counsel	FREDERICK VIERLING, Trust Officer
JOHN D. DAVIS, Vice-President	HENRY SEMPLE AMES, Assistant Trust Officer
SAMUEL E. HOFFMAN, Vice-President	WILLIAM G. LACKEY, Assistant Trust Officer
JAMES E. BROCK, Secretary	W. DAVIEN PITTMAN, Bond Officer
HUGH R. LYLE, Assistant Secretary	EUGENE H. BENOIST, Real Estate Officer
HENRY C. IBBOTSON, Assistant Secretary	WM. MCC. MARTIN, Safe Deposit Officer

### DIRECTORS

JAMES E. BROCK, Secretary	S. E. HOFFMAN, Vice-President
MURRAY CARLETON, Prest. Carleton Dry Goods Co.	CHAS. H. HUTTIG, President Thrd National Bank
CHARLES CLARK	BRECKINRIDGE JONES, Vice-Prest. and Counsel
JOHN D. DAVIS, Vice-President	WM. F. NOLKER, Treas. St. Louis Brewing Ass'n
HARRISON I. DRUMMOND, President Drummond Realty and Investment Co.	WM. D. ORTHWEIN, Prest. Wm. D. Orthwein Grain Co.
AUGUSTE B. EWING	H. CLAY PIERCE, President Waters-Pierce Oil Co.
DAVID R. FRANCIS, President D. R. Francis & Bro. Commission Co.	JOSEPH RAMSEY, JR., President Wabash R. R. Co.
AUGUST GEHNER, Prest. German American Bank	MOSES RUMSEY, President L. M. Rumsey Mfg. Co.
GEO. H. GODDARD	ROBERT H. STOCKTON, President Majestic Mfg. Co.
	JULIUS S. WALSH, President
	ROLLA WELLS, Mayor of City of St. Louis

# **Mercantile Trust Company**

**Saint Louis**

**Capital and Surplus**

**\$9,500,000**

## **DEPARTMENTS**

<b>Financial</b>	<b>Real Estate</b>	<b>Safe Deposit</b>
<b>Foreign Exchange</b>	<b>Trust</b>	<b>Savings Bonds</b>

**T H E**  
**National Bank of North America**  
**CHICAGO**

ISAAC N. PERRY, President.  
BERNARD A. ECKHART, Vice-President.  
CHARLES O. AUSTIN, Vice-President.  
JULIUS S. POMEROY, Cashier.  
FRANCIS V. PUTNAM, Ass't Cashier.

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<b>CAPITAL,</b>	- - - -	<b>\$2,000,000</b>
<b>SURPLUS @ PROFITS,</b>	-	<b>775,000</b>
<b>DEPOSITS,</b>	- - - -	<b>14,000,000</b>

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**Accounts of Banks and Bankers received  
on Favorable Terms.**

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Domestic and Foreign Letters of Credit issued, funds trans-  
mitted by Bank Post Remittance, Draft or Cable, to  
Europe or other Foreign Countries.

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*CORRESPONDENCE AND PERSONAL INTERVIEWS  
CORDIALLY INVITED.*

# The Merchants' Loan and Trust Company

## OF CHICAGO

**Capital and Surplus, \$6,000,000**

**Established 1857**

GENERAL BANKING. FOREIGN EXCHANGE.  
TRUSTS. BONDS. SAVINGS.  
SAFE DEPOSIT VAULTS.

### OFFICERS.

ORSON SMITH, President.  
E. D. HULBERT, Vice-President.  
J. G. ORCHARD, Cashier.  
F. N. WILDER, Assistant Cashier.  
F. G. NELSON, Assistant Cashier.  
P. C. PETERSON, Assistant Cashier,  
Mgr. Foreign Exchange Dept.  
LEON L. LOEHR, Sec'y Trust Dept.  
JOHN E. BLUNT, JR., Manager Bond Department.

### DIRECTORS.

MARSHALL FIELD.  
ALBERT KEEP.  
ERSKINE M. PHELPS.  
ENOS M. BARTON.  
CLARENCE A. BURLEY.  
E. D. HULBERT.  
CYRUS H. McCORMICK.  
LAMBERT TREE.  
MOSES J. WENTWORTH.  
THIES J. LEFENS.  
E. H. GARY.  
CHAUNCEY KEEP.  
ORSON SMITH.

### REPORT OF CONDITION

At the Commencement of Business, September 7, 1904.

### RESOURCES

Loans and Discounts,	\$22,332,256.51
Bonds and Stocks,	6,319,736.27
Due from Banks and Bankers, \$13,826,297.19	
Cash and Checks for Clearing House	7,680,105.68
	<u>21,506,402.87</u>
	\$50,158,395.65

### LIABILITIES

Capital Stock	\$3,000,000.00
Surplus Fund,	3,000,000.00
Undivided Profits,	455,622.34
Reserved for Accrued Interest,	11,943.06
Deposits,	43,690,830.25
	<u>43,690,830.25</u>
	\$50,158,395.65

WE INVITE THE CORRESPONDENCE AND PERSONAL INTERVIEWS OF BANKERS, TRUSTEES, MANAGERS OF ESTATES AND INDIVIDUALS WHO WISH TO INVEST THEIR FUNDS SAFELY AND DERIVE A DEFINITE INCOME THEREFROM, FOR EITHER A LONG OR SHORT PERIOD OF TIME.

WE DEAL IN GOVERNMENT, RAILROAD AND OTHER INVESTMENT BONDS OF THE HIGHEST CHARACTER AND ARE ALWAYS PREPARED TO GIVE THE MOST COMPLETE INFORMATION IN REGARD TO THE SECURITIES WE OFFER.

CHICAGO BANK AND TRUST COMPANY STOCKS BOUGHT AND SOLD.

## EVERSZ & COMPANY

BANKERS

220 LA SALLE STREET, CHICAGO.

**M**AINTEENANCE of individuality is a law of principle. Organized, developed and conducted on the principle of conservative banking along progressive lines, **The National Bank of the Republic** of Chicago has preserved the integrity of its individuality intact during a period in which the tendency to consolidation has been general, and on this basis has gained a little each day in strength, in scope, and in the confidence of the public.

Governed by the same principle, and entertaining a reciprocal confidence in a public which recognizes the right relationship between service and recompense, this Bank expects to continue to grow both in its capacity and its opportunity to serve, and to that end invites the patronage to which it believes it has proved itself entitled.

JOHN A. LYNCH,  
President.

R. L. CRAMPTON,  
Assistant Cashier.

W. T. FENTON,  
Vice-President.

O. H. SWAN,  
Assistant Cashier.

R. M. MCKINNEY,  
Cashier.

THOS. JANSEN,  
Assistant Cashier.

Capital  
\$ 2,000,000

Surplus  
\$ 700,000

Deposits  
\$ 15,000,000

# THE CONTINENTAL NATIONAL BANK OF CHICAGO.

CAPITAL, - - - - -	\$3,000,000.00
SURPLUS and UNDIVIDED PROFITS,	1,350,000.00
DEPOSITS, - - - - -	42,000,000.00

## OFFICERS:

JOHN C. BLACK, President.	BENJAMIN S. MAYER, Asst. Cashier.
GEORGE M. REYNOLDS, Vice-President.	WM. G. SCHROEDER, Asst. Cashier.
N. E. BARKER, Vice-President.	HERMAN WALDECK, Asst. Cashier.
IRA P. BOWEN, Asst. Cashier.	JOHN McCARTHY, Asst. Cashier.

## DIRECTORS:

JOHN C. BLACK, - - - - - President.	
ALBERT J. EARLING, President Chicago, Milwaukee and St. Paul R. R.	
J. OGDEN ARMOUR, President Armour & Company.	HENRY BOTSFORD, Packer.
F. WEYERHAEUSER, Lumberman and Pine Land Owner, St. Paul, Minnesota; Director of Edward Hines Lumber Company of Chicago.	
ALEXIS W. THOMPSON, President Republic Iron and Steel Co.	
WM. G. HIBBARD, of Hibbard, Spencer, Bartlett & Co., Wholesale Hardware.	
P. A. VALENTINE, Vice-President Armour & Company.	
GEORGE M. REYNOLDS, Vice-President.	N. E. BARKER, Vice-President.
WM. C. SEIPP, Capitalist.	BERTHOLD LOEWENTHAL, Capitalist.

ISSUES TRAVELERS' AND COMMERCIAL LETTERS  
OF CREDIT, DRAFTS AND MONEY ORDERS

Available in All Parts of the World.

### THE FIRST NATIONAL BANK OF CHICAGO

CAPITAL, -	\$8,000,000
SURPLUS, -	\$5,000,000

### FIRST TRUST AND SAVINGS BANK CHICAGO

CAPITAL, -	\$1,000,000
DEPOSITS, -	\$11,000,000

(Organized December 24, 1903.)

Every facility for business of a fiduciary nature.

FIRST NATIONAL BANK BUILDING

# Mason, Lewis & Co.

## *Bankers*

CHICAGO  
Monadnock Bldg.

PHILADELPHIA  
505 Chestnut St.

BOSTON  
60 Devonshire St.

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## Investment Securities

CHOICE ISSUES OF RAILROAD, STREET RAILWAY, GAS,  
ELECTRIC LIGHT AND POWER COMPANY BONDS.

*LIST ON APPLICATION.*

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## A. G. BECKER & CO.

(INCORPORATED.)

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COMMERCIAL  
PAPER :: ::

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SOUTHWEST CORNER LA SALLE  
AND MONROE STREETS,  
CHICAGO, ILL.

## American National Bank Record

No. 1 for organizing Bank *ab initio*,  
No. 2 for Conversion of State to National Bank.

## Inter-State Corporation Record

For Organizing State Bank.

Both books contain proper organization proceedings, including Subscription List, By-Laws, Minutes First Meetings Stock Holders and Directors, Blank Minutes, Stock Register, Transfers, Dividends, Stock Holders' Ledger.

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STOCK CERTIFICATES  
BONDS

U. S. LOCK SEAL  
BANK REGISTERS  
ACCOUNT BOOKS

---

J. W. MIDDLETON & CO.

Publishers and Stationers,  
167 Dearborn St., - Chicago.

# THE PRAIRIE NATIONAL BANK OF CHICAGO

No. 159-161 La Salle Street

Capital,	-	-	-	-	\$250,000
Surplus,	-	-	-	-	50,000

**OFFICERS**

*President*  
GEORGE VAN ZANDT  
*Vice-President*  
GEORGE WOODLAND  
*Cashier*  
WM. B. CONKLIN

**DIRECTORS**

CHARLES B. SCOVILLE  
JOSEPH E. OTIS  
GEORGE WOODLAND  
J. W. STEVENS  
GEORGE VAN ZANDT

## Chicago Savings Bank

**CAPITAL**

**\$500,000.00**

This bank confines the investment of its capital and other funds entrusted to its care, to the purchase of high-grade bonds or loans with collateral security.

It offers its services to other Savings Banks in caring for their reserve accounts or will advise them regarding any question of investment.

**DIRECTORS**

George H. Webster	Henry J. Evans
Daniel B. Scully	Rudolph Matz
Chas. H. ReQua	Wm. G. Hibbard, Jr.
Walter H. Wilson	John E. Jenkins
Wm. E. O'Neill	Ralph C. Otis
Joseph E. Otis	Lucius Teter

## Western Trust & Savings Bank

CHICAGO

*Capital One Million Dollars*

**OFFICERS**

JOSEPH E. OTIS	President
WALTER H. WILSON	Vice-President
LAWRENCE NELSON	Vice-President
WILLIAM C. COOK	Cashier
H. WOLLENBERGER	Assistant to the President
W. G. WALLING	Secretary

**DIRECTORS**

JAMES W. STEVENS	Pres't Illinois Life Insurance Co.
ROBERT MATHER	Vice-Pres't C., R. I. & P. Ry. Co.
W. A. GARDNER,	Gen'l Mgr. C. & N.-W. Ry. Co.
EDGAR A. BANCROFT	Vice-Pres't C. & W. I. Ry. Co.
H. W. HOYT	Ex-Vice-Pres't Allis-Chalmers Co.
W. A. WIEBOLDT	W. A. Wiebolt & Co., Dept. Store
WALTER H. WILSON	Walter H. Wilson & Co., Real Estate
CLARENCE E. MOORE	Chas. A. Stevens & Bros., Silks
C. H. HANSON	Royal Danish Consul
A. E. ZIEHME	A. E. Ziehme & Co., Wholesale Jewelers
WM. C. BOYDEN	Matz, Fisher & Boyden, Att'ys
THEODORE K. LONG	Gen'l Counsel Ill. Life Ins. Co.
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W. O. JOHNSON	Gen'l Counsel and a Director Chicago & Erie R. R.
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Capital  
**\$2,000,000**



Surplus &  
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business transacted.

Correspondence Invited.

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the popular jealousy of banks and banking in this country would not at  
present incline to admit that such an increase is desirable, the subject is a  
large one, being a part of the still larger one of a general and coherent  
financial system which is still lacking in the United States, yet must sooner  
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City, Dec. 26, 1903.

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**Deposits, \$19,669,296**  
**Capital, 1,000,000**  
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# THE Commercial National Bank of CHICAGO

ESTABLISHED 1864

Statement of Condition at the Close of Business Tuesday, September 6, 1904.

RESOURCES.		LIABILITIES.	
Loans and Discounts	- - - - \$21,445,118.61	Capital Stock paid in	- - - - \$2,000,000.00
Overdrafts	- - - - 83.96	Surplus Fund	- - - - 1,000,000.00
Real Estate	- - - - 93,665.35	Undivided Profits	- - - - 729,384.09
U. S. Bonds at par	- - - - 500,000.00	National Bank Notes Outstanding	- - - - 500,000.00
Other Bonds and Stocks	- - - - 2,083,801.19	Deposits	- - - - 31,558,203.15
Due from U. S. Treasurer	- - - - 25,000.00		
Cash and Due from Other Banks,	- 11,639,918.13		
<b>Total</b>	<b>- - - - \$35,787,587.24</b>	<b>Total</b>	<b>- - - - \$35,787,587.24</b>

## OFFICERS.

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G. B. SMITH, Assistant Cashier.

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H. C. VERNON, Assistant Cashier.

H. E. SMITH, Auditor.

FOREIGN DEPARTMENT: M. KRELL, Manager.

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 JAMES H. ECKELS, President

This Bank restricts its operations to legitimate COMMERCIAL BANKING and especially desires and invites the accounts of banks, corporations, firms and individuals.

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# First National Bank

MINNEAPOLIS

UNITED STATES DEPOSITORY.

Capital, Surplus and Profits, - \$3,400,000.00  
Deposits, - \$9,500,000.00

Our large list of correspondents in Minnesota and adjoining States gives us unexcelled facilities for handling new business from banks and bankers.

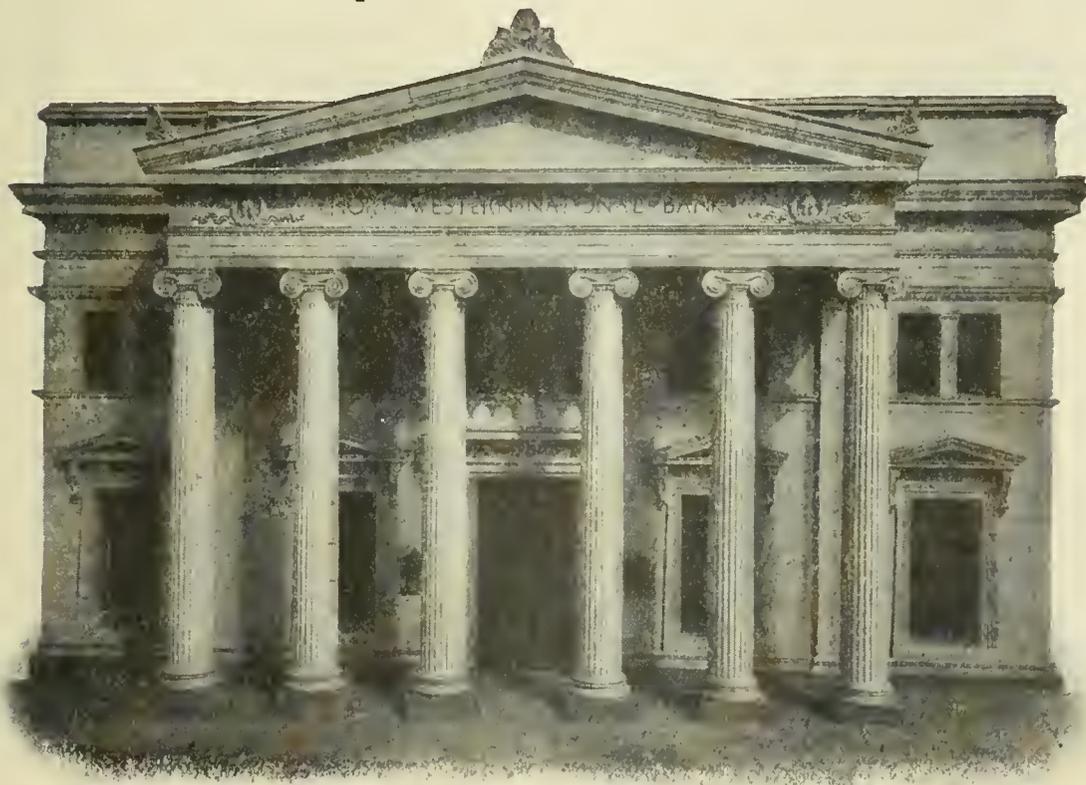
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C. T. JAFFRAY, Cashier. D. MACKERCHAR, Asst. Cashier.  
ERNEST C. BROWN, Asst. Cashier

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## THE NORTHWESTERN NATIONAL BANK MINNEAPOLIS, MINN.

Capital, - - \$1,000,000  
Surplus and Profits, - 700,000  
Deposits, - - 8,500,000



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**First National Bank**  
**OF MILWAUKEE**

UNITED STATES DEPOSITARY.

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**Capital - - \$1,500,000**  
**Surplus and Profits 1,000,000**

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FARMERS' AND MILLERS' BANK, 1853.

FIRST NATIONAL BANK, 1863.

FIRST NATIONAL BANK, Reorganized, 1882.

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# The Wisconsin National Bank

## OF MILWAUKEE

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Capital	-	-	-	-	-	\$1,500,000
Surplus	-	-	-	-	-	950,000
Deposits exceed	-	-	-	-	-	10,000,000

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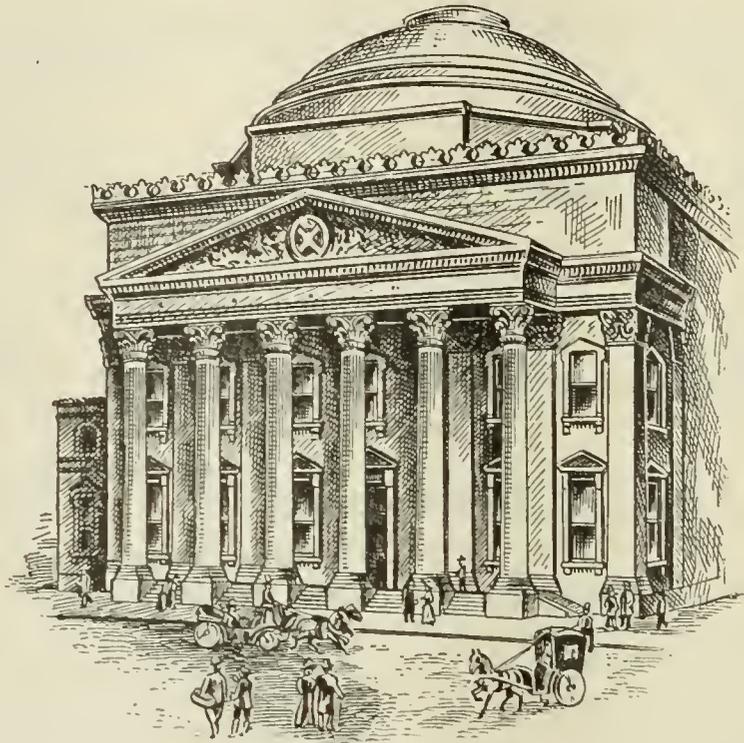
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Established 1817



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REST,	-	-	10,000,000
UNDIVIDED PROFITS,	-	-	478,821

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Paid up Capital and Surplus 1,700,000  
Total Assets . . . . . 10,000,000

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**PHILADELPHIA**  
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**CHICAGO**  
Commercial National Bank.

**LONDON**  
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Messrs. J. S. Morgan & Company.  
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**CORRESPONDENCE**  
Invited.

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ESTABLISHED IN 1836.

INCORPORATED BY ROYAL CHARTER IN 1840.

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HAMILTON,  
HAMILTON, BARTON ST. (Sub. Br.)  
TORONTO,  
TORONTO JUNCTION,  
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BOBCAYGEON,  
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**Yukon District.**  
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CALGARY, ROSTHERN,  
DUCK LAKE, YORKTON.  
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ASHCROFT,  
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INCORPORATED 1855.

# THE BANK OF TORONTO

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PAID-UP CAPITAL, - \$3,000,000.00      RESERVE FUND, - \$3,200,000.00

*Branches* in Ontario.....Toronto, Barrie, Brockville, Cardinal, Cobourg, Coldwater, Collingwood, Copper Cliff, Creemore, Dorchester, Elmvale, Gananoque, London, London East, Millbrook, Oakville, Oil Springs, Omeme, Peterboro, Petrolia, Port Hope, St. Catharines, Sarnia, Stayner, Sudbury, Thornbury, Wallaceburg.

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# THE DOMINION BANK

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RESERVE FUND and UNDIVIDED PROFITS, \$3,565,000.

EDMUND B. OSLER, M.P., President.

WILMOT D. MATTHEWS, Vice-President.

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A GENERAL BANKING BUSINESS CONDUCTED.

# THE BANK OF OTTAWA

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CAPITAL, (Paid up) - \$2,500,000

REST, - - \$2,415,000

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D. M. FINNIE, Assistant General Manager

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Arnprior, "	Hawkesbury, Ont.	Maniwaki, Que.	Regina, Assa.
Avonmore, "	Hull, Que.	North Bay, Ont.	Renfrew, Ont.
Bracebridge, "	Jasper, Ont.	Ottawa, "	Russell, "
Buckingham, Que.	Keewatin, "	Ottawa, Bank Street, "	Shawinigan Falls, Que.
Carp, Ont.	Kemptville, "	Rideau " "	Smiths Falls, Ont.
Carleton Place, "	Lachute, Que.	Somerset " "	Toronto, "
Cobden, "	Lanark, Ont.	Parry Sound, "	Vankleek Hill, Ont.
Dauphin, Man.	Mattawa, "	Pembroke, "	Virден, Man.
Fort Coulonge, Que.	Montreal, Que.	Portage La Prairie, Man.	Winchester, Ont.
Emerson, Man.	Morrisburg, Ont.	Prince Albert, Sask.	Winnipeg, Man.

Agents in Canada, Bank of Montreal.

# KNAUTH, NACHOD & KÜHNE,

15 WILLIAM STREET, - NEW YORK.

## BANKERS,

*Members New York Stock Exchange.*

*Investment Securities.*

BRITISH GOVERNMENT BONDS; GERMAN GOVERNMENT AND MUNICIPAL BONDS.

LETTERS OF CREDIT AND INTERNATIONAL TRAVELERS' CHECKS

AVAILABLE EVERYWHERE.

FOREIGN EXCHANGE.

CORRESPONDENTS THROUGHOUT THE WORLD

# The Union Discount Company

## OF LONDON, LIMITED.

39, Cornhill, London, E.C.

Cable Address, "UDISCO, LONDON."

*Capital Subscribed, \$7,500,000, in 150,000 Shares of \$50 Each, on which \$25 have been paid.*

PAID UP, \$3,750,000,

RESERVE FUND, \$2,050,000.

NUMBER OF SHAREHOLDERS, 2,647.

### DIRECTORS.

ROBERT BALFOUR  
WILLIAM THOMAS BRAND.  
SIR EDWARD BLOUNT, K.C.B.  
SIR WILLIAM DUNN, BART, M.P.

ARTHUR JOHN FRASER.  
SIR THOMAS JACKSON, BART.  
ROBERT PETER LAURIE, C.B.  
HENRY OPPENHEIM.

MANAGER—CHRISTOPHER R. NUGENT.

ASSISTANTS TO MANAGER—E. C. STEVENSON AND F. NEVILL JACKSON.  
SECRETARY—E. MARCH.

DR.	Balance Sheet, 30th June, 1904.		CR.
To Capital Account, 150,000 Shares of \$50... <u>\$7,500,000.00</u>			By Cash at Bankers..... \$3,084,065.96
Amount paid, \$25 per share..... \$3,750,000.00			" Consols, Exchequer Bonds, Indian Government and other Securities.. 13,043,629.31
Reserve Fund..... 2,000,000.00			" Loans on Sundry Securities at call and short dates..... 10,590,688.21
Provident Reserve Fund..... 170,256.63			" Bills Discounted..... 60,513,330.65
" Loans and Deposits, including provision for contingencies..... 64,568,085.48			" Sundry Debit Balances..... 31,833.46
" Bills Re-discounted.... 16,322,828.90			" Freehold and Leasehold Premises, Fittings and Furniture..... 543,638.71
	80,890,914.38		
" Rebate on Bills Discounted..... 502,660.85			
Balance at Credit of Profit and Loss for Appropriation..... 493,354.44			
	<u>990,015.29</u>		
	<u>\$87,807,186.30</u>		<u>\$87,807,186.30</u>

DR.	Profit and Loss Account for the Six Months ending 30th June, 1904.		Cr.
To Current Expenses, including Salaries, Rent and Taxes, Directors' Fees, and all other charges..... \$93,668.90			By Balance brought forward from 31st December, 1903..... \$242,499.79
" Rebate of interest on Bills discounted not due, carried forward to New Account..... 502,660.85			" Gross Profits for the half-year, after making provision for bad and doubtful debts..... 847,184.40
" Reserve Fund..... \$50,000.00			
" Dividend for the half-year at the rate of 11 per cent. per annum, free of Income Tax.... 206,250.00			
" Balance carried forward to next Account 237,104.44			
	<u>493,354.44</u>		
	<u>\$1,089,684.19</u>		<u>\$1,089,684.19</u>

E. MARCH,  
Secretary.

WILLIAM DUNN, }  
W. T. BRAND, } *Directors.*

Balance brought down.. \$237,104.44

In accordance with the provisions of the Companies' Act, 1900, we certify that all our requirements as Auditors, have been complied with. We have examined the Securities representing investments of the Company, those held against Loans made by the Company at call, short and fixed dates, and all bills discounted in hand. We have also verified the Cash Balances, and vouched the Securities and Bills given as collateral security for Loans, and we have now to report to the Shareholders that the foregoing Accounts agree with the Books, and in our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the books of the Company, except that, whilst it shows the amount of the Bills discounted which have been re-discounted, it does not show the amount of the Bills and other Securities given out against Loans shown on the debit side of the Balance Sheet.

LONDON, E. C.,  
8th July, 1904.

THOMAS A. WELTON }  
(WELTON, JONES & Co.), } *Auditors.*  
A. YOUNG }  
(TURQUAND, YOUNGS & Co.), }

The Company discounts approved bank and mercantile acceptances, receives money on deposit at rates advertised from time to time, and grants loans on approved negotiable securities.

\$5 = £1.

# The National Discount Company, LIMITED.

35 Cornhill, London, England

Cable Address, "NATDIS, LONDON."

**Subscribed Capital, \$21,166,625**

PAID-UP CAPITAL, - - - \$4,233,325  
RESERVE FUND, - - - 2,000,000

In 169,333 Shares of \$125 each, of which \$25 have been paid up. Number of Proprietors, 3,294.

## DIRECTORS

EDMUND THEODORE DOXAT, Chairman,  
LAWRENCE EDLMANN CHALMERS, W. MURRAY GUTHRIE, M. P.,  
FRIEDRICH C. K. FLEISCHMANN, FREDERICK LEVERTON HARRIS, M. P.,  
WILLIAM FOWLER, SIGISMUND FERDINAND MENDEL,  
FREDERICK WILLIAM GREEN, CHARLES DAVID SELIGMAN, JOHN FRANCIS OGILVY,

MANAGER: PHILIP HAROLD WADE.

SECRETARY: CHARLES WOOLLEY.

## AUDITORS:

JOSEPH GURNEY FOWLER, F. C. A. (Price, Waterhouse & Co.)  
FRANCIS WILLIAM PIXLEY, F. C. A. (Jackson, Pixley, Browning, Husey & Co.)

## BANKERS:

BANK OF ENGLAND. THE UNION OF LONDON AND SMITHS BANK, LIMITED.

## BALANCE SHEET, 30th JUNE, 1904.

Dr.	\$5=£1 Sterling.	Gr.	
To subscribed capital . . . . .	\$21,166,625	By Cash . . . . .	\$710,426
viz., 169,333 shares of		" Securities — British and	
\$125 each.		Indian Govern't, and other	
" Capital paid up, viz., \$25	\$4,233,325	Trustee Securities, in-	
per share . . . . .	2,000,000	cluding City of London	
" Reserve fund . . . . .		Corporation Bonds . . . . .	\$8,823,549
" Deposits and loans . . . . .	\$45,027,987	" Other Securities . . . . .	1,105,208
" Bills re-discounted . . . . .	17,011,959		9,928,757
	62,039,946	" Loans at call, short and	
" Sundry balances, rebate		fixed dates . . . . .	7,383,459
and Interest due on		" Bills discounted . . . . .	50,448,418
deposits . . . . .	601,382	" Sundry balances and In-	
" Amount at credit of		terest due on investments	
profit and loss account	265,840	and loans . . . . .	116,157
	\$69,140,493	" Freehold premises . . . . .	553,276
			\$69,140,493

Dr.	\$5=£1 Sterling.	Gr.	
To Current expenses, includ-		By Balance brought forward from 31st	
ing salaries, stationery		of December, 1903 . . . . .	\$43,316
and other charges . . . . .	\$43,683	" Gross profits during the half year .	510,954
" Income tax . . . . .	4,673		
" Directors' and auditors'			
remuneration . . . . .	13,250		
" Rebate of interest on bills			
not due, carried to new	226,824		
account . . . . .			
" Six months' dividend at the			
rate of ten per cent. per			
annum on the paid up			
capital of \$4,233,325 . . . . .	\$211,666		
" Balance carried forward			
to next account . . . . .	54,174		
	265,840		
	\$554,270		\$554,270

In accordance with the provisions of the Companies Act, 1900, we certify that all our requirements as Auditors have been complied with.

We have examined the Securities representing investments of the Company, those held against Loans at call, short and fixed dates, and all Bills discounted in hand. We have also proved the Cash Balances, and verified the Securities and Bills in the hands of depositors. The foregoing Accounts agree with the books, and we are of opinion that the balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the books of the Company, except that it does not state the amount of Investments and Bills placed as security against Loans and Deposits.

J. GURNEY FOWLER, F. C. A.,  
(Price, Waterhouse & Co.)  
FRANCIS W. PIXLEY, F. C. A.,  
(Jackson, Pixley, Browning, Husey & Co.) } Auditors.

35 CORNHILL, 6th July, 1904.

Approved Bank and Mercantile Bills Discounted. Loans granted upon approved Negotiable Securities. Money received on Deposit, at rates advertised from time to time, and for fixed periods upon specially agreed terms.

# REDMOND & Co.

## BANKERS

41 WALL STREET, - NEW YORK

507 Chestnut Street, Philadelphia

DEALERS IN

### High-Grade Investment Securities

MEMBERS NEW YORK STOCK EXCHANGE.

Transact a General Foreign and Domestic Banking Business.

ISSUE

### LETTERS OF CREDIT

In Sterling, Francs, Marks, or Dollars, payable in all parts of the world.

Organized 1803.

## MERCHANTS' NATIONAL BANK

OF THE CITY OF NEW YORK

42 Wall Street

Capital, \$2,000,000 Surplus, \$1,400,000

OFFICERS:

Robert M. Gallaway,	President.
Elbert A. Brinckerhoff,	Vice-President.
Samuel S. Campbell,	Cashier.
A. S. Cox,	Assr. Cashier.

DIRECTORS

John A. Stewart,	Ch'man Board U. S. Tr. Co
Elbert A. Brinckerhoff,	Capitalist.
Chas. Stewart Smith,	Merchant.
Gustav H. Schwab,	Oelrichs & Co.
Donald Mackay,	Vermilye & Co.
Robert M. Gallaway	President.
Charles D. Diekey,	Brown Bros. & Co
George Sherman,	Vice-Pres. Central Trust Co
Edward Holbrook,	Pres. Gorham M'g Co.
Orris K. Eldredge,	Eldredge, Lewis & Co.
Joseph W. Harriman,	Harriman & Co.

Promptness, courtesy and careful attention to the wants of our customers are some of the features of our business policy.

Accounts invited.

## Franklin Trust Company

ESTABLISHED 1888

OFFICES:

164-166 Montague St., Borough of Brooklyn } New York City.  
140 Broadway, Borough of Manhattan }



FRANKLIN TRUST CO. BUILDING

OFFICERS

GEO. H. SOUTHARD, President  
WM. H. WALLACE, Vice-President.  
GATES D. FAHNESTOCK, 2d Vice-President.  
CROWELL HADDEN, Jr., Secretary  
CLINTON W. LUDLUM, Assistant Secretary.  
GEO. H. SOUTHARD, Jr., Assistant Secretary.  
WILLIAM I. FROTHINGHAM, Trust Officer

Deposits Received, Checks Honored. Business Transacted at Either Office.

Capital  
\$1,000,000

Surplus  
and  
Undivided Profits  
over  
\$1,500,000

# The Audit Company of New York

## OFFICERS

AUGUST BELMONT, Acting President.  
WILLIAM A. NASH, EDWARD T. PERINE,  
GEORGE W. YOUNG, Gen'l Manager and Treasurer.  
JOHN J. MITCHELL, F. C. RICHARDSON,  
Vice-Presidents. Asst. Treasurer.  
A. W. DUNNING, A. L. TINSLEY,  
Western Manager. Philadelphia Manager.

Examinations of Banks and Trust Companies made at intervals by independent accountants are an assurance alike to Stockholders, Directors, Officers and Depositors.

The Audit Company of New York maintains a department of bank examining and acts for examining committee of directors.

SERVICES CONFIDENTIAL.

N. Y. LIFE BUILDING  
Chicago

## OFFICES

MUTUAL LIFE BUILDINGS  
43 Cedar Street  
New York

ARCADE BUILDING  
Philadelphia

## MARKET AND FULTON NATIONAL BANK Of New York

CAPITAL, - - \$1,000,000  
SURPLUS, - - 1,000,000  
UNDIVIDED PROFITS, 315,000

ALEXANDER GILBERT, - President  
ROBERT BAYLES, - Vice-President

THOMAS J. STEVENS, - Cashier  
JOHN H. CARR, - Ass't Cashier

CHARLES D. BARNEY. J. HORACE HARDING. JAY COOKE, 3rd. CHAS. S. PHILLIPS

## CHAS. D. BARNEY & Co.

BANKERS AND BROKERS

Nos. 122 and 124 South Fourth St., - - Philadelphia  
BRANCH OFFICE, NORTH AMERICAN BUILDING.

No. 25 Broad Street, New York

Dealers in Investment Securities. Stocks and Bonds Bought and Sold on Commission and Carried on favorable Terms.

MEMBERS NEW YORK AND PHILADELPHIA STOCK EXCHANGES

# Fidelity Trust Company

NEWARK, N. J.

Capital, Surplus and Undivided Profits, over \$9,000,000

ALLOWS INTEREST on daily balances of \$1,000 or over, subject to check at sight, and transacts a general banking business.

AUTHORIZED BY LAW to act as Executor, Trustee, Administrator, Guardian, Assignee, Receiver, and in all fiduciary capacities, both under court and personal appointment.

TAKES ENTIRE CHARGE of Real and Personal Estates.

RENTS SAFES and stores valuables in well-guarded Burglar and Fireproof Vaults.

GUARANTEES TITLES of Real Estate throughout New Jersey.

ACTS AS TRUSTEE under mortgage, Registrar and Transfer Agent of Stocks and Bonds of Corporations.

## OFFICERS.

UZAL H. McCARTER, President  
JOHN F. DRYDEN, Vice-President  
JEROME TAYLOR, Trust Officer

FREDERICK W. EGNER, Secretary and Treasurer  
JAMES H. SHACKLETON, Ass't Secretary and Ass't Treasurer  
SAMUEL W. BELDON, General Counsel

## DIRECTORS.

John F. Dryden  
James W. Alexander  
James H. Hyde  
Leslie D. Ward  
Thomas N. McCarter  
Edgar B. Ward

William Scheerer  
Schuyler B. Jackson  
Uzal H. McCarter  
John C. Eisele  
Charles A. Feick  
Jerome Taylor

William N. Coler, Jr.  
William H. McIntyre  
William H. Staake  
Forrest F. Dryden  
Henry S. Redmond  
Bernard Strauss

Henry Rogers Winthrop  
Anthony R. Kuser  
Mark T. Cox  
Henry M. Doremus  
Otto H. Kahn  
Jacob E. Ward

Robert H. McCarter

# MAITLAND, COPPELL & Co.

52 William Street, New York.

ORDERS EXECUTED FOR ALL INVESTMENT SECURITIES. ACT AS AGENTS OF CORPORATIONS AND NEGOTIATE AND ISSUE LOANS.

Bills of Exchange, Telegraphic Transfers, Letters of Credit

ON

Union of London & Smiths Bank, Limited, London,  
Messrs. Mallet Freres & Cie., Paris,  
Banco Nacional de Mexico,

AND ITS BRANCHES.

Agents for the Bank of Australasia, the British Guiana Bank, Demerara, etc., etc.

TRAVELERS' LETTERS OF CREDIT

AVAILABLE THROUGHOUT THE UNITED STATES.

# BANKERS TRUST COMPANY

7 WALL STREET, NEW YORK.

Capital \$1,000,000

Surplus \$500,000

Opened for Business March 30, 1903.

Undivided Profits June 30, 1904. \$ 126,219.

Deposits September 13, 1904, - 15,600,000.

## DIRECTORS.

STEPHEN BAKER,  
Pres. Bank of the Manhattan Co., New  
York.

SAMUEL G. BAYNE,  
Pres. Seaboard Nat. Bank, New York.

JAMES G. CANNON,  
Vice-Pres. Fourth Nat. Bank, New York.

EDMUND C. CONVERSE,  
President.

HENRY P. DAVISON,  
Vice-Pres. First Nat. Bank, New York.

JAMES H. ECKELS,  
Pres. Commercial Nat. Bank, Chicago.

WALTER E. FREW,  
Vice-Pres. Corn Exchange Bank, New  
York.

A. BARTON HEPBURN,  
Pres. Chase Nat. Bank, New York.

GATES W. M'GARRAH,  
Pres. Mechanics' Nat. Bank, New York.

EDGAR L. MARSTON,  
Blair & Co., Bankers, New York.

GEORGE W. PERKINS,  
J. P. Morgan & Co., Bankers, New York.

WILLIAM H. PORTER,  
Pres. Chemical Nat. Bank, New York.

DANIEL G. REID,  
Vice-Pres. Liberty Nat. Bank, New  
York.

FRANCIS H. SKELDING,  
Cashier First Nat. Bank, Pittsburgh.

EDWARD F. SWINNEY,  
Pres. First Nat. Bank, Kansas City.

JOHN F. THOMPSON,  
Vice-President.

GILBERT G. THORNE,  
Vice-Pres. National Park Bank, New  
York.

ALBERT H. WIGGIN,  
Vice-Pres. Chase Nat. Bank, New York.

ROBERT WINSOR,  
Kidder, Peabody & Co., Bankers, Boston.

SAMUEL WOOLVERTON,  
Pres. Gallatin Nat. Bank, New York.

EDWARD F. C. YOUNG,  
Pres. First Nat. Bank, Jersey City.

Acts as Executor, Administrator and Guardian; Assignee and Receiver; Registrar, Transfer and Fiscal Agent; and as Trustee for individuals and corporations.

ALLOWS INTEREST UPON DEPOSITS.

E. C. CONVERSE,  
President.

J. F. THOMPSON,  
Vice-President.

T. W. LAMONT,  
2nd Vice-President

D. E. POMEROY,  
Treasurer.

B. STRONG, JR.,  
Secretary.

Chartered 1866.

## Brooklyn Trust Company,

Main Office: 177-179 Montague St.

Branch: Bedford Avenue and Fulton St.

Capital, - \$1,000,000.00

Undivided Profits, 1,939,370.92

Francis L. Hine,  
Chairman Ex. Com.

Theo. F. Miller, President  
Samuel W. Boocock, Vice-President  
F. C. Colton, Vice-President  
S. W. Husted, Secretary  
F. J. W. Diller, Asst. Secretary

## THE PEOPLES TRUST COMPANY

172 Montague Street, Brooklyn, New York.

Capital, \$1,000,000.

Surplus, \$1,000,000.

Undivided Profits, \$600,000.00.

ALLOWS INTEREST ON DAILY BALANCES.

TRANSACTS A GENERAL TRUST AND BANKING BUSINESS.

### OFFICERS.

EDWARD JOHNSON, President.

J. G. DETTMER, First Vice President.

HORACE J. MORSE, Second Vice President.

CHARLES A. BOODY, Secretary.

CHARLES L. SCHENCK, Assistant Secretary.

HENRY M. HEATH, Assistant Secretary.

### TRUSTEES.

EUGENE G. BLACKFORD  
ISIDORE M. BON  
DAVID A. BOODY  
AMORY S. CARHART  
WM. M. COLE

WM. C. COURTNEY  
WM. B. DAVENPORT  
J. G. DETTMER  
BERNARD GALLAGHER

WM. H. GOOD  
WM. B. HILL  
EDWARD JOHNSON  
SOLOMON W. JOHNSON

JAMES JOURDAN  
W. EUGENE KIMBALL  
ADRIAN T. KIERNAN  
JAS. McMAHON  
HORACE J. MORSE

HERBERT L. PRATT  
CLARENCE W. SEAMANS  
HOWARD M. SMITH  
CASIMIR TAG  
GEO. P. TANGEMAN

BEDFORD BRANCH, Bedford Avenue and Halsey Street.

# The Farmers' Loan & Trust Co.

CHARTERED 1822.

NOS. 16, 18, 20 AND 22 WILLIAM STREET,  
NEW YORK

CAPITAL, - - - \$1,000,000 00  
UNDIVIDED PROFITS, 7,195,984 75

The Company is a legal depository for moneys paid into Court, and is authorized to act as Executor Administrator, Trustee, Guardian, Receiver, and in all other Fiduciary capacities.

Acts as Trustee under Mortgages made by Railroad and other Corporations, and as Transfer Agent and Registrar of Stocks and Bonds.

Receives deposits upon Certificates of Deposit, or subject to check, and allows interest on daily balances.

Manages Real Estate and lends money on bond and mortgage.

Acts as Agent for the transaction of any approved financial business.

EDWIN S. MARSTON, President.

THOMAS J. BARNETT, 2d Vice-President.

SAMUEL SLOAN, Jr., Secretary.

AUGUSTUS V. HEELY, Asst. Secy.

WILLIAM B. CARDOZO, Asst. Secy.

CORNELIUS R. AGNEW, Asst. Secy.

## BOARD OF DIRECTORS:

SAMUEL SLOAN,  
WILLIAM WALDORF ASTOR,  
D. O. MILLS,  
ROBERT F. BALLANTINE,  
FRANKLIN D. LOCKE,  
GEORGE F. BAKER,  
A. G. AGNEW,  
CHARLES A. PEABODY,  
HUGH D. AUCHINCLOSS,

JAMES STILLMAN,  
HENRY A. C. TAYLOR,  
D. H. KING, Jr.,  
ROBERT C. BOYD,  
E. R. HOLDEN,  
WILLIAM ROWLAND,  
EDWARD R. BACON,  
HENRY H. ROGERS,  
EDWIN S. MARSTON,

MOSES TAYLOR PYNE,  
S. S. PALMER,  
CLEVELAND H. DODGE,  
JOHN L. RIKER,  
DANIEL S. LAMONT,  
HENRY HENTZ,  
H. VAN RENSSELAER KENNEDY  
ARCHIBALD D. RUSSELL,  
P. A. VALENTINE

## STATEMENT

Showing its actual condition on the morning of the first day of July, 1904, as reported to the Superintendent of the Banking Department.

### RESOURCES.

United States Bonds, at market value,	-	\$3,954,760.00
Bonds of the City of New York, at market value,	- - -	1,269,395.00
Railroad Bonds and other Bonds and Stocks, at market value,	- - -	14,418,822.00
Real Estate,	- - - - -	455,668.77
Bonds and Mortgages,	- - - - -	1,494,500.00
Loans,	- - - - -	26,533,923.90
Cash on hand,	- - - - -	3,005,581.74
Cash in Banks,	- - - - -	19,402,431.25
Accrued interest, Rents, etc.,	- - - - -	496,217.71
		<u>\$72,031,300.37</u>

### LIABILITIES.

Capital Stock,	- - - - -	\$1,000,000.00
Undivided Profits,	- - - - -	7,195,984.75
Deposits in Trust,	- - - - -	63,436,517.75
Interest accrued on Deposits. Taxes, and Unclaimed Dividends,	- - - - -	398,797.87
		<u>\$72,031,300.37</u>

# BANKERS' AND TRUST

## SECTION

OF THE

# COMMERCIAL & FINANCIAL CHRONICLE.

Entered according to Act of Congress in the year 1904 by WILLIAM B. DANA COMPANY, in the office of the Librarian of Congress, Washington, D. C.

VOL. 79. NEW YORK, SEPTEMBER 24, 1904. NO. 2048.

### The Chronicle.

THE COMMERCIAL AND FINANCIAL CHRONICLE is a weekly newspaper of 72 to 80 pages, published in time for the earliest mail every Saturday morning, with the latest news by telegraph and cable from its own correspondents relating to the various matters within its scope.

THE CHRONICLE comprises a number of added Sections, issued periodically, and which form exceedingly valuable adjuncts of the weekly issues.

THE RAILWAY AND INDUSTRIAL SECTION, issued quarterly, is furnished *without extra charge* to every subscriber of the CHRONICLE.

THE STATE AND CITY SECTION, issued semi-annually, is also furnished *without extra charge* to every subscriber of the CHRONICLE.

THE BANK AND QUOTATION SECTION, issued monthly, is likewise furnished *without extra charge* to every subscriber of the CHRONICLE.

THE STREET RAILWAY SECTION, issued three times a year, is also furnished *without extra charge* to every annual subscriber of the COMMERCIAL AND FINANCIAL CHRONICLE.

Besides these Sections, others are published from time to time like the present BANKERS' AND TRUST SECTION.

Terms for the CHRONICLE, including *all* the Sections, are Ten Dollars within the United States and Thirteen Dollars (which includes postage) in Europe.

WILLIAM B. DANA COMPANY, PUBLISHERS,  
PINE ST., CORNER PEARL ST., NEW YORK

### INDEX TO ADVERTISEMENTS.

A complete index to the advertisements appearing in the present issue of the Bankers' and Trust Section will be found on page 1126.

### "EMERGENCY CURRENCY" EXPEDIENTS.

The proceedings of the Bankers' Convention this year were somewhat remarkable from the fact that no steps were taken in the line of distinctly recommending or providing for the legislative consideration of measures to reform the currency. At previous conventions, discussion of assets currency in its various phases has taken a prominent place in the deliberations of the Convention. This year it is somewhat noticeable that the speakers avoided bringing up the main question for controversy. This may perhaps be because the opinions of the bankers have developed considerable difference regarding this and similar measures. It may be because the bankers have been convinced of the hopelessness of inducing Congress to act on the question at the present

time, though we doubt whether this fact entered largely into consideration. Or, finally, it may be that the approaching issue of a new large Government loan, in connection with the Panama Canal construction, was assumed as promising to give a lease of life to the present bond secured note circulation.

Our own opinions on this question have been frequently expressed; our belief in short being, first, that no matter how often the government-bond security plan for bank notes may be perpetuated, through fresh issues of bonds or otherwise, it is, nevertheless, an unstable reliance because of our Government's principle and practice of redeeming its debt in heavy quantities and at times with great rapidity. Furthermore, we have always believed, and still believe, that the proper purposes of a note circulation are not served when banks are repeatedly urged to buy bonds as collateral for fresh note issues, at a time when the mere fact of such demands makes the price abnormally high, and that later on, when trade is dull and circulation not required, they are compelled either to keep outstanding useless note issues, or else to sell at a loss the bonds on which such circulation had been based. For naturally the price of the bonds will then have fallen. We presume that the general question will come up again before future bank conventions, and that a good deal of careful consideration will be given to it in the interim.

As it happened, this Convention's discussions converged very largely on what one speaker called "panic panaceas"—meaning by this the measures which banks should take, either under existing laws or through new provisions of law, for meeting the emergency of a money market crisis. It is quite natural that the thoughts of practical bankers should have been directed toward this problem during the past twelve months, when a really severe though short-lived crisis arose among credit institutions in two or three of our largest cities, and when all the country's financial institutions have had to keep eagerly on the watch for the possible development of wider

disturbance. The twelve months which started so un auspiciously last autumn have fortunately passed without the disasters which many prudent people feared. The wealth of the community has been attested as it has rarely been on previous occasions. Nevertheless, it is not unreasonable that the Convention of bankers, meeting after a period of that sort, should direct their thoughts to the problem how a real emergency should be met.

A somewhat interesting diversity of opinion was expressed on this important question. Mr. Hepburn raised the question of an emergency circulation similar to that allowed by German law to the Imperial Bank—the practice being to permit the bank to issue notes in excess of the limit specified by law, with a tax upon such notes so heavy as to give every inducement for the banks to redeem the excess circulation as soon as the money market eased. This practice has undoubtedly been of service during German crises such as that of 1900 and the ensuing year, when German bank note circulation repeatedly went many millions beyond the legal limit. These issues were put out in a stringent money market, much disordered by the crash in industrial enterprises and the scandals of banking institutions. Whether the expedient would be of equal value in this country is a different question. Mr. Hepburn thinks it would be so adopted, and he states his reasons thus:

The weakest point in our currency system is shown during those periodical crises commonly called panics. A panic means business paralysis. Some climax to a series of adverse influences operating upon the public mind temporarily destroys credit, and in a country like ours, where ninety per cent. of business transactions are consummated by means of credit, it means a practical stoppage of the wheels of industry. The only possible way to liquidate a panic is to keep business moving. Credit or currency must be provided to carry the products of farm and factory to the marts of the world in order that the return prices may meet and extinguish local demands and restore normal conditions. . . . I think the Government in times of panic, being amply protected against loss, should loan its credit in the form of bank note currency to the banks, receiving therefor a high rate of interest, say, six per cent. If the rate of interest should fail to retire such circulation within proper time the Secretary and the Comptroller could require its retirement.

It will probably be rejoined by many readers that the credit system of this country, to which Mr. Hepburn especially refers, and particularly that of the larger cities, is not conducted on the basis of note circulation. To what extent it would be so conducted with an asset currency is a different matter; but Mr. Hepburn himself assumes that the general basis of the currency law is not likely soon to be changed. It is plain, enough, looking at crises of the past, that an immediate issue of fresh bank notes would have relieved such a situation as that created in July, 1893, through actual money hoarding. But two

things are to be remembered in this connection: first, that instantaneous issue of such note circulation would not be altogether easy, and, second, that the money hoarding of the panic year was a result and not a cause; its own cause being a crash in credit which could scarcely have been relieved even by a very large addition to outstanding bank note issues. It was legal reserve money, required by the banking law, which was needed.

Mr. Bigelow, president of the Bankers' Association, in his speech on the same day, took issue with Mr. Hepburn's views, stating flat disbelief in the emergency circulation theory. His opinions on this point are terse and well worth quoting:

"With any sort of a proper system of currency I do not believe in an emergency circulation. An ounce of prevention is worth a pound of cure. I believe in a system sound and strong and reasonable enough to meet every emergency we ought to have to meet; and when exuberant human nature, in finance, in the field of labor, or anywhere else so exceeds natural bounds as to bring distress, I think the public is only worse off for any elaborate, prearranged plans to let it out of a bad hole by an easy way. We need the right men for emergencies more than any laws. You had them pre-eminently here in New York in 1893 when you had to bear the brunt of a great financial crisis."

As a rule, the consensus of feeling among the bankers seemed to be against an emergency provision, but agreement was very general that there were certain elements in existing law and practice which might rightly be improved. President Frame, of the Waukesha National Bank, laid stress on compulsory requirement of reserve against demand liabilities, and plainly intimated that this provision ought to be extended, though with a smaller percentage requirement, to institutions such as trust companies, a large part of whose deposits are subject to time notice. This same phase of the banking situation came up for interesting controversy in the meeting of the Trust Company Section. Here, however, the usual divergence of opinion was encountered as to whether the Company should keep more than a trifling reserve on hand in actual cash when it had an ample sum deposited on demand in bank. Into this particular controversy we need not go at present, beyond expressing our opinion that the problem will be settled only by some arrangement privately made or through public enactment fixing the precise relations of the banks and trust companies in this regard. We deal with the matter more at length in a succeeding article.

A more general agreement was expressed on another "panacea," which could hardly be said to be reserved for an emergency, but which would have its uses at all times of recurring money stringency. We refer to the plan for depositing the public surplus with the banks on approved security, not necessarily limited to United States bonds. On this point practically all the speakers seemed to agree, though mention did not seem

to be made of the provision requiring interest payment to the Government. It is possible that this phase of the discussion will be heard from later. It will be recalled that the Chamber of Commerce, late in 1902, formally approved such recommendations, and that they were later incorporated in the Aldrich Bill, which, however, failed largely through opposition from the West. As this matter very probably will come up for renewed consideration, we reprint the essential clauses of the Bill then proposed:

The Secretary of the Treasury may accept as security for the safe-keeping of public money deposited with national banking associations, as herein authorized, the deposit of bonds of the United States, bonds or other interest-bearing obligations of any State of the United States, or any legally authorized bonds issued for municipal purposes by any city in the United States which has been in existence as a city for a period of twenty-five years, and which for a period of ten years previous to such deposit has not defaulted in the payment of any part of either principal or interest of any debt authorized to be contracted by it, and which has at such date more than 50,000 inhabitants as established by the last national, State, or city census, and whose net indebtedness does not exceed 10 per cent. of the valuation of the taxable property therein, to be ascertained by the last preceding valuation of property for the assessment of taxes; or the first-mortgage bonds of any railroad company, not including street-railway bonds, which has paid dividends of not less than 4 per cent. per annum regularly and continuously on its entire capital stock for a period of not less than ten years previous to the deposit of the bonds. The Secretary of the Treasury may accept the securities herein enumerated in such proportions as he may from time to time determine, and he may at any time require the deposit of additional securities, or require any depository to change the character of the securities already on deposit. National banking associations having on deposit public money shall pay to the United States for the use thereof interest at the rate of not less than  $1\frac{1}{2}$  per cent. per annum, such rate to be fixed from time to time by the Secretary of the Treasury; and all public moneys in any depository shall be payable on demand upon the draft of the Treasurer of the United States.

It will be recalled that this measure, as it stands, evoked wide opposition among a part of the banking community itself, criticism converging, partly on the requirement of interest, partly on the extension of the list of acceptable collateral to railway securities. It is reasonable to suppose that this matter will be again considered in the future, both by the Chamber of Commerce and by Congress. It is true that the problem of finding an outlet, through deposit with the banks, for an overflowing public surplus, is hardly a pressing issue now, when the Treasury's income is running behind its outgo, when the Panama payment has used up a good part of the accrued surplus, and when the talk of Wall Street is rather of the drawing on public deposits for public expenditure than of the adding to them. But the question is liable to arise in another form at any time, and it is quite as well that it has been revived in the Convention's debates, with an eye to possible credit emergencies of the future. Such discussion will at all events make possible a revision of the plan of 1902 and 1903, in such shape as to meet more satisfactorily the wishes of all sections of the banking community.

### THE CONVENTION.

In its serious aspects the Bankers' Convention at New York will probably remain noteworthy for the many thoughtful and suggestive things that were uttered. Nearly every speaker contributed something to the fund of useful knowledge. What was said, too, was said in good spirit—in such a way as to command the respect even of those who might differ from the speakers. The opening addresses were all above the ordinary. This is as true of the remarks of Mayor McClellan and of President Bigelow as of the peculiarly felicitous address of President Stillman, of the National City Bank, who welcomed the assembled bankers to New York as President of the New York Clearing House Association.

The suggestion thrown out by Mr. Stillman was decidedly opportune. With considerable tact, in dignified and well chosen words, he sketched briefly and yet effectively the prevailing tendency of the times—that one development transcending all other developments in commerce and industry. To him the occasion afforded something deeper and more significant than the interchange of mere courtesies. It was the spirit of co-operation that appealed to him—a principle of modern life which, in his estimation, has not yet found full recognition in the financial field. Here are his words:

The deeper significance of this great national meeting of bankers is to be found in the spirit of co-operation which is being nurtured. The growth of the spirit of co-operation is undoubtedly the most significant phase of the economic development of the present day. Almost beyond calculation are the economic results already attained in the fields of industry and transportation through the elimination of unintelligent competition—that sort of competition which has meant in the end direct and definite loss to every one concerned, loss to the workingmen, loss to owners of property and ultimately loss even to the consumers.

In the management of the country's great industrial undertakings notable progress has been made in recent years in the direction of harmonizing divergent interests, in the wiser comprehension of the value of mutual good understanding, in the juster appreciation of the right of competitors. Such progress in the direction of true co-operation has resulted in vast additions to the wealth of the country, as real as would have resulted from the discovery of new mines, the making productive of desert fields, or the acquisition of new sources for the supply of raw material.

In the field of industry the beneficent economic results which followed this awakening to the value of co-operation have become too obvious to need any word of emphasis. In the field of finance, however, there is not yet such general recognition of the value of co-operation. I believe there is no more important thing left for bankers to learn. When we come fully to appreciate the great economic value of co-operation, when we see more clearly the waste which follows unintelligent competition, and understand that such waste means as complete a loss of wealth as comes with a disastrous fire or a blight of crops, we shall have brought into the business of banking something of the modern spirit which

has so marked the present-day development of industrial affairs.

The foregoing will be sure to attract attention. Mr. Stillman has succeeded in conveying a very truthful picture of modern conditions and requirements. "Unintelligent competition," how aptly that describes unbridled and ruinous rivalry in business. Reprehensible practices engendered by the reckless spirit rife on such occasions means, as Mr. Stillman well says, loss to the workingmen, loss to owners of property and ultimately even loss to the consumers. Nothing is to be gained from the prevalence or continuance of such conditions, and Mr. Stillman has rendered an important service in so prominently calling attention to the fact. We fancy, too, it required no small amount of courage to take this stand; for the American Bankers' Association comprises within its membership many small banks from the remoter parts of the country to whom "the elimination of unintelligent competition" no doubt suggests visions of large combinations of which many small bankers seem to be hardly less in dread than the unthinking portion of the population generally. That, however, did not deter Mr. Stillman from stating the truth and stating it in an effective and conclusive way.

Mayor McClellan was likewise happy and outspoken in his treatment of the currency question. His declaration that legislators had handled the currency question gingerly out of fear that their political opponents might make party capital out of it describes exactly the situation which has prevailed for many years past. He is also correct in his assertion that the interests represented in the American Bankers' Association have it within their power to compel action on the part of Congress. His utterances in that regard are contained in the following:

Congress is always upon the eve of an election, no matter which party is in power; it is afraid to bring up the currency question for fear of political capital being made of it by its opponents. The consideration of the matter has been deferred so often that it seems almost as impossible of solution as the squaring of the circle or the riddle of the Sphinx. You have it in your power to prove to Congress that the question of the currency is in no sense political. You have it in your power to so arouse public opinion that Congress, regardless of section or faction or party, will place upon the statute books a currency law suited to the twentieth century, suited to the economic and business needs of the day in which we live.

Certain distinct phases of the currency question were brought up in the papers read before the Convention and in the discussions on the floor, but we need not allude to these here, as they have already been treated in a previous article. It is perhaps proper to say, however, that the paper of Mr. A. B. Hepburn, of the Chase National Bank, though dealing more particularly with the Money Situation and the currency problem (his suggestions in regard to which we have taken up in the article already referred to), also contained

some general remarks and advice of wide application. Really the keynote of his whole argument was the desirability of natural conditions; in other words, that trade as nearly as may be should be left to natural laws. Price manipulations, corners in cotton or grain, and all similar movements and phenomena are all to be condemned, because detrimental to business interests. Fluctuations in rates for transportation, or cutting of rates, may enable shippers to move goods more cheaply, but tend, nevertheless, to demoralize business and are of real advantage to no one. Even a protective tariff is objectionable in this sense, since it imposes an artificial restraint on trade. Admitting the claims of its advocates, that tariff laws enhance the price of labor and of commodities alike, it necessarily follows that the cost of manufactured articles made at home, and which we would like to sell abroad, is thereby raised to an unnatural level.

The Convention refused to endorse the proposition of the Committee on Fidelity Insurance for the creation of a guarantee fund (to be under the management of trustees) with the view to writing fidelity bonds for the members of the Association. Reference should also be made to one very important departure in the proceedings of the Convention. The Call of States has been abandoned, and in place thereof there was this time a Call of Sections—meaning geographical divisions of the country. This is precisely the suggestion we have repeatedly made in the past. We have often urged that the Call of States be dispensed with, contending that no one would object to the omission of this Call. It always consumed a great deal of time, one State after another being called upon until the list was exhausted, and rarely brought forth anything of real value. Some few of the speakers, in anticipation of the Call, would come prepared with statistics concerning their State, but the great majority responded simply because the name of the State having been called they did not want it to appear that she was without loyal and aggressive sons to sing her praises. The change made therefore is to be commended. Under the new plan some one rises to speak for this or that geographical group, the number of speakers for each group not necessarily being limited, and this, judging from the present experience, answers the same purpose as a Call of States, while taking up very much less time.

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#### *THE TRUST COMPANY PROCEEDINGS AND CASH RESERVES.*

The Trust Company Section, like every other department of the American Bankers' Association, is prospering. The attendance at the meeting this year was the largest ever recorded. Colonel Branch, the Secretary of the Section, reports that during the year ending September 1 the membership was increased by 113, bringing the number up to 566.

The discussions and papers were of a highly interesting and decidedly practical and enlightening character—more so, we think, than at any preceding session since the Trust Company Section was started. It is noteworthy that they nearly all dealt with that question of vital concern which for the last twelve or eighteen months has been agitating the whole financial community—namely, the question of cash reserves. The paper of Mr. Perine, of the Audit Company of New York, was specifically devoted to the matter. Perhaps it would be more accurate to use the designation employed by Mr. Perine himself, and call it his “Statement,” for it was mainly statistical in form. But it likewise contained some pertinent observations and suggestions, which cannot fail to be helpful in a study of the subject.

The really sensational feature at this Trust Company meeting was the frankness with which President Festus J. Wade, of the Mercantile Trust Company, of St. Louis, in the discussions on the floor, emphasized the need of large cash reserves. He based his argument on the experience last October of the trust companies of St. Louis, and in relating how narrowly these institutions on that occasion escaped disaster, he unburdened himself in a manner that fairly made his auditors gasp with surprise. Here is what he said:

I was one of those who had the fallacious notion that ten or twenty per cent. cash in bank was just as good as it was in your vaults. I had practical experience, and in one hour—yea, in half an hour—was disillusioned of that notion. In half an hour there were 500 people at the doors of the institution that I have the honor to represent, demanding their money, and in another hour there were 5,000. And that reserve which we have all been shooting at, which was a thousand miles away, was mighty poor satisfaction to the fellow who had his money in our institution. Fortunately we—and by “we” I mean the city of St. Louis' Trust Companies—were able to meet the situation; but if that run had kept up three days, gentlemen, it would have brought ruin and devastation to half a dozen centres in the United States. There is not a national banker, there is not a thinking Trust Company official, that does not remember the 27th of October, 1903, and who did not then immediately start to look at his fences as to where his cash reserve was. Of course, if you are doing nothing but a fiduciary business, if you have no deposits in your savings accounts, if you have no deposits in your banking department, if you are simply acting as a trustee and as an executor, then that principle does not follow; but if you are doing a banking business, plain, pure and simple, whether that banking business be secured by collateral or on commercial paper, then I tell you, gentlemen, that every one of you that carries in your vaults less than ten or fifteen per cent. of your reserve in real, genuine cash is walking on thin ice, and if you go through the experience that was had in St. Louis and Baltimore and Pittsburgh you will be convinced of it in a very short time.

Col. F. H. Fries, President of the Wachovia Loan & Trust Company, of Winston-Salem, N. C., in his excellent address entitled “Conser-

vatism” (in which he argues against the abuse of the functions of the Trust Company and the misuse of the term “trust”) also made incidental allusions to this subject of reserves. He contended that “if the Trust Company can get along without doing a commercial banking business, it would be best for it to do so, and if it does this business, the same reserves that are required of National and State banks should be kept by them and the same system of supervision should be submitted to.” Comptroller Ridgely, in the remarks he made following Mr. Fries' address, gave his unqualified endorsement to this view.

On the other hand, Mr. Perine, in the address already referred to, took the opposite view, and he was able to fortify his position by elaborate statistics. His computations showed an average of only 5 per cent. of cash on hand by the trust companies of the United States as a whole, but 22½ per cent. more of cash in bank, and he accordingly argues as follows:

If of, say, 22 per cent. of reserve deposited by the trust companies with the banks one-fifth be taken into account as reserved by the banks themselves, it appears that the banks are holding in behalf of the trust companies upwards of 4 per cent. of cash, which is reserved indirectly on account of the indebtedness of the trust companies to their depositors. The holdings of cash by the trust companies and the holdings of their depositary banks may thus be calculated together at a figure which is upwards of 9 per cent. of total trust company deposits.

Without detaining you with any discussion of theories as to the relative reserve necessary for trust companies, as compared with commercial banks, I may, nevertheless, submit certain points for consideration. These are that one thousand trust companies in the United States are carrying total deposits with other banks and trust companies amounting to practically half a billion of dollars, and accordingly in their measure of support to the commercial banks of the country are exceeded by no other class of depositors; that there should be consideration of the fact that, as a rule, there are restrictions governing trust company investments; that these investments and a comparatively large volume of demand loans and other quick assets make the holdings of the trust companies more readily convertible than is realized by those taking a radical position in regard to trust company reserves: that some exemption from reserve should be granted on account of the large proportion of deposits held in trust or under other conditions of inactivity, it being a fact that many deposits held by trust companies are possible of withdrawal only at the will of the trust companies themselves; that clearings among the trust companies are inconsiderable, as compared with bank clearings, it being a fact in New York City that trust company exchanges, in comparison with the exchanges of the banks, are in the ratio of 1 to 25.

The foregoing is interesting as showing that, as in the case of everything else, there are two sides to this question of cash reserve. It is a little singular that in all the discussions of the subject no reference should have been made to the recently enacted law of the State of Massachusetts with respect to the matter. That old Com-

monwealth usually deals with financial affairs in an enlightened fashion, and hence its treatment of this vexed problem is worthy of careful consideration. The provision referred to is contained in the law passed last May providing for the general incorporation of trust companies. Previously authority to organize a trust company in Massachusetts could only be obtained by special application in each instance to the Legislature. In the new law a section was embodied defining the attitude of the Commonwealth as concerns cash holdings. The section went into immediate effect as regards new companies, but did not become operative as to old companies until the 1st of the present month. The title of the new law is "An Act Relative to the Incorporation and to the Reserve Funds of Trust Companies," and we subjoin herewith the section bearing on cash reserves:

SECTION 7. Every trust company doing business within the Commonwealth shall at all times have on hand as a reserve an amount equal to at least fifteen per cent. of the aggregate amount of its deposits which are subject to withdrawal upon demand or within ten days. Not less than one-third of such reserve shall consist of lawful money of the United States and not less than one-half of the remainder of such reserve may consist of balances, payable on demand, due from any national banking association doing business in this Commonwealth or in the City of New York, and the balance of said remainder may consist of bonds of the United States or of this Commonwealth, computed at their par value, which are the absolute property of such corporation.

We are not prepared to say, without further consideration, that this Massachusetts law would meet the requirements in other States. We have no hesitation in stating, however, that it contains some good points, and that it furnishes an excellent basis to work on. One of its merits is that it discriminates sharply between deposits subject to call and those not liable to call at all. By its terms the provision as to reserves applies, it will be seen, only to "deposits which are subject to withdrawal upon demand or within ten days"—in other words, time deposits are exempt from the requirement. This is a distinction based on reason, and one which must sooner or later be recognized everywhere. Some of the oldest and largest trust companies in this city have no deposits whatever subject to check. They therefore stand on a footing much like that of savings banks. To endeavor to put these on the same basis with trust companies having active accounts is not only manifestly unjust, but also manifestly absurd. Furthermore, even the trust companies which compete for bank accounts have *some* deposits which are not liable to call, and the difference between the two classes must always be kept in mind. The recent Clearing House action was faulty, because it failed to observe this distinction, and sought by a sweeping general requirement to bring all companies and all classes of deposits under a common rule.

From the subject of cash reserves the discussions at the Trust Company meeting drifted to other but closely allied matters, and while no

specific action was taken on the reserve question, a resolution was adopted declaring it the sense of the gathering that the trust companies of the country should be under the supervision of the State banking departments—such institutions not being under such supervision in a number of States at the present time. A further proposal that there should be uniform laws in all the States concerning trust companies gave rise to considerable debate and met with opposition. It was contended, and with much force, that local conditions vary considerably in the different States, and hence that a uniform law is impracticable. The proposal was finally referred to the Executive Committee, with the suggestion that they take it up and see what can be done.

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#### THE SAVINGS BANK SECTION.

As our readers know, the Savings Bank Section is the newest branch or department of the work of the American Bankers' Association, this being only the second annual convention of that body; but in aggressiveness and in development it does not lag one whit behind the other departments—which is saying a good deal. Its membership now comprises 616, being sixty per cent. of the savings banks of the country, according to the statement made at the meeting.

The success achieved in the work of this new body and the large membership attained within so short a space of time are in no small measure due to the tireless efforts of the Secretary of the Association, Mr. William Hanhart. From the first he has devoted himself to the interests of the Section with a degree of fidelity and unselfishness which is decidedly rare in these days. As Secretary he enjoys no salary, and, in fact, gets no compensation whatever for his services, which at times are arduous. But he evidently feels that the Savings Bank Section has a useful function to perform and he has, therefore, thrown all his energies into the task of building up the new Section and in demonstrating what a field is open to it. The financial aid asked of the parent body, the American Bankers' Association, has been very small, the total expenses of the Section met by special appropriations from the Executive Council having been for the year just passed only \$924. We are glad to see that the new Chairman of the Section, Mr. Charles E. Sprague, President of the Union Dime Savings Institution of this city, in his remarks paid a deserved tribute to Mr. Hanhart, saying: "Much of our success during the past two or three years is due to the hard work, the talent for organization and the genius for detail administration possessed by our able Secretary, Mr. William Hanhart."

In the papers and addresses perhaps the most noteworthy feature was the strong antagonism manifested toward the idea of postal savings banks and the telling arguments adduced against the same. The retiring Chairman, Mr. A. C. Tuttle, Treasurer of the Naugatuck Savings Bank, Naugatuck, Conn., took occasion to refer to the matter in his address. His words were:

Government savings banks are hardly more than a dream—though an unpleasant one. It seems impossible that any sane legislator would introduce a bill into Congress authorizing them. Certainly, if any one had the hardihood to do it, the bill would meet with an opposition that would make the opposition to the United States Bank in Jackson's time sink into insignificance. Aside from the fact that such a bill would jeopardize one of the props of the Government, there is a widespread and most salutary feeling averse to the Government engaging in any business enterprise.

Besides this, Mr. Willis S. Paine, ex-Superintendent of Banking of the State of New York, and now President of the Consolidated National Bank of this city, had a special paper devoted to the subject—that is, his theme was "Postal Savings Banks." Mr. Paine set out at length the numerous and varied objections to the scheme, and his paper in full will be found in our report of the work of the Savings Bank Section at the end of this publication. We like particularly the closing two or three paragraphs of the paper, and, therefore, reproduce them here:

I may refer now to the constitutional view of the subject, and by that I mean the view which has regard to the fundamental principle underlying our Government, and which makes that Government subject to the people, and not dominant over them. That principle, often violated in the past, cannot be frequently disregarded but that serious results will follow. In the earlier history of the country the tendency was against the Government assuming any form of paternalism; and the principle is the same whether you create Postal Savings Banks, run Government railroads, as in Continental Europe, or establish Government gas and electric plants. It is the basic principle that determines the character of

a measure, nor ought we for a moment allow ourselves to be diverted from this position because a proposed enterprise claims to embody a beneficence which is more seeming than real. The American and his Government ideals are separate and distinct types from those supplied by any other country. The American asserts his right to individuality of action; he wants his Government to do just as little for him as possible, and to be his agent, not his master. He ever reserves the right of self-development and realizes his ability to eradicate any evil that may imperil his political, social or industrial system. In fine, he rigidly adheres to the fundamental principle that the Government stands for progress in the individual, and that the evolution, resultant from the Titanic struggles of his pioneer ancestors and the statesmanship of his legislators, is not a system that dictates or restricts free action, but a Government "of the people, by the people and for the people."

It is this spirit that needs to be fostered in every department of public service. We need, not less, but more, self-reliance. We need, not less, but more, trust of the people by the people. We need, not less, but more, development of the individual. He needs opportunity to work out his own salvation, and not to be taught to look for it to others, least of all to the bureaus or officials, the servants whom we miscall the Government. We need, not more, but less, paternalism. Adopting this principle as our guide of action we shall leave people, as now, familiar with banking to conduct a banking business, amenable, of course, to proper safeguards. . . . When States and cities and towns need railways the people build them. When water is required for public utility the people speak, and the fountains flow. When Savings Banks are needed in the geographical limits not now having them the people will provide them, and, let us hope, without going to postmasters or to other Government officials for them.

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# BANKING SECTION

## AMERICAN BANKERS' ASSOCIATION.

30th Annual Convention, Held at New York, September 13, 14, 15, 16, 1904

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### *The Money Situation.*

By A. B. HEPBURN, President Chase National Bank, New York.

The money question is a kaleidoscope, each turn in affairs presenting new combinations with varying forms and colors, difficult to describe, still more difficult to forecast; and yet all these changes are subject to natural laws, save where statute laws or the concurrent action of many men, or many interests, consenting for a common purpose, serve to produce artificial conditions.

It is indispensable that bankers be familiar with the basic principles of finance, the laws of supply and demand, the varying production in the different fields of industry ranged alongside of the varying demand of the consumer, the commodity movement necessary to effect a distribution satisfactory to the public need, and the motive power—volume of money—necessary to effect such movement. And still, the proper understanding of these matters does not fully equip the modern banker. In these days of cut and thrust, corner and thrust, the complex affairs of modern commerce are intensified and amplified by the power of concentrated wealth, inspired by the popular mania for amassing large fortunes. Prices are manipulated, normal conditions upset, natural laws reversed—witness the retrograde movement of cotton during last season, from warehouse and mill in New York and New England back to New Orleans, to meet delivery on speculative contracts, at prices far in excess of its value for commercial purposes. The spinner sees the prices of raw cotton lifted beyond the point of profitable manufacture, by people who use this great staple as a basis for speculative contracts—contracts whose only intended relation to the actual commodity has sole reference to the price as determined by quality and quantity.

The great cereals of the country are the popular football of speculation, and are subject to similar treatment, with analogous results. If the artificial prices thus created were realized by the producer, it would be a compensatory advantage, but the "corner" and the "squeeze" are only possible when the crop has "come in sight," its volume determined, and has passed into the hands of the middle-man. Whether a bank's funds should be loaned at all to aid in unduly advancing the price of commodities, and to what extent such advances may be made with

safety, are added questions entirely apart from the ordinary principles upon which the credit is based. Unduly enhancing the cost of any commodity, or the cost of money—interest rates—adversely affects general business, the immediate, and perhaps the most baneful, effects of which are experienced by banks. Commercial banking, in order to experience the largest measure of success, requires stable conditions; with speculative banking it may be different. It is well known that fluctuations in rates of transportation, or cutting of rates, although they enable the movement of goods more cheaply, and hence seemingly increase the dealer's profits, tend, nevertheless, to demoralize business, and are of real advantage to no one.

#### DESIRABILITY OF NATURAL CONDITIONS.

By means of protective tariff laws, the general level of prices is raised, and hence by a change in governmental policy is likely to be remanded to a lower level. Some degree of artificiality in prices, dependent upon protection, seems likely to remain, however. There has grown up among the nations generally, with the exception of Great Britain, a system of tariff reprisal, or extremely high duties, which, by means of reciprocity agreements are tempered into a system of rewards and punishments, designed to secure and insure the greatest benefit to the respective nations. It is through commercial relations that nations nowadays are the most easily reached and influenced. To place an embargo on another nation's merchandise is an extreme procedure, and fraught with possible danger to peaceful relations. Our ability to compete with other nations in the sale abroad of our manufactured goods, depends upon our ability to manufacture as cheaply and transport to the place of consumption at as little cost. The fact that our goods are delivered almost exclusively in foreign bottoms, is perhaps no competitive disadvantage. I am not aware that our goods are in any respect discriminated against. Our merchant marine will not grow and develop so long as our people can employ their capital more advantageously in ventures upon land, and protection and subsidy will not avail to change this condition.

It is claimed by the advocates of protection that our present tariff laws enhance the price of labor as well as commodity. It necessarily follows that the cost of manufactured articles, which we would like to sell abroad, is thereby advanced to an unnatural level. I am not discussing the merits or demerits of protection, but we all know the temporary effect upon business produced by the prospective or actual revision of the tariff, and I simply note the fact that it makes for permanency of conditions, and hence for uniform prosperity, to have trade, as nearly as may be, left to natural laws, unvexed by legislation.

The extreme fluctuations in the money rate, frequently ranging as high as twenty per cent., as it did in 1901-04, indicate the existence, legislative or otherwise, of unnatural and unwholesome conditions. The strong demand for money at full rates that have generally prevailed for the past three or four years, followed by an accumulation of unloanable funds at the present, is a natural result and sequence of the industrial debauch through which we have passed, but from which we have not yet recovered. The individual who closed out his securities at top prices, and kept out, was fortunate. The manufacturer or merchant who sold out at the height of the boom, realized more than his property was worth, and was proportionately fortunate. The average successful man who was in business eight years ago, and has remained in to the present time, would be better off to-day had an average degree of prosperity characterized this period instead of the wide fluctuations in values and extremely high prices which prevailed. The manufacturer who can sell more than his output at almost any price he chooses to demand, usually increases his capacity, notwithstanding the fact that the cost of labor and material are at the maximum, and thus permanently overcapitalizes his plant, and impairs his economical production in the future. I seek by these illustrations to emphasize the fact, with which we are all familiar, that the public prospers most with average conditions and stable influences, and with the natural laws of trade in force unvexed by artificial influences.

Banks are the barometer of trade; bankers are dealers in credit. Their business consists in swapping a well known for a less known credit. To succeed they must study and be familiar with all branches of industry, and the changing conditions of the business world as well as the changing conditions of the individuals and corporations with which they deal. It follows that bankers, of all people, desire freedom from boom and depression, and it seems to me that our labors, as individuals and as an association, should be directed toward vindication of natural laws in trade and finance.

#### CURRENCY.

As to currency, there is little likelihood of change in our laws for some time to come. It would be the part of wisdom to perfect our currency upon well grounded principles, in the light of experience and along scientific lines, at a time when the public is free from currency agitation. But large legislative bodies seldom proceed in such manner. Their action is taken at some crucial period and in response to an acute public demand. There is nothing to suggest such demand in the near future. Our currency is good beyond question, but rigid as the laws of the Medes and Persians. It is quite similar to the currency of England. We have \$346,000,000 in United States notes, issued directly by the government, made legal tender, and which are, in effect, a forced loan. Corresponding with these greenbacks, so called, the Bank of England issues, stated in round numbers, £14,000,000 of uncovered notes as against a loan or credit extended by the bank to the British Government. All other Bank of England notes, like our gold certificates, represent gold held against their issue. Banks in the United Kingdom, other than the Bank of England, have the right of note issue to a limited extent, which notes correspond in the general scheme of finance to our bank notes, although differing widely as to issue and redemption. In England silver is the small change of the people and does the drudgery of trade.

With us, Congress has sought, and perhaps with success, to chain silver to the wheels of industry, to keep it so employed in the daily business turn-over as to prevent its becoming an indirect drain upon the gold in the Treasury.

Canada has \$30,000,000 of Dominion notes corresponding in issue and use with our greenbacks, although the Canadian bank currency differs widely from ours. Comparing the population, resources and business activity of the three countries, the greenbacks in use with us are not disproportionate in amount to the uncovered notes of the Bank of England, and were brought into existence by the same governmental necessity. The Dominion notes of Canada were more deliberately issued, but the amount per capita approximates the per capita amount of greenbacks in use with us. The greenbacks are redeemable in gold so long as the credit of the government is such that its bonds can be sold for gold. They are good beyond question, are practically gold notes, and I think they have come to stay. It is fair to assume currency conditions in England have exercised an influence in shaping ours, since there is a general similitude, and it is all the more likely that public sentiment will crystalize around present conditions. I am not arguing against any proper scheme for perfecting our currency, but as practical men, we should recognize facts and probabilities. The volume of currency in the aggregate and per capita exceeds any previous period of our national existence, and is certainly adequate to the public needs. The perennial output of our mines will satisfy any increased demand which may accompany increase of population and expanding business.

Our sub-treasury system, which withdraws from circulation the daily custom receipts of the government and locks them in the Treasury, from which they can only be withdrawn by an appropriation of Congress, is an arbitrary and artificial interference with currency conditions, enacted at a time when the government professedly was afraid to trust its income funds in the hands of the banks. Whenever the government's income exceeds its expenditures, the daily absorption of money by the Treasury becomes an important consideration that must be taken into account by every banker and business man in determining his course of action. The natural course of business is marred or modified by the government's strange adherence to this absurd provision of law. Its absurdity may well be illustrated by noting the consequences which would ensue in case municipalities and individuals should adopt the same cowardly conservatism. Suppose each State, each city, county, town and village should hold all their receipts for taxes in their treasury or strong boxes, until the same should be paid out in regular course in meeting their direct obligations. The effect of such a course upon the money in circulation, and the violent fluctuations in volume necessarily produced, can easily be foreseen. Go a step further, and suppose each individual and corporation should adopt the same course, and it is easy to see that the whole superstructure of credit would fall to the ground. Congress has given some signs of a disposition to repeal this law, albeit the same was accompanied with a provision that the banks pay not less than two per cent. interest to the government for the privilege of keeping these funds in circulation.

#### PANICS.

The weakest point in our currency system is shown during those periodical crises commonly called panics. A panic means business paralysis. Some climax to a series of adverse influences operating upon the public mind temporarily destroys credit, and in a country like ours, where ninety per cent. of business transactions are consummated by means of credit, it means a practical stoppage of the wheels of industry. The only possible way to liquidate a panic is to keep business moving. Credit, or currency, must be provided to carry the products of farm and factory to the marts of the world, in order that the return prices may meet and extinguish local demands and restore normal conditions. History

shows that the crux of a panic is passed, sometimes in a few days, always in a few weeks, but it is during this crucial interval that our currency system is wholly unable to meet and master conditions. In order to tax State bank circulation out of existence, the statute, bristling with ample penalties, confronts all banks with a ten per cent. tax upon any and all instruments designed, however temporarily, to perform a money function, except they be National bank notes, secured by government bonds, costing more to purchase than the par of the currency which may be issued upon them as a basis. Individuals may utilize their credit in any way to protect their business or promote their interests, but banks, constrained by laws enacted by the government, may not utilize their credit in the way most natural and needful at times of crucial necessity to aid commercial interests. I like the German system in this respect, and believe there should be legislative provision for a temporary currency, to be issued by banks in periods of extreme necessity. Such currency should be subject to a tax so severe in amount as to insure its retirement immediately upon the passing of the condition which called it into existence; or, to put it differently, since our government is in the banking business, and seems destined to remain, I think the government in times of panic, being amply protected against loss, should loan its credit in the form of bank note currency to the banks, receiving therefor a high rate of interest, say six per cent. If the rate of interest should fail to retire such circulation within proper time, the Secretary and the Comptroller could require its retirement.

I am aware that some people object that an emergency circulation would have a bad effect upon the public mind. They seem to think that the public would only know of the emergency through such an issue. Any financial or industrial disturbance that may occur will be known to the business and reading public step by step as it occurs, and an emergency circulation would be received by the public as a remedy and a relief, and anyone who thinks otherwise pays a poor compliment to the intelligence of the American people. I am strongly of the opinion that there should be some modification of existing laws so as to permit banks to protect the business interests of the country in times of greatest need. I think so all the more from the fact that the time has gone by when clearing house certificates may be successfully used to mitigate the rigors of a panic. What banks as corporations could not do, they have heretofore, with a large measure of success, accomplished through an unincorporated association known as a Clearing House Association, by means of instruments known as clearing house certificates. Such certificates, though an undoubted measure of relief in times past, were nevertheless a two-edged sword. While they furnished the means of extending credit, they heralded a practical suspension of currency payment. The tendency of banks throughout the country in panic is to strengthen their reserves; the tendency of individuals is to withhold their money from deposit. The maximum amount of clearing house certificates issued by New York banks at any one time was \$41,490,000. The average daily exchanges of New York banks are over \$200,000,000. The issuance of clearing house certificates, raising a doubt as to the ability of depositors, both banks and individuals, to obtain currency if desired, would induce the withholding of deposits and the diversion of exchange that would otherwise and naturally come to the banks making use of such certificates. The amount of funds thus withheld and diverted from banks making use of such certificates would easily exceed the maximum amount of certificates which could be utilized. The issuance of \$41,490,000 of clearing house certificates, and the diversion of \$100,000,000 of funds, would aggravate rather than help conditions. I think I am safe in saying that it is the general opinion among bankers that clearing house certificates will no longer prove a measure of relief unless it may be under most exceptional circumstances. In time of trouble, individuals pay very high rates for money to protect their credit; why not banks? We have become a recognized power in the world of finance, as well as in consid-

eration of political questions affecting the sisterhood of nations, and instrumentalities successfully used in the past while a debtor nation are no longer available. Banks must pay their depositors in whatever funds they may require.

Recurring to the initial thought of this paper—the desirability of stable business conditions and uniform cost of transportation, and reasonably uniform rates for money—we, as bankers, entirely apart from legislative or coercive measures, can exercise great influence in bringing about such conditions. Much of the hostilities to banks, much of the animosity existing between different sections of the country, are traceable to the unequal distribution of banking power, credit facilities. A borrower in the interior or remoter sections reads of the very low rates of interest prevailing in the money centers, compares the same with the full rate he is compelled to pay, and concludes that his immediate creditor is reaping an undue advantage, is charging him undue or extortionate rates. Reasoning something like this furnished the backbone of the silver propaganda, whose disturbing influence has cost the country so sorely during the past twenty-five years. People in the newer sections of the country, aware of the rich, natural resources of their localities, which only awaited development, to be transformed into wealth, clamored for an increased volume of currency. What they needed was capital to transform latent wealth into tangible wealth; what they thought they needed was more currency, and this conviction served to swell the ranks of the advocates of cheap money.

The Credit Foncier of France is a great mortgage bank. It takes mortgage obligations from its customers and gives in exchange its own debentures or obligations. Such obligations are listed, and have a daily quoted value upon the Paris Bourse, and the Credit Foncier is not permitted to charge its customer in excess of five-eighths of one per cent. above the day's quotations for its securities. This secures the borrowers throughout France a uniform rate. As a matter of fact, the Credit Foncier gives to its borrowers money or such funds as they desire. The above law serves to limit the exchange or service charge to five-eighths of one per cent., and secures to all borrowers, of the same date, the same rate of interest. As you are all aware, the Bank of France charges the same rate of discount each day at all its branches throughout France. Of course, what may be successfully carried out in densely populated France, may not be at all practicable in the United States, but with increasing wealth and growing population something approximating the Credit Foncier may become practicable, and would seem to be desirable.

Terminal wheat receipts in Duluth and Minneapolis are regarded as the best of collateral by banks generally; why not cotton in New Orleans, Galveston, Mobile, Atlanta, Savannah, Charleston and other important points? Some attempts have been made by warehousing companies to make the staple products of the country, warehoused in the locality of their production, available as collateral with banks generally. Insufficient capital and insufficient business experience have thus far deprived the project of a fair trial. With sufficient funds, under the management of experienced men of well-known character and ability, it seems to me the project ought to succeed and prove an advantage alike to borrower and lender. I give these few instances to illustrate the conviction I have that the best way to do away with sectional prejudice in our country, with the general prejudice which exists against banks and against capital—the best way to purify our politics and prevent business interests and property values from becoming the football of each recurring political campaign, is to bring about, so far as lies in our power, reasonably uniform conditions throughout the country, with the cost of commodities and rates for money fluctuating within reasonable limits. We tend to accomplish such results by bringing the resources under our control, which is the motive power underlying and controlling our industrial fabric, closely in contact with the material product—the perennial output—of the

business public, and by making that contact as close as possible throughout the length and breadth of the land. By exercising our influence along these lines, we can best serve the material interests committed to our charge, and best discharge the duties and responsibilities of citizenship.

Great and glorious as is our country, grand and gratifying as are the totals that record our industrial wealth, whether told in measure that indicates its volume or the coin that marks its value, we are, nevertheless, but in the dawn of our national greatness. This statement holds true whether our country be judged as the producer of raw material, the manufacturer of finished product, the dominating factor in the commercial function of redistributing the varying productions of different States to meet the requirement of the varying and exacting tastes of mankind, or whether it be considered as a

power in world politics and a civilizing influence in the progress of mankind. Whatever changes may be necessary to keep us in the forefront in world competition, we may be sure will be brought about. We as bankers must do our part, we must be prepared to furnish credit to the exporter, accompanying outgoing cargo with bill of lading and draft to the point of consumption, and receive compensation by means of draft and bill of lading that accompanies the returning cargo. Greater and greater responsibilities will devolve upon the banking fraternity, and since we have no central National bank to represent us as a nation and to exercise a dominating influence over fiscal and commercial affairs, it behooves us to become all the more closely affiliated as integral institutions, in order that, working along similar lines and to the same purpose, we may successfully meet coming responsibilities.

## *Panic Panaceas.*

By ANDREW JAY FRAME, President Waukesha National Bank, Waukesha, Wis.

Our battle for the world's standard of value has been practically won. Now the paramount economic question before the American people is, How can we minimize conditions which produce panics and also ameliorate their after paralyzing effects?

Panics undoubtedly cannot be prevented. Notwithstanding this, I am a firm believer in ameliorating panic conditions, both as to their frequency and severity. But how? My answer is:

1st. By studying history and profiting by the experiences of the past.

2nd. By passing conservative and sound banking laws, and then enforcing them.

3rd. By providing cash on sound lines to meet extraordinary demands and immediately retiring it as soon as the pressure for funds is over, to prevent inflation, and also to be ready for the next emergency.

The Standard Dictionary epitomizes conditions leading to panics as follows: "An undue expansion of loans (by banks); an unsound standard of value; over-extension of mercantile credits and widespread speculation are forerunners of panics."

Let us never forget that *confidence upbuilds and distrust paralyzes*. The blighting effect of distrust in our standard of value which was the main underlying cause of the panics of 1873 and '93 has given to our people convincing object lessons more potent than pages of logic, that a 100-cent dollar is indispensable to stability and prosperity. Populists alone dissent. They attempt to live by their wits, and generally fail for lack of capital. I-O-U's are not capital. With these calamitous conditions vividly before us, the result has been a campaign of education and legislation which has practically eliminated from further discussion the "unsound standard of value." To absolutely eliminate all distrust, the language of our statutes should be so unequivocal as to the redemption of our vast volume of silver coins in gold on demand that no man would dare disobey its mandates.

### CONSERVATIVE AND SOUND BANKING LAWS.

In the limelight of historic facts, in proof of the value of good banking laws, let us consider only the brief period of the past forty years. Permit me to refer to the report of the Comptroller of the Currency for 1896, on pages 33, 34 and 54, as to the failures of banks. These pages do not cover yearly nor local history, but United States history as to National and State banks for the long period from 1863 to 1896. In that period 330 national and 1234 State banks failed. During this same period the

claims filed, dividends and percentage paid to depositors and amounts still unpaid were as follows:

	Claims filed.	Percentage dividends paid.	Still due to creditors.
National banks.....	\$98,322,170	63 8-10	\$35,556,026
State banks.....	220,629,988	45 4-10	120,541,262

Please note that further dividends have since been paid, as the later failures were not entirely closed.

Permit a further reference to a most excellent address along the same lines, which all seeking light should read, delivered by Comptroller Ridgely last April before the Society of Political and Social Science at Philadelphia, entitled "Government Control of Banks and Trust Companies." The Comptroller says in referring to this same report as "the last date to which complete figures are available, it will be seen that while only 6.5 per cent. of the number of National banks in existence failed during this time, 17.6 per cent. of the other banks in existence failed. And while the National banks which had failed up to 1896 (and were entirely closed) paid to their creditors 75 per cent. in dividends, the State and other banks paid only 45 per cent." The Comptroller further says: "The total loss to depositors in forty-one years has been less than thirty million dollars." This estimate doubtless is intended to cover the net losses when all the affairs of failed National banks to this date are entirely closed.

By way of digression, when this result is compared with the deficiency of thirty-five millions of dollars resulting from the failure of the City of Glasgow Bank, with its 131 branches, in 1878, our National banking system looms up so grandly that every American citizen has reason to be proud.

On the other hand, something must have been radically wrong in at least some of our State banking systems when we compare the number of failures, amount of losses and percentage paid to depositors, as shown in the above table.

Does any one doubt that these widely divergent results were brought about by an enforced conservatism under the National Bank Act, as against good banking laws in a few States, lax laws in some States, and no laws in many others? It is cause for congratulation that the States are awaking, although too slowly, to the necessity for better conditions. A few years ago the Wisconsin Legislature passed a good State banking law and the people vetoed it. She later redeemed herself. May the good people of Ohio redeem themselves from a like folly committed last fall. With ten thousand millions of dollars of deposits in the banks and trust companies of the United States due to not less than fifteen millions of depositors,

in order that conditions leading to panics and their paralyzing effects may be minimized, is it not the clear duty of our statesmen to perfect, as far as possible, conservative laws along sound lines? I will suggest but a few of the salient features.

1st. No bank of any kind should be allowed to open without ample paid in capital as a guarantee fund before the innocent depositors entrust their funds with it. History teems with trouble resulting from wild-cat banking. Possibly mutual savings banks which ought to accumulate a surplus might be excepted.

2d. A limitation on loans to a certain percentage of capital, to which I will add, surplus—which is not included in the National Currency Act—to any one individual, firm or corporation.

3rd. Requirements of reserves against demand liabilities.

The cash reserves can consistently be lowest with the savings banks and trust companies, because their deposits are largely subject to time notice before payment. That time limit in times of trouble should be rigidly enforced, as it was lately in St. Louis, where a foolish panic was undoubtedly prevented by prompt action in this respect. The limitation for commercial banks, as laid down in the National Currency Act, is eminently sound and inspires conservative management. Although the rule is often broken in times of crisis, I think no bank that was solvent has ever been closed by the Comptroller for that cause. Reason reigns at such times and not the rigid letter of the law. Some fifteen or twenty years ago I said to Lyman J. Gage, then president of the First National Bank of Chicago, "You keep a generous reserve of cash on hand." His answer came quickly, "I would not sleep nights with less than 40 per cent." This lusty child seems to keep on growing while others have fallen by the wayside. Let history speak as to who survives longest, the conservative or the plunger.

4th. The rate of interest paid to depositors must be left to the individual bank and cannot be regulated by law.

It is just cause of some concern now that fierce competition in several quarters in this respect is likely to produce unpleasant results. Thrice within my forty-two years of banking experience, banks in a certain city mailed broadcast offers to pay interest on account in excess of the current legitimate rate paid by other banks. Depositors that took the bait, within a year thereafter, got bitten by failure of every one of those three banks. Moral: Avoid banks paying more than normal rates of interest, as the probabilities are "There is something rotten in Denmark." This moral will apply to individual depositors as well as to banks with banks.

5th. The question of value of supervision of banks is simply beyond controversy as to beneficial results, and I will therefore pass it.

If experience proves there is such a marked contrast in favor of safety to depositors in National banks, which are under careful laws and supervision, as against all other banks, which are only partially so, is it not a reasonable and sound conclusion that the meat of the whole matter lies in making good banking laws, then enforcing them by strict examinations, closing up the insolvents and not allowing them to dissipate good assets for years after insolvency, as has been the case all over our country? Limit failures, and panic conditions will be ameliorated. Good banks ought to court investigation, and the people should insist on rigid investigation of all banks to weed out insolvents. Let us give to the fifteen millions of thrifty people of the land who entrust ten thousand million dollars of their hard earnings to our care all that protective, wholesome laws can give, thus broadening confidence, and failures will be less calamitous.

The savings banks and trust companies each have their legitimate sphere, and should be regulated on conservative lines, according to their method of doing business. Less reserves are required, as they have less de-

mand liabilities, and much of their loans are of a different character than are those of a strictly commercial bank. All banks doing a commercial business and to the extent of their demand liabilities should be governed somewhat on the lines of the National Currency Act, the safest bank act ever devised by man. Comptroller Ridgely asserts that the National system has "an unequaled record of soundness and safety." A careful examination of the world's history conclusively proves his statement. We must not forget that Old World banking is subject to practically no supervision or regulation compared to the National Currency Act.

#### A WARNING.

Nevertheless, in view of the fact that National banks are not increasing in the same proportion as other banks, and, doubtless, as stated by the Comptroller, to the desire "for greater freedom from control, weaker reserves and less careful management," there is no doubt that many National bankers are chafing under some of the rigid rules of the Act, especially limiting to 10 per cent. of capital, loans on public market cash collaterals, and in country towns, where commercial paper is scarce, to a limited amount of loans on mortgage. Perfection is impossible of attainment. Reason alone should reign, and if the lines of regulation are drawn more closely, I fear the downfall of the system will take place. In the interest of the great public benefits at stake, may not over-rigid regulations destroy this most beneficent act?

#### THE PARAMOUNT PANACEA.

When panic threatens, the profoundest problem is, how can it be prevented or ameliorated so that banks can promptly respond to the insane demands of the frightened depositors for cash, and how can the banks be put in condition to discount freely to all solvent parties in order to prevent the paralyzing effects of the collapse of trade and industry in all branches, which is inevitable when forced liquidation takes place and which is so destructive to labor and capital alike, in substituting soup houses and tramps where the hum of buyers and sellers ought to be uppermost.

Political economists in all ages have wrestled with this knotty problem with different results.

#### GREAT BRITAIN.

Prof. Sumner in his condensation of the celebrated "Bullion Report of 1810" to the House of Commons, says, "In the presence of a panic the duty of the bank is to discount freely to all solvent parties." And although Sumner says, "Its doctrines are the alphabet of modern finance. They are no longer disputable,"—yet no provision by law was then nor since made to provide cash to pay frightened depositors and to discount freely to all solvent parties.

The banks of Great Britain in 1844 were restricted on issues of bank notes to the amount then outstanding by the banks then existing. Seventy per cent. of the right of issue of those banks which have closed since 1844 has reverted to the Bank of England, thus reducing the total uncovered issues allowed to banks in general, all of which are subject to the Unlimited Liability Act as to note issues, to the small sum of approximately £8,000,000, and has increased the issues of the Bank of England since 1844 from £14,000,000 to about £18,500,000 based on securities. All other issues of the bank are covered with gold coin or bullion, thus making the notes practically gold certificates and giving the Bank of England the sole right of issue in Britain. As extraordinary troubles require extraordinary remedies, in order to ameliorate some of the calamitous panic conditions which have overtaken Britain, history says, the Bank of England in 1847, 1857 and 1866, after the panics had paralyzed her progress, on the assurance of the government officials that no prosecution would follow, suspended the Bank Act as to issuing notes only on the deposit of a like amount of coin or bullion, and it issued notes to the banking department on

deposit by it with the issue department of ample securities. This was an unlawful act, giving elasticity to the currency, but it placed the banking department in an easy condition to "discount freely to all solvent parties." Again in 1838 the bank borrowed £2,500,000 from the Bank of France during panic conditions, and in 1890, during the Baring troubles, she borrowed £3,000,000 more; also £2,000,000 from other sources, and the panics were stayed. The apparent necessity for these extraordinary acts was that the country had reached a commercial crisis where good securities could not be sold for cash. Suspension and consequent ruin were staring sound commercial houses and banks in the face.

In each case the action of the bank afforded instant relief, and doubtless saved hundreds of millions of dollars to tottering houses unable to meet payments except for such relief. As soon as the pressure was over the illegal issues were retired.

As history shows conclusively that financial revulsions in Great Britain in the past sixty years have been more calamitous than those of our own country, thus disproving the claims of the advocates of Branch Banking and Asset Currency that they are a panacea for panics; as the commercial banks of Britain carry about one-half as much reserves against general liabilities as compared with ours, are we not justified in concluding that an insufficient reserve is at least one of the underlying causes of their troubles? If so, we can consistently join in the just criticism of the London Economist in asserting that Great Britain's 4 per cent. of coin reserve against the £825,000,000 of liabilities to the public of her banks is clearly the cause of the sensitiveness of her money market. The Economist advocates a reform of Peel's Act of 1844, advises larger reserves to preserve confidence, which has so often been rudely shaken and which is necessary to all progress and stability, and says that probably nothing short of a cataclysm will demonstrate the necessity for such change. Britain's proverbial lethargy in this respect is paralleled with her tenacity in holding to her antiquated railway cars and her abominable pounds, shillings and pence. Should Britain provide for larger reserves, which are about half of ours, and legally empower the Bank of England to relieve extraordinary pressure on the same lines, as in 1847, 1857 and 1866, before paralysis takes place, she doubtless would minimize serious panic conditions as far as it is possible to do so.

#### FRANCE.

The Bank of France has had the sole right of issue in France since 1848, and to-day has the right to issue one thousand million dollars of notes, and is not restricted to the holding of coin or government securities for every dollar of notes issued, but voluntarily in respect to reserves against note issues follows nearly the same line as does the Bank of England. Her coin reserves have approximated 85 per cent. of about \$800,000,000 average note issues for some years past. Under very conservative management the right of issue has been so carefully guarded that France, although subject to financial revulsions, has doubtless escaped serious trouble at times. We must not forget that the Bank of France is more a bank of issue than a bank of deposit, as her deposits are exceeded to-day by both the National City Bank and National Bank of Commerce of this city, while the First National Bank is a close third.

#### GERMANY.

With the exception of only five banks, which are allowed to issue eighteen millions of dollars of uncovered notes, the Imperial Bank of Germany monopolizes that right. The bank is allowed to issue now about \$100,000,000 uncovered circulation under certain restrictions. Any excess over that sum must pay 5 per cent. interest per annum to the government for the right. This excess issue is the only true solution to obtain relief under panic conditions, as the interest rate will certainly retire the redundant currency as soon as the pressure for funds is

over, thus preventing inflation, which must be guarded against as one would guard against an insidious disease.

If we add to the foregoing Austria, Belgium, Netherlands, Norway, Denmark and Russia, that have only one bank of issue each, and all are under such careful restrictions as to coin reserves against notes that their combined uncovered circulation approximates but a little over \$600,000,000, as against nearly \$600,000,000 uncovered circulation in the United States alone, we should be impressed that if we are to be guided by the experience of older nations we must discard the thought, as they have done, of the right to issue uncovered notes, except through the great centralized institutions, and then only as temporary relief measures and not for profit. If we except Britain, all the countries named have provided through their great centralized banks for currency issues under careful restrictions, which generally gives the relief sought by us. A circulation issued by banks with material profit in it means expansion. If the big and little banks of this country were to throw out a life line at will to the over-buoyant in the shape of asset currency, I fear the plungers would be swimming beyond their depth continually; therefore, some relief measure, under careful restrictions, to prevent inflation should be found for use under panic conditions. If the banks of Europe and three-fourths of those of the United States survive and prosper without circulation, why cannot the other quarter survive on the same diet? The National banks profited in their early years on circulation because bonds drew high rates of interest, and thus they were fully compensated for their patriotism, but now the profit is so slight few banks care a continental whether they issue currency or not.

#### QUANTITY VS. QUALITY.

As the quality of our money is fixed, and under natural economic laws the quantity is ample for all legitimate requirements; as the ebb and flow of gold from nation to nation, which no barrier can stop, is governed also by those same natural laws; as the fluctuations in the rate of interest, coupled with these natural laws, are the proper barometric signals that ought to inspire conservatism and check undue expansion of credit when rates of interest are above normal, why should we be eternally tinkering with the quantity of money in the country? Many good men believe interest rates can be equalized by currency issues. All history disproves the theory.

It is a maxim of political economy that when the quality is fixed in rich countries, the needs of commerce will settle the quantity. Prof. Jevons asserts, under such circumstances, the last thing a statesman should do is to attempt to regulate the quantity. Therefore, if ordinary occasions are provided for, the paramount question is, how can we provide cash to pay depositors and to loan to all solvent parties when panic threatens, and have that cash return to its reservoir as soon as the pressure is over, to prevent inflation?

Shall we adopt the European method and establish a great central bank with conservative powers to accomplish the object sought? or, shall we provide through several thousand independent National banks for the issue of credit currency as such relief measure? The consensus of opinion seems to answer, No! Personally, I do not see any serious objections to a great central bank as fiscal agent for the United States, and as a bank of the banks, somewhat on the order of the Bank of England, but with full power to legally issue currency under a five per cent. per annum interest rate on deposit of securities, as was done by that bank in 1847, 1857 and 1866, as an elastic or emergency measure to throttle panics in their incipiency, but I suppose the banks holding government deposits would object.

The nearest sound solution of the second question comes from our able Secretary of the Treasury, and also from the committee's conservative report of last year before this convention. Both advocated the issue of relief

National bank notes in excess of present issues, under a 5 per cent. to 6 per cent. interest penalty to insure its retirement after the temporary pressure for funds is over. This tax, which is the essence of soundness, in compelling the return of the extra issues back into the reservoir to be ready to quench the next fire and also to prevent inflation, has been, to my mind at least, altogether too freely criticised. I fear that some critics have allowed selfishness as to profits to outweigh the necessity for relief. Many good men have declared they would issue no currency and pay 5 per cent. on it. Under ordinary conditions, of course, we would not, but under extraordinary conditions, when frightened depositors are demanding cash; when country bankers are necessarily withdrawing reserve balances, and solvent merchants and manufacturers are calling for loans to pay bills and keep the wheels of commerce from being stilled, where is the banker that will not temporarily provide cash, if possible, at a 5 per cent. interest rate, to meet these demands, instead of slaughtering sound securities in markets, when at such times even government bonds cannot be sold for cash except at ruinous prices? Let the old experienced banker who has been through this mill answer. It seems to me that we all ought to subscribe to the committee's report if we could but confine such issues to the great centralized banks.

National calamities are not born in country towns. Panics are bred in great cities, where colossal promotions flourish; where most, not all, banks fail to reduce interest paying rates when money is easy; where the cashier is discharged (according to Secretary Shaw's witticism) when the Board of Directors find him with \$50,000 surplus reserve; where the reserves are loaned to the stock jobbers that ought to be held to meet the call of the country banks for their own deposits to move the crops. Then when the stock jobber is called upon to liquidate, he must attempt to rob Peter to pay Paul, but because of the lack of a proper cash reserve generally, stocks decline on forced sales to obtain cash, and general liquidation takes place.

This Fall doubtless will be an exception. Last year in my debate with Congressman Fowler on the Asset Currency question before the Wisconsin State Bankers' Association, I challenged any man to prove that since 1893 there has been more than two Fall seasons when the money market was above a normal and reasonable level, and then speculation, and not crop movements, was the primary cause of trouble. The Wall Street Journal in an able editorial said my case was won if I could prove that assertion. I reiterate it. The best condensed proof is in the Annual American Encyclopedias since 1893, under the caption of "Financial Review," to which reference is respectfully made.

Conservative people in all pursuits do not allow a little surplus cash to burn their pockets when they know extraordinary payments will soon require its use, and bankers ought to be the leaders in conservatism. If the central cities are the occasional sinners, why should they not provide the occasional remedy? Again, they are far better equipped with the right kind of cash collaterals on which to base these temporary issues.

In the consideration of this all important question, permit four suggestions:

1st. Why not empower the government to issue but one kind of note, to-wit: a legal tender note payable on demand in gold coin, and substitute it for all other government issues of legal tender notes, as well as gold and silver certificates, thus simplifying and absolutely settling the quality question of all government issues?

2nd. To prevent locking up money in the treasury, provide for depositing all surplus funds over current requirements in the banks.

3rd. Raise the limit of reduction of National bank notes from \$3,000,000 to \$6,000,000 per month.

4th. At the session of this convention in San Francisco last year, in discussing the report of the Currency Committee, which allowed all National banks to issue emergency currency, secured by a deposit of securities with the Treasury Department, under careful limitations and a 6 per cent. per annum tax, I voted for that report because I agreed with its underlying principles and only differed in detail. May I briefly reiterate the reasons therefor, as we need all possible light in settling this all important question with the largest possible safeguards against abuse?

The committee's report confines relief to National banks alone. I do not see why the Manhattan Company or Bank of America in New York City, the Illinois Trust & Savings Bank of Chicago, or Wells Fargo & Co. of San Francisco, and kindred organizations, should not be entitled to the same assistance. I would therefore grant such relief to the great centers through their clearing houses by legalizing "Clearing House National Bank Notes" on practically the same form as present issues. Any member of the clearing house desiring such advances must deposit with the clearing house ample cash collaterals approved by its committee. The clearing house certificates should be forwarded to the Comptroller of the Currency and exchanged for such notes—5 per cent. interest being charged from the date of such issue to the day the borrowing bank deposits funds with the United States Treasurer to redeem the outstanding notes. The certificates will then be returned, exchanged for the deposited securities, and cancelled. Such advances should be held as strictly private.

This method will provide extra cash, not only to National, but to State and savings banks, trust companies, or any other clearing house bank in times of financial stress. Country banks, in calling for their own deposits, will not as heretofore be met with the reply, "No currency is going out of the city." The burden upon the reserve cities will not be great, because \$33,000,000 in clearing house certificates in the 1873 and \$66,000,000 in the 1893 panics sufficed to restore confidence.

With this method no political tinkering will break down the bars, but the conservatism of the clearing house committee will prevent unnecessary issues, the rate of interest will prevent inflation, and redemption will automatically take place as soon as pressure for funds is over. This method is far better than the clearing house certificates of 1873, '84, '90 and '93, because it provides cash to pay depositors and to loan to all solvent parties, and also to meet country demands, whereas, certificates could not. It is equal in effect to the 1847, '57 and '66 Bank of England illegal issues which allayed panic conditions at once. It will check the bears in their Black Friday onslaughts. The Secretary of the Treasury could then heave a sigh of relief from pressing importunities. When one is seriously ill, doping with sweetened quack medicine rarely relieves, but unpalatable medicine may be necessary to recover. Knowing periodical distress will come, why not provide a remedy on lines unquestionably sound, which we know will relieve, if not absolutely cure? In the matter under discussion the trend of all progressive countries is toward the concentration of the power to issue emergency currency. May the statesmen of this country, which is advancing by leaps and bounds far ahead of all competitors in general progress, not fail to provide such relief in some form, the benefits of which will be incalculable. I care not what that plan may be, provided it be on such sound lines that our standard of value may never be tarnished, that distrust may be dispelled, and confidence, that bulwark of all progress, may be ours to the fullest possible extent.

## *Strength and Weakness of American Finance.*

By ELLIS H. ROBERTS, Treasurer of the United States.

The American Bankers' Association has been so gracious in its courtesies to me that its invitation for this convention came as from a royal source with the force of a command. If to hear the same voice a third time in five years seems too much to any critic, he has the full right to ask that we shall follow the rule of the game, "three times and out."

You are gathered here in the chief city of the country, the rival in finance of Berlin, Paris and London, to become the master center of the world's finance. In the midst of the dazzling signs of amazing wealth, of the proofs of the nation's resources, and of power which knows no superior, broad and deep topics rise before you to arouse your thought and to invite your decision.

### OUR GOVERNMENT NOT BORROWING.

Fortunately, the United States is not asking for new loans. The government is not increasing its debt by long bonds or by exchequer bills for temporary needs. If in any month outlay exceeds income, the deficit is covered by previous surplus laid away. Individuals and corporations reach out for vast sums in loans, but the nation is not a borrower in any market. Its interest-bearing debt at the beginning of the fiscal year 1898 was \$847,365,130, and the annual interest was \$34,387,315. A loan of \$200,000,000 was made by popular subscription for war purposes. Yet at the start of the current fiscal year that debt was only \$895,157,440, and the annual interest \$24,176,745. In the interval the government has paid the cost of the Spanish War, \$20,000,000 under the treaty of Paris, and \$50,000,000 on account of the Panama Canal. Now the nation stands on a granite basis of credit, and over the door of the Treasury may be inscribed: "We are not borrowing here."

This fact reduces the financial problem to simple terms. The government leaves the loan market alone. Enough factors remain, however, to make it worth while to study the strength and the weakness of American finance.

### THE REVENUES.

For a full discussion of our theme, we might perhaps be required to treat of the receipts and disbursements of the government. We may, however, in these partisan days, leave this branch to the orators and the press of the political parties, who will be quite ready to thresh out the straw to the uttermost.

### SIX CLASSES OF CURRENCY.

In an ideal currency system, one would not expect to find besides subsidiary and minor coin, and the disappearing Treasury notes, six classes of money—gold coin, uncovered notes, certificates issued for gold, certificates issued for silver, bank notes and legal tender silver dollars. Or only four classes might be named, to-wit: gold and its certificates, constituting 44.1 per cent.; silver and its certificates, 21.2 per cent.; uncovered notes, 13.2 per cent.; and bank notes, 17.2 per cent. The financial architect would seek to be rid of uncovered notes and legal tender dollars, and might look askance at the large bank circulation.

### UNITED STATES NOTES.

The United States notes, at first and still in theory a forced loan, began without reserve behind them. The resumption act which aimed to redeem them in gold, gave them a power for mischief as weapons for assault on the official treasure. Danger arose when the revenue was inadequate, and the Treasury became impoverished. Peril ceased when a surplus was created, and the yellow metal flowed into the national coffers. In itself the United States note is weak; it gains strength as gold is put be-

hind it. The practical banker may join with the theorist in the wish that it may pass gradually into the gold certificate. That change is going on without jar or friction on two paths; first, by the increase in the gold in the Treasury, and second, by the use of notes of \$10 instead of those of larger denomination. In five years the \$10 notes have run up from just less than \$100,000,000 on July 1, 1900, to \$193,459,321 in 1902, to \$245,440,011 on the same date in 1904. (See Table A at the end of the address.)

The Treasury gross gold in the same period from \$423,577,971 rose to \$681,838,821, and is now over \$700,000,000. (See Table B at the end of the address.)

Thus these greenbacks have turned from large notes in chief part to be 70.7 per cent. in \$10 bills, for which the demand always, with rare exceptions, exceeds the supply. In the same five years additions of 60.9 per cent. to the gross gold in the official vaults have been made. (See Table B at end of the address.)

The share of the uncovered notes to the total currency is steadily growing less. From 33.6 per cent. in 1880, and 23.4 per cent. in 1900, it has fallen to 13 per cent. The danger from them has diminished in certainly as marked a ratio. They are to decrease, while the general volume is to increase. (See Table C.)

### CHANGE INTO GOLD CERTIFICATES.

Congress could without friction use at once \$50,000,000 of the gold reserve for certificates of \$10 and \$5, as a substitute for United States notes offered for redemption, and in each succeeding year apply a like sum from the inflow to continue such change. The redemptions of United States notes last year were \$122,680,000, and the average for five years \$101,231,200. It would be easy to transform half of this sum into gold certificates.

By this process the United States notes would grow less weak, and before very long become in fact gold certificates, as they are now in essence, in the ratio which the reserve holds to them, or 43.2 per cent. (See Table D.)

### SILVER DOLLARS.

The silver dollars have of late been severely assailed in and out of Congress. They are denounced as excessive in volume and as a menace to the integrity of the currency. Demand has been loud for their redemption in gold, and for the reduction of their number by coinage into fractions. Predictions have been put forth that some official may, at his option, pay them for interest or some other high obligations. Assault on a fortress does not prove that it is vulnerable, but it does challenge vigilance and defence.

While additions to the silver dollars were constant, their force for evil or for good grew apace. The repeal of the act for the purchase of silver, set a barrier to the current and checked it. The recent stoppage of the coinage of dollars fixes a limit to their volume, and permits a calm survey of their use and their abuse.

Silver dollars in circulation and not covered by certificates on July 1, 1900, were \$65,889,346, and 3.2 per cent. of the total currency. The volume increased for three years, but the ratio fell to 3 per cent. of the total circulation. In the last fiscal year, including the coinage for Treasury notes, the volume became \$71,561,684, or 2.8 per cent. of the total circulation. (See Table E.)

The silver dollars in the Treasury reach the maximum from October to December annually, and the minimum in July or June. In 1900 the difference between summer and early winter was \$8,203,467; in 1901 it was \$10,422,985; in 1902 it was \$6,651,358; in 1903 it was \$9,794,447; and in 1904 it was \$10,011,539. This is a margin

of practical elasticity in these metallic dollars, and marks the currents of their use in the varying seasons. This elasticity is in so far an offset to the weakness of such coinage.

The critic has a right to say that his objection rests not only against the seventy or eighty million dollars in circulation as such, but also against the 460 or 470 millions covered by certificates.

The demand for dollars and certificates makes sturdy answer. In the late autumn, the Treasury finds the drain on these kinds of currency exhaustive. Its ten offices in September, 1900, held only \$55,006 silver dollars and \$3,646,159 in silver certificates. Since then the minimum holdings have not fallen so low. Dollars were \$1,405,631 in December, 1902, and \$898,275 last September, while silver certificates in the autumn months of 1903 and 1904 were \$4,271,562 and \$6,192,783. (See Tables F and G.)

These conditions are created by the movements of the crops, which call for dollars and small bills. The Treasury prepares by husbanding such resources, and on August 22 last, before the autumn shipments began, had in its several vaults in United States notes, nearly all in \$10, \$15,716,020; in silver dollars, \$22,641,903; and in silver certificates, all in \$1, \$2 and \$5, \$7,100,458. This is a total of over \$45,000,000, available for putting on the market corn and wheat and other grains, provisions, cotton and sugar. Great as this sum is, if it shall fully meet all the requirements of the season, those who have in other years been troubled to secure small currency will rejoice. As far as it goes, it will illustrate the measure of elasticity possible with forethought and vigilance under our system. To that extent the weakness of rigidity is mitigated.

#### BANK CIRCULATION.

Bank notes on July 1, 1900, issued by 3,732 banks were \$300,115,112 and 14.6 per cent. of the total circulation, and became at the outset of this fiscal year \$433,595,888, issued by 5,386 banks, and 17.2 per cent. of such circulation. (See Table E at the end of the address.) They have thus increased faster than the currency as a whole. Students of finance regard them with very different views. To very many our banking system seems the best in the world. By others bond security for circulation is denounced as unduly expensive, viciously rigid and unresponsive to trade necessities. The limit of the monthly reduction to \$3,000,000 is especially offensive to them. Not all such critics, but many, seek to substitute a currency based on general assets. Some thoughtful financiers look with alarm on the rapid and continuous increase in bank notes, and object to any device for adding to them.

The suggestion is urged for the gradual substitution of government certificates covered by gold and silver. Bankers are questioning the profit of putting out circulation, and some great institutions restrict their deposits of bonds for that purpose to the lowest amount permitted by law.

While less than one-sixth of the entire circulating medium, bank notes give rise to by far the greater share of discussion in the field of the currency. Is such currency a deformed and nervous sister in the family, requiring most of the expert care of the doctors? Or is it Cordelia among Lear's daughters, constant, faithful and true, dispensing comfort and blessing? Absolutely safe as they are, everywhere current for purchase and payment, these notes are the storm center of financial controversy.

#### CLEAN MONEY.

Of late another weakness in our currency is vigorously exposed. The paper money is not clean. Banks are not willing to pay the charges for transportation to secure new bills; if they were, the face of the notes could be kept more nearly fresh as the bedewed morning flowers. No general agreement on such a policy is likely. Can Congress be induced to spend half a million, or a million, dollars a year for the increased redemption, the larger num-

ber of new bills, and the cost of shipment in and out? The answer can hardly be given here and now.

#### FREQUENT APPEALS FOR CHANGE.

Instability is not a virtue in finance. In this country no topic is too sacred for discussion, and statesmen and professors, editors and orators have not had the field of the currency to themselves. Every one who can sharpen a pencil or own a typewriter, or get an audience in a club or on a corner, can tell you where Hamilton was wrong, where Congress has blundered, how useless is our nation's experience. The halls of legislation are open to every scheme. The theorists who assume infinite wisdom, and discern only ignorance and vile motives in opponents, are always busy. The cynics clothed in malice, who find nothing good in existing conditions, and the tuft hunters who prefer foreign methods to anything American, never fail of occupation.

Many projects, many devices, many cooks, and if the broth is not always perfect, it serves fairly well and might be worse. At the last session of Congress, which was not very prolific, no less than twenty-one bills aiming to change our currency were introduced. If not one was passed, every project sought to unsettle in some way existing conditions. (See Table H.)

This threat of instability is one of the penalties of the great blessing of free speech and unstinted right of petition. The day must have its shadow as well as its sunshine.

#### PARITY.

The confession that weak links can be found in our financial chain shall not drive us into pessimism. We know the growth and the reserve of strength. Under the Act of March 14, 1900, every dollar is equal to every other dollar, and all are interchangeable. Because they are most in use among all the people everywhere, the small notes are in greatest demand. If conditions point at all to a premium, the ones, twos and fives will command it first. But the level is well maintained. Whatever winds blow or storms beat, our currency has a surface as clear and even as a mirror. The surface is not of mercury, shifting and undulating; it is formed of the minted gold.

#### GOLD AND ITS PRODUCTION.

The stronghold of our financial system is its actual gold, as well as our statutes. The world has about \$5,500,000,000 of this metal, of which the United States has in its stock \$1,342,422,740. In the last reported year, the world produced less than \$300,000,000, of which our mines gave \$80,000,000. Our Treasury holds \$700,000,000 in gross, and our banks, National and other, have \$300,000,000, approximately. So over one-fifth of all the world's gold is in the United States, and the bulk of it in the banks and the Treasury. The increase in gold in both forms in our currency in five years has been just less than \$300,000,000 (\$299,853,457), and in the past year, from August 1 to August 1, \$137,727,920. The charge is put forth often in spirit, and sometimes in words, that we are extravagant and wasteful in the possession of so much of the precious metal. Are we?

A leading financial journal of this city quotes the president of one of the largest banks in San Francisco as alleging that it costs \$20 to get a dollar of gold out of the ground. Was the metal all that the picks of the miners and their self-sacrifice took out of the earth? Did not the argonauts of 1849 and their successors create the California of to-day? The ranches, the orchards, the wheat and the fruit, the factories and shipyards, the cities, the churches, the universities, the civilization of that prosperous commonwealth, are a part of the harvest planted by that \$20 of the miners.

A writer in the "Nineteenth Century" alleges that in Australia the balance in gold mining has been adverse, and in the same review we read that on the whole gold discoveries have not been of use. For all fields response may be given on the same lines as for California. Is not California now, is not Australia, worth all they cost? But we are not studying whether gold prospecting or gold

mining as an industry is profitable or the reverse. Loss may befall the miners in direct results, and yet by extending population, opening up new districts, creating new centers of production, they may add largely to the welfare of mankind.

IS THE GOLD SUPPLY IN EXCESS?

Quite another question is whether the supply of yellow metal in this country and in the world is in excess. That problem is important and far-reaching. We are to note that gold here is in the ratio of 44.9 to the total currency, while in Great Britain it is 70; in France, 62.12; in Germany, 66.10; in Russia, 87.71, and in Austria-Hungary, 68.90. In all these countries combined, gold is 69.6 to the total circulation. If the world's experience is to be accepted our gold is not in excess, although our whole volume of money may be too great.

Gold, whether in coin or certificates, becomes elastic as currency just to the extent that it comes to the Treasury and goes out from the vaults. This counter-flow has no limit save the operations of trade. No payments or deposits in this form will be rejected, and the treasure will be held intact until the public use draws it out. Coin and certificates are interchangeable, and elasticity may assert itself to any degree.

Our total circulation per capita at \$31.06, exceeds that of every other nation save France, where it is \$39.22. But our industry and enterprise and local traffic also lead in the comparison. The question is grave whether our currency is not in excess of our needs.

INTERNATIONAL OPERATIONS.

American finance connects itself with world movements. While we cannot follow the debate relative to the profit of gold mining, we must recognize the fact that among the great commercial nations the yellow metal is the only instrument for the final adjustment of trade differences. The experience of mankind has chosen it for that purpose, and there is no other instrument available. A few countries still cling to silver, but they all show signs of adopting the richer metal. Thus gold becomes more masterful. Those who put themselves in hostile array, denounce it as costly, and doubt the value of discovery and production, are bound to provide, at least, in theory, some other tool for settling the world's commerce. The era of rude barter has passed away. The stress of trade insists upon the best machinery.

In the past fifteen years we exported in gold \$890,231,329, and imported \$845,452,765.

From 1890 to 1896, inclusive, every year showed an excess of exports to an aggregate of \$273,961,117. In only two years since then, 1900 and 1903, were the exports greater than the imports, \$5,802,143 in all, while in the other years of the period the imports were \$234,984,696 in excess. In the last fiscal year, in spite of exceptional foreign payments, the imports surpassed the exports by \$17,595,382. So the exports for the whole period were the greater by \$44,778,564, and this is only equal to our own production of the metal for seven months. More significant still it is only 5 per cent. of the outward movement for the period. (See Table I.)

CLEARING HOUSE FOR THE NATIONS.

Yet the full sums of imports and exports were carried across the ocean, at great risk, heavy cost for freight, and not a little loss by abrasion. Why should this treasure be carted back and forth between nations, as the banks of this and other cities used to deliver money to each other? Is it not possible to frame a system by which only the differences may be paid in metal at proper intervals? Surely it would be cheaper to pay the balances than the gross sums, as the clearing houses daily testify.

Why cannot an international clearing house be organized? Perhaps jealousy will forbid the selection of a single city for the purpose, as the Greek cities were rivals for the deposit of the offerings to Apollo. The international organization may well have its vaults in London, Paris and Berlin, as well as in New York, and the treas-

ure can be divided in the ratio of the gold of the several countries. The certificates of the four vaults can be interchangeable. The barbarism of shipping kegs of metal East and West over the Atlantic may go with the method of the mummies and the cave-dwellers.

REAL AND ENDURING STRENGTH.

American finance does not stand alone, a Teneriffe in mid-ocean, a Shasta or Rainier or Mont Blanc, rising in solitary majesty among their ranges. It is the vital current of the activity of the people. Its strength is not in theory or in petty technicalities. It is strong with the brain and brawn of 82,000,000 citizens; with the varied resources of mine and soil and forest and running waters; with the sheep and horses on many ranches and the cattle on a thousand hills; with coal, iron and all their products; with wheat and corn and sugar and cotton; with the inventive minds and skillful fingers of efficient artisans; with forge and factory and dynamo and motor, and not least, with school and college, with university and church. Financial strength is in wealth of every kind, but not less in the purest morality and the worthiest character.

APPENDIX.

Table A.

UNITED STATES NOTES OF EACH DENOMINATION OUTSTANDING ON JULY 1ST OF THE YEARS NAMED.

Denomination.	1900.	1901.	1902.	1903.	1904.
\$	\$	\$	\$	\$	\$
1.00...	2,131,554	2,039,792	1,980,042	1,948,854	1,921,344
2.00...	1,899,702	1,674,644	1,560,354	1,505,364	1,470,084
5.00..	77,056,202	51,393,182	30,159,042	18,214,025	11,864,960
10.00...	99,922,211	135,122,771	193,459,321	233,501,631	245,440,011
20.00...	77,031,172	70,471,252	54,499,282	40,682,442	35,826,942
50.00...	13,564,175	12,365,575	9,598,125	6,686,300	5,799,075
100.00...	23,090,750	22,652,550	17,927,350	12,572,900	10,961,600
500.00...	10,835,250	12,390,250	9,258,500	7,701,500	9,694,000
1,000.00...	42,125,000	39,551,000	29,213,000	24,848,000	24,683,000
5,000.00...	15,000	10,000	10,000	10,000	10,000
10,000.00...	10,000	10,000	10,000	10,000	10,000
Totals....	347,681,016	347,681,016	347,681,016	347,681,016	347,681,016
Unknown, destroyed.	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net.....	346,681,016	346,681,016	346,681,016	346,681,016	346,681,016

Table B.

GOLD IN THE TREASURY SET APART FOR THE RESPECTIVE USES ON JULY 1ST FOR THE PAST FIVE YEARS.

Date.	Reserve.	For certificates in circulation.	General fund belonging to Treasury.	Total.
July 1, 1900..	\$150,000,000	\$200,733,019	\$72,844,952.68	\$423,577,971.68
July 1, 1901..	150,000,000	247,036,359	97,811,938.42	494,848,297.42
July 1, 1902..	150,000,000	306,399,009	103,801,290.97	560,200,299.97
July 1, 1903..	150,000,000	377,258,559	104,162,230.43	631,420,780.43
July 1, 1904..	150,000,000	465,655,099	66,183,722.60	681,838,821.60

Table C.

RATIO OF UNITED STATES NOTES AND STANDARD SILVER DOLLARS TO TOTAL CIRCULATION.

Fiscal year.	Total Circulation.	U. S. Notes.	Standard Dollars.
1880.....	\$973,382,228	33.6	2.0
1890.....	1,429,251,270	23.4	3.9
1895.....	1,601,968,473	19.9	3.2
1900.....	2,055,150,998	15.4	3.2
1904.....	2,521,151,527	13.2	2.8
August 1, 1904.....	2,546,589,503	13.0	2.7

Table D.

SOME DETAILS, JULY 1, 1904.

United States notes outstanding.....	\$346,681,016
U. S. notes of the denomination of \$10.....	245,440,011
U. S. notes of the denomination of \$10.....	70.7 per cent.
Gold in Treasury.	
July 1, 1900—Gold in the Treasury.....	\$423,577,971.68
July 1, 1904—Gold in the Treasury.....	681,838,821.60
Amount of Increase.....	\$258,260,849.92
Per cent. of Increase.....	60.9
Ratio of the Reserve Fund to the United States Notes.	
United States notes outstanding.....	\$346,681,016
Reserve fund.....	150,000,000
Reserve fund—per cent. of U. S. notes.....	43.2

**Table E.**

STANDARD SILVER DOLLARS AND NATIONAL BANK NOTES IN CIRCULATION AND PER CENT. OF EACH TO THE TOTAL CIRCULATION ON JULY 1 FOR PAST FIVE YEARS.

Year.	Standard Silver Dollars.	National Bank Notes.
1900—Amount.....	\$65,889,346	\$300,115,112
Per cent.....	3.2	14.6
1901—Amount.....	66,921,323	345,190,116
Per cent.....	3.1	15.8
1902—Amount.....	68,747,349	345,476,516
Per cent.....	3.0	15.3
1903—Amount.....	72,391,240	399,996,709
Per cent.....	3.0	16.8
1904—Amount.....	71,561,684	433,595,888
Per cent.....	2.8	17.2

**Table F.**

MAXIMUM AND MINIMUM CIRCULATION OF STANDARD SILVER DOLLARS IN EACH FISCAL YEAR FOR THE PAST FIVE YEARS.

Fiscal year.	Month.	Maximum.	Minimum.
1900.....	October .....	\$71,361,740	.....
	July .....	.....	\$63,158,273
1901.....	December .....	76,182,326	.....
	July .....	.....	65,759,341
1902.....	December .....	73,239,986	.....
	July .....	.....	66,588,628
1903.....	November .....	78,700,912	.....
	July .....	.....	68,906,465
1904.....	December .....	81,573,223	.....
	June .....	.....	71,561,684

**Table G.**

MINIMUM AMOUNT OF SILVER CERTIFICATES AND STANDARD SILVER DOLLARS IN THE TREASURY IN EACH FISCAL YEAR FOR THE PAST FIVE YEARS.

Fiscal year.		Silver Certificates.	Standard Silver Dollars.
1900.....	August .....	\$3,646,159	.....
	September .....	.....	\$55,006
1901.....	October .....	3,743,255	.....
	December .....	.....	1,082,182
1902.....	August .....	5,731,158	.....
	December .....	.....	1,405,631
1903.....	October .....	4,271,562	.....
	November .....	.....	602,110
1904.....	September .....	6,192,784	.....
	November .....	.....	892,275

**Table H.**

FINANCIAL BILLS INTRODUCED IN 58TH CONGRESS.

- Bill to make currency responsive to varying needs of business (see bill H. R. 1934).
- Bill to issue post-check notes (see bill H. R. 1976).
- Bill to issue currency redeemable in bonds of United States (see bill H. R. 2543).
- Bills to provide emergency currency (see bills H. R. 4060, 4850).

- Bill to provide for clean paper money (see bill H. R. 4826).
- Bill to improve currency conditions (see bill H. R. 4831).
- Bill to provide for coupon currency of small denominations (see bill H. R. 4842).
- Bill to further provide for redemption of mutilated currency (see bill H. R.).
- Bill to establish system of postal currency (see bill H. R. 5808).
- Bill to issue Treasury notes for purchase of State, county and city bonds (see bill H. R. 8131).
- Bill to authorize issue of national bank currency (see bill H. R. 8454).
- Joint resolution for commission to revise financial laws of United States (see H. J. Res. 63).
- Bill to issue currency notes in exchange for United States bonds (see bill H. R. 8701).
- Correspondence relative to bill (H. R. 5068) to further provide for redemption of mutilated currency 738.
- Bill to further provide for redemption of mutilated paper currency (see bill H. R. 10,871).
- Bill to further provide for redemption of mutilated currency (see bill H. R. 12,307).
- Resolution of inquiry in House relative to retirement of national bank notes (H. Res. 311) referred 4732.
- Bill to improve currency conditions (see bill H. R. 4831).
- Resolution of inquiry in House relative to retirement of national bank notes, passed, 5087.
- Report of Secretary of Treasury relative to retirement of national bank notes (H. R. Doc. 697) 5440.

**Table I.**

GOLD EXPORTS AND IMPORTS FROM 1890 TO 1904.

Fiscal year.	Exports.	Imports.	Excess of	
			Exports Over	Imports Over
1890.....	\$17,274,491	\$12,943,342	\$4,331,149	.....
1891.....	86,362,654	18,232,567	68,130,087	.....
1892.....	50,195,327	49,699,454	495,873	.....
1893.....	108,680,844	21,174,381	87,506,463	.....
1894.....	76,978,061	72,449,119	4,528,942	.....
1895.....	66,468,481	36,384,760	30,083,721	.....
1896.....	112,409,947	33,525,065	78,884,882	.....
Totals.....	\$518,369,805	\$244,408,688	\$273,961,117	.....
1897.....	\$40,361,580	\$85,014,780	.....	\$44,653,200
1898.....	15,406,391	120,391,674	.....	104,985,283
1899.....	37,522,086	88,954,603	.....	51,432,517
1900.....	48,266,759	44,573,184	3,693,575	.....
1901.....	53,185,177	66,051,187	.....	12,866,010
1902.....	48,568,950	52,021,254	.....	3,452,304
1903.....	47,090,595	44,982,027	2,108,568	.....
1904.....	81,459,986	99,055,368	.....	17,595,382
Totals.....	\$371,861,524	\$601,044,077	\$5,802,143	\$234,984,096
Net.....	.....	.....	.....	229,182,553
Aggregate.....	890,231,329	845,452,765	44,778,564	.....

General stock of gold in the United States—  
 July 1, 1890—Gold coin, including bullion in Treasury.. \$695,563,029  
 July 1, 1904—Gold coin, including bullion in Treasury.. 1,326,722,701  
 Increase ..... \$631,159,672

Note.—The net excess of exports over imports (\$44,778,564) is 5.03 per cent. of the total exports.

## *The Western Banker.*

By W. C. ROBINSON, President First National Bank of Winfield, Kansas.

"Where, oh where, is the land of the west?  
Who can define its uncertain domain?  
With ambition that never permits it to rest  
It pushes its borders 'cross valley and plain.

"What, oh what, is the land of the west?  
Who can tell of its changeful mood?  
That quickly shifts from the worst to the best,  
Intolerably bad, exceedingly good.

"Oh, land of the west, broad land of the west.  
Fret not at the slurs that prouder folk fling:  
With virtues and charms exceeding the best,  
Thou needst not any thy praises to sing.

"Thy mountains look down on the east country's hills.  
Thy rivers laugh loud at her babbling brooks:  
By thy harvests and herds her hunger she stills:  
To thee, e'en for kings, she regretfully looks.

"Oh, land of the west, with sunburn and tan,  
With freckles and blotches spread over thy face.  
I love thee as love I the face of a man,  
Nor living nor dying shall scorn thy embrace."

The Western Banker is practically the product of the last decade. Until that time the West and the Western product were not considered of much importance; indeed, I well remember when the man from the West, and especially the Western Banker, was looked upon, not only with suspicion, but with absolute distrust. The West was considered for many years the birthplace of the wildest vagaries, prominent among which was Populism. Free Silver—Sixteen to One—if it had not its origin in the West, found there its strongest and most brilliant advocate, the Hon. William Jennings Bryan, a born master of men. While Populism and Free Silver are considered among the Western inconsistencies, they are not without good results. They both serve as educators or renovators. They were as pebbles thrown in the business ocean, starting the waves of agitation. From this agitation the public mind was awakened, the pitfalls were cleaned up, Niagara was seen ahead in time to avert a calamity, and to-day the West stands as Gibraltar.

Until after 1893 the Western Banker was, in a sense, a missionary. Business ideas and methods were in a chaotic state, and confusion seemed to have full sway. The field, in a commercial sense, was as much unsettled and at variance with prudent ideas as any real missionary field. The Western Banker was, therefore, an educator. He was compelled to shape and mould commercial ideas and methods. For many years it was difficult to divide the land from the water, or to determine whether the sun would rise in the east and set in the west, or *vice versa*. The years from 1873 to 1893 were fraught with many disturbances. We would no more than have cleaned up the *débris* of one convulsion than another was upon us. The Western country was storm swept; beginning with the volcano, as it were, in 1873, followed by the slighter disturbances of 1884 and 1890, until the country was overwhelmed by the cyclone of 1893, known as the Panic of Panics.

During these years the Western Banker was the chief sufferer. He was in every way handicapped in his plan of developing the commercial ideas of the West. During the year of the panic the Western Bankers were not always able to command even their Eastern balances in currency, and could not utilize among themselves the Clearing House certificate idea—it took nerve and actual cash for the Western Banker—heredity and association amounted to nothing. He remained bravely in charge, acting as both master and servant. He was willing to do anything to promote the great and glorious work in

hand, and much of the time, as it appeared, "without the hope of fee or reward."

The panic of 1893 was really a "blessing in disguise;" it was the clearing up storm; it was the culmination of the storm period, and it so purified methods that a better atmosphere has been breathed since. The Western Banker during these years was the target. His methods were criticised and his motives were often impugned. Had he not been a man with more than ordinary faith in his undertakings he would have despaired. He had, however, faith in his ideas, in himself, in his possibilities and in the country he was developing. He worked on with indomitable courage until his hopes ended in fruition.

In one respect I think the Western Banker is entitled to the more credit. He was not only compelled to stay by his own convictions, but he took a varied population and brought it to his way of thinking. He had not only to train and build up himself, but he had to train and build up the country and its people.

You will all agree with me when I say that Kansas is a typical Western State—if not more so—and the Kansas Banker is, therefore, a typical Western Banker. The history of Kansas is much like the history of the bad boy at school—condemned for every bad deed, but never complimented nor credited. It is quite so of the entire West. The past has proven, too, that the outcome of the West is much like that of the bad boy. When the training period is passed, the bad boy outstrips in achievements. In tracing the history of this country we must be convinced that the West is the storehouse, full of the products of the earth, both from its surface and from its bosom—therefore, rich in grain, in stock and in minerals. It is not behind either in mental and physical activity. The greatest minds that this country has ever produced, if not born in the West, have been brought up there. First among them is the great Lincoln—purely a Western product. His few, but surely inspired, words on the battlefield of Gettysburg will live as long as life and language endure. We could mention Grant, Logan, Douglas and scores of others, who from the West have made for themselves names that will live longer than time; who, if they get their just merits, will spend the endless future with the gods and in Elysian fields.

The ordeals through which the Western Banker had to pass schooled him for adversity, and developed a fuller capacity for the enjoyment of the fruits of prosperity, which he is now having in a large measure. We have passed through the period of infancy, and the more drastic and scourging time of youth, and have now arrived at strong and capable manhood. We have spent our forty days in the Wilderness, in fasting and prayer, and are now entitled to the fruits of our labor. During the most trying period of his existence the Western Banker was aided in his work by the wise counsel and prudent management of one of the ablest men who had, until that time, occupied the office of Comptroller of the Currency, the Hon. James H. Eckels. He was helpful in every possible way and saved the bank to the people and the people to the bank. James H. Eckels seemed to have been peculiarly fitted for that place and for that especial time. He was a Moses saved for that purpose. He was one of the great Grover Cleveland's wise and prudent selections—a Western product, and to-day a successful Western Banker. He has been succeeded by the Hon. William B. Ridgely, a sagacious and safe leader, who had been, with his father before him, among the most prominent Western Bankers. The West feels complimented in having

among the President's Cabinet such men as Lyman J. Gage, Leslie M. Shaw, J. Sterling Morton and his distinguished son, Paul Morton. The first two were prominent Western Bankers. What a quartette of strong, capable, sturdy men! Of all these the West is eminently proud.

The Western Banker has always been right on economic questions. He did his full part in the great battles of 1896 and 1900, when our money standard was at stake. The Western Banker has always been a firm believer in the full value of the dollar, and that the dollar of any stamp should be worth one hundred cents. When the great Free Silver champion was looking for a prominent banker for his service and co-operation he passed the Western Banker and found his man in this great city. For the one hundred cent dollar the Western Banker has always talked and worked and voted, and to-day he stands right on the questions of branch banks and asset currency. He believes that every bank should stand on its own foundation—he does not believe that the Western town should be satisfied with a bank a branch of some great city bank. He believes, too, that our currency to-day is sufficient to handle the great business of our country, and that good crops and confidential relations between the banks and the people are the proper and full solution of the currency question. He is also a firm believer in the sufficiency and perfect adaptation of our present National banking system to the wants of our country and our times.

The convening of the bankers of the United States in the greatest city of the world is an event of no small import. Out of it ought to come results commensurate with the individuals composing the gathering and the city that is the magnificent host. It represents the choicest business minds of this great commercial country. The good achieved by this convention ought to be immeasurably great. The bankers of our country ought to be and are the cream of the business world. For integrity and uprightness of character no class of men outrank them. It must be so, or the business of this country would not be so successfully handled. The banker to the community is like the priest to his parishioners. He is the arbiter of their differences; he is the altar upon which confessions are made; he is the weighmaster, with his supposed fairness, his comprehensive information and his undoubted integrity; the scales upon which transactions are weighed. Such, then, is this assembly, and without egotism we ought to and must accept this situation. And this great and marvelous and continuously growing city that is entertaining us—what shall we say of her? England has her London; France has her Paris; Scotland has her Edinburgh; Germany has her Berlin; Russia has her St. Petersburg; Italy has her Rome; but New York City belongs to the world. By her prominence, her prestige, her situation and her ability she rules the world. She is great in every way, and every day beoming greater. Every part of the world justly pays her tribute.

CHARTERED 1810.

## MECHANICS NATIONAL BANK

33 WALL STREET

CAPITAL, - \$3,000,000  
SURPLUS, - 3,000,000

### OFFICERS

GATES W. MCGARRAH, Pres.      ALEXANDER E. ORR, 1st Vice-Pres.  
NICHOLAS F. PALMER, 2d Vice-Pres.  
ANDREW A. KNOWLES, 3d Vice-Pres.      FRANK O. ROE, Cashier.  
ROBERT U. GRAFF, Assistant Cashier.

## *National Banks and the Trust Company Problem.*

By EUGENE E. PRUSSING.

The purpose of this paper is to briefly consider the situation which has arisen in the last fifteen years, though it has only recently become acute in its manifestations, and which has been not inaptly, though not quite accurately, called the "trust company problem."

It is considered safe to assume in this audience not only the existence, but also the importance, of the problem. The first consideration is to define its character, the second is to learn its cause and history, and the third and last to suggest a possible remedy.

Broadly speaking it may be defined to be the anomalous condition of affairs which permits the existence in the same community, side by side, of two classes of banking institutions competing for practically the same business, namely, deposits, one of which is quite strictly limited in respect to its investments and guarded by definite requirements in respect to its cash reserve, while the other is practically free from both these wholesome restraints. These two competing classes are the National banks, organized under the National Banking Act, on the one hand, and the State banks and Trust companies, organized under State laws, on the other.

The situation is peculiar to this country; it does not, nor did it ever, exist in European countries; its essential characteristic is legal.

The reason for its existence is to be found in our dual form of government, our separation of State and national affairs and the questions of policy arising therefrom.

The existence of the problem has little or nothing to do with the nature of the banking business. Technically speaking, from the standpoint of banking science, it is an accident.

Its immediate cause lies in the failure of the National Banking Act to give National banks powers as broad as those given to the State banks and Trust companies by the banking laws of the various States enacted in recent years, and commensurate with the modern requirements of the business. The National Banking Act provides for only commercial banks, which were the chief need of the public at the time of its enactment. Since its enactment new and great public needs have arisen, which the National banks have not been able to meet.

The main point in the situation is this: State banks and trust companies generally, are authorized to do a general banking business, that is to say, to receive deposits from, and make loans to, commercial, savings, trust, and all other customers, while the National banks are confined to a limited banking business, they are authorized to make only commercial loans, and thus practically, though not legally, to receive only commercial deposits. All other deposits naturally tend to the State banks and trust companies.

Broadly speaking, State banks and trust companies are not regulated by law in their investments and loans, and there is practically no requirement as to their cash reserve, while the National banks are closely guarded by law in both respects.

If the National banks as a class are to maintain their positions as the leaders in the business, something radical must be done with the legal situation thus created.

The question is, how should this be done? The facts necessary to a consideration of the situation are these:

Our National banks are, legally speaking, the result of an exercise of the powers of the Federal Government with respect to war and the currency, for the purpose of aiding the government in the great operations involved in borrowing money for, and paying the expenses of, the War of the Rebellion. When they were created, their existence was regarded by many as temporary. Their continuance for forty years after the close of the war, in

times of peace, is evidence of their value as instruments of commerce and their helpfulness in furthering the prosperity of the nation. The means they were to employ in aiding the government were to issue currency based upon the deposit of government bonds purchased by the banks and to facilitate the sale of government bonds to the public. As an incident to this business they were authorized to receive deposits of money, but were authorized to loan money only upon, or in discount of, commercial paper and bills of exchange.

These limited powers have placed them at a disadvantage in modern days, when the demands of the public for Savings banks, trust companies and other financial agencies have largely increased the field of banking operations, so that to-day instead of being far and away the leaders in financial affairs, they are struggling for place and are obliged to ally themselves with institutions of the Trust company class to maintain a fair position with the leaders in the financial world.

The reason for this situation is not far to seek, and the remedy is an obvious one, but the difficulty in bringing the two together and thus relieving what may become a public misfortune, may not be easy. Reforms of a financial character involving national legislation, though in merely administrative or other subordinate affairs, are very slow of enactment. They require a long campaign of education to arrive at an understanding on the part of even our legislators, for the subject is to most of them terra incognita, and the public has an undefined fear of anything the National banker wants.

That an expansion of the powers of National banks has become a necessity to the legitimate exercise of their functions as parts of the machinery of the national government, should require no longer argument. A statement of the present powers of National banks, coupled with a short historical review of the development of the general banking business, which has resulted from the needs of our government and people since National banks were first established, will easily demonstrate the fact, and should arouse a demand that the undisputed powers of the national government should be exercised to give its sanction to the grant of further authority to these institutions, commensurate with modern requirements.

The refunding operations after the war justified the continuation of the National banking system when the first charters began to expire in 1884, and a renewal of charters was granted. Since then these institutions have become so thoroughly a part of the government machinery and a necessity to the public that their abandonment would be regarded as a long step backward.

The science of banking at the time of the establishment of National banks was at a very low ebb. It had not progressed very far in this country at any time, though the subject of much political contention and legislative action. The panic of 1857 and the breaking up of commercial relations with the South at the beginning of the war, with the consequent great losses to all engaged in commercial pursuits, especially banking, had reduced the number of banks and their operations to an almost irreducible minimum.

The financial needs of the country were being served by a comparatively few survivors of the commercial State banks, the New England and New York Savings banks and their imitators in some of the other States, private bankers of various kinds, and a very few, perhaps six, Trust companies.

The needs of the country during, and immediately following, the war, the profitable privileges conferred upon the National banks, the patriotic sentiments which both inspired, the successful management of these banks and

their careful supervision by the National Government, in spite of a number of disastrous failures among the banks, created public confidence, and naturally resulted in the growth of the National banking system, until it became the chief financial element of the country, and until 1890 it was without a serious competitor in its leadership in financial affairs.

In the early eighties, the United States had, financially speaking, recovered from the disastrous effects of the war, and the panic of 1873; we were rapidly paying off the national debt and the people were accumulating a surplus.

The need of investment for this surplus, which no longer found lodgment in government securities, created a demand for proper agencies, especially in the East and Middle West, and the limitations then, as now, existing upon the powers of National banks, turned the thoughts of enterprising persons into other channels.

State banks had been almost wholly abandoned because their profitable feature of issuing bank notes had been taxed out of existence by the National Banking Act. A few exceptions in some of the States, notably Illinois, maintained their existence chiefly as Savings banks, or, if engaged in commercial business, were sustained by reason of the extraordinary character of their stockholders or officers, or both.

In New England and the Middle Eastern States Savings banks of an especial type had grown up, and besides these and the National banks, perhaps a dozen of institutions known as trust companies had been established under State charters, and in nearly every instance had flourished.

These trust companies were really banking institutions. The name "trust company" did not truly describe the chief part of their business; they received deposits which they mixed with their own funds and for which they became bankers and not trustees.

These deposits, however, were of a then peculiar character in two respects, viz: they were not payable on demand and they bore interest. They were usually taken upon certificates of deposit, payable generally upon short notice, or at a time stated not exceeding one year, and bore a rate of interest varying from 2 to 6 per cent., usually less than 4. Such deposits, while not unknown in the National banks, were exceptional in them, and were not encouraged, as they involved payment of interest, and the payment of interest to ordinary customers was then considered bad banking.

The trust companies, however, solicited these deposits from that increasing class of the community of recent growth known as investors, and naturally as their business to begin with was limited, looked also to other business for support and profit. In lieu of the patriotic element with which the National banks were invested, the trust company had received another, but also very worthy, characteristic.

The father of the trust company selected the agency legally known as the fiduciary trust as one of the chief elements of his creature's compositions, and impressed its sacred name upon his child, a most happy and successful thought.

The administration of trusts by trust companies is in fact not essentially different from, and no more important than, the execution of ordinary financial agencies by other banks throughout the financial world, but the character given to this particular class of agencies by its legal derivation, the sanctity with which it has been enveloped by judicial and legislative action, as well as the popular imagination, makes it a highly valuable trade mark. Nevertheless, we all know that the agency involved in making an ordinary investment for an inexperienced man or woman is no less serious and should be regarded as no less sacred.

The public appreciation of this trade mark, however, in the case of the dozen trust companies referred to was sufficient to favor them with very considerable patronage and to make several of them, particularly in New York and Philadelphia, leaders in deposit lines, so that bankers

generally began to consider them desirable adjuncts to the financial scheme.

The trust companies in question were all acting under special State charters, much alike in their chief features, but differing in details. They were not all incorporated exclusively for trust of banking purposes, but included fidelity and other insurance and like business, not of the banking type, in some instances.

In 1884, except in the States of Minnesota and Pennsylvania, no general law existed in any of the United States under which the incorporation of trust companies was possible, and there was as yet but little demand for them.

A suggestion made in October, 1884, by the writer, to the president of a Chicago bank, engaged in savings and commercial business, under a State charter, and having the power to accept and execute trusts, which it did not use, resulted in a conference on the subject, in which it appeared that the chief difficulty in the administration of trusts lay in the necessity of giving a separate bond, with sureties, in court, in each estate. This requirement was a great burden, tedious in its delays and multiplicity, and impractical in the length of time the bond lasted, especially in guardianship cases.

The Illinois constitution forbids special laws, so it was suggested that an Act of the Legislature, general in its character, applicable to all companies which then had or might thereafter have the power to accept and execute trusts, could remedy this difficulty by substituting in lieu of the objectionable special bonds a sufficient deposit of securities with the State for the benefit of all trusts accepted by the depositing trust company, and further providing for regulation, examination and visitation, of the trust companies by the State and the courts, as well as requiring reports by the trust companies.

The result was the preparation of a bill for "An Act to Provide for and Regulate the Administration of Trusts by Trust Companies," which was submitted to the Legislature of Illinois in January, 1885, but failed of enactment in the long deadlock of that year in the Senatorial contest between General John A. Logan and Mr. William R. Morrison. The bill and its purposes were very thoroughly advertised, however, and attracted widespread attention throughout the country. In January, 1887, the bill was again presented to the Legislature, and in June, 1887, an Act was passed accordingly, from which, however, part of the powers desired were omitted, but in which the principle involved was fully established and all details of security and examination settled.

In 1887, also, New York passed a similar general law for the establishment of trust companies as the result of the Illinois agitation in 1885.

In 1889 Illinois completed its law by amendment granting the powers omitted in 1887. The Illinois Act has been in force ever since, and, except for slight amendments intended to extend its benefits. Repeated attacks upon the Act by designing persons in the Legislature and the courts have only served to make many of those who first were honorably opposed to it in principle or in policy, its warmest defenders. The courts are its chief supporters.

The Illinois Banking Act of 1889, passed in connection with the second branch of the Trust Company Act, enabled all State banks to accept and execute trusts. This greatly stimulated the business. From these beginnings, the wave has spread across the country until now only ten States in the Union are without laws to create and regulate trust companies, and the United States Government has accepted the principle involved by enacting a similar statute applicable to the District of Columbia.

The establishment of numerous trust companies which promptly followed the enactment of these laws, the leadership of Mr. Stewart, of the United States Trust Company, in the refunding and other financial operations of the government during Mr. Cleveland's second term, and the usefulness of the trust companies and sundry private banking houses employing trust company methods in these and other great financial operations, after the panic

of 1893, soon evidenced the value and profitable character of these institutions and rapidly increased the public appreciation.

The multiplication of trust companies and their competition with private and National banks, which necessarily resulted, induced the early abandonment of the certificate of deposit plan as the sole method of receiving funds in trust companies. Deposits were soon received by nearly all trust companies subject to check, while interest was paid by them on daily balances, in the European fashion, so that many National and other commercial banks have been forced to follow their example in that respect.

The public demand for interest on deposits and for these broader financial agencies under State sanction, has caused the establishment of so many and such powerful institutions of the new type, until to-day the State banks with trust company powers have become at least equally important factors compared with National banks.

In that connection I may be pardoned if I step aside a moment to illustrate by an anecdote the main point in the so-called trust company problem. When I came to New York in 1884 to examine the subject of trust companies in the preparation of the bill which afterward became the Illinois law, Mr. Stewart, the president of the United States Trust Company, gave me the most kind and useful assistance. In the course of my investigation I questioned him rather closely respecting fees and charges for services in the execution of trusts. After giving me many details, he summed up the subject by saying: "Don't bother too much about fees and charges—never let them control—get the business. What you want is not fees, but deposits."

And so the situation is this: The trust companies have changed from depositories of funds for or awaiting investment, into general banks of deposit and discount, paying interest on balances and doing all kinds of financial business. They are the keen and successful competitors, not only of the Savings and National banks on the one hand, whose powers are limited by law, and who are subject to certain requirements which the law properly imposes on them, but not on trust companies, but also, on the other hand, of the private bankers, against whom they are aided by that legal characteristic "incorporation," which the trust companies possess, and which is denied the latter.

It certainly behooves the National banker, therefore, to look about him to consider this situation and map out a future course.

The banking business of the United States has grown in the last twenty-five years not so that it disputes with the older communities of Europe the leadership in the world's finance, as our newspapers would have us believe at times, but so that it is in the front line and has need of all modern machinery in its institutions, and the time has come for the expansion of the powers of National banks unless they are to fall behind in the world's march of progress.

The patriotic and commercial values of these institutions forbid such a thought, and, therefore, let us examine their needs and try to supply them.

National banks now have power to receive all kinds of deposits—commercial, savings, trust and public. Their powers to use them are limited, they can only buy and sell securities, loan upon commercial paper or discount bills of exchange; short time or demand loans upon securities are permitted by judicial construction; but long loans, no matter how well secured, loans upon real estate and the acceptance and execution of trusts are denied them. The present provisions of the law in respect to their reserves are intended only for commercial deposits, are unsuited to savings, time and other more or less permanent deposits, and necessarily prevent their profitable use.

The result has been that such deposits go elsewhere, and the National banks are forced, in seeking the benefit

of such deposits, to purchase stock in trust companies, participate in Savings banks, or, by the creation of special trust companies and Savings banks openly advertised as filial or allied institutions, to supply themselves with these adjuncts to their business, while investment and bond departments have furnished the means for some of the operations formerly performed by private bankers only.

These devices are not only in many instances inconvenient, and even undignified, but they have sometimes proved disastrous. They are unnecessarily expensive, as well. The extra expense which results from this condition of affairs in the practical duplication of officers, clerks and offices, and other items, is so large and so obvious, that this alone in this era of consolidation of business and centralization of management should be a strong factor in favor of any change proposed. I am aware that in some instances a solution of this part of the problem has been very practically attempted by making the directors and officers of the National bank also directors and officers of its allied trust and Savings bank. These and kindred devices tend to a disregard of the law of the land, which cannot be without detriment to us all.

The situation calls for prompt and radical treatment if grave results are to be averted. The dangerous condition's experienced in this and other large cities in the past two and a half years in banking circles were very largely attributable to this condition of affairs. It is possible that proper regulation of the investments and reserves of State banks and trust companies under State laws can be achieved, but in the conflicting interests involved there is little hope of harmony of ideas or successful effort to protect the public at present.

The National banks now at a disadvantage as carefully regulated and inspected competitors, must, I think, seek some other legal remedy, or must continue to bear a large share of the burden and dangers of the situation.

It is with great hesitancy that I suggest at least a partial remedy in the expansion of the National Banking Act, so as to cover modern conditions.

If it were so amended as to permit not only the acceptance of all kinds of deposits and banking business, including the administration of trusts, with corresponding power to make not only commercial, but also time and real estate loans, and long investments of savings deposits, all under proper regulations and in due proportions to the deposits received; with such further regulations as to cash reserves and reserve agencies as the different classes of deposits suggest and properly require, much would be accomplished in the right direction, by placing the National banks on an equal footing with the State banks and trust companies as to the power to do business, and giving the National banks the great advantage of proper legal restrictions and regulations. The amendments regulating investments and reserves would be comparatively simple matters, for we have many precedents in experience and in existing laws of various kinds.

The power to accept and execute trusts may require much careful hedging. It might be conditioned upon a compliance with the laws on the subject in force in the State in which the banks are located, or upon such special requirements as to amount of capital and the deposit of security with the Comptroller as are now contained in the Act of Congress authorizing trust companies in the District of Columbia. These and other details may be left to future consideration.

The questions of policy and conflicts of interest which these considerations suggest are necessarily involved in what is apparent to us all, and must be met and solved sooner or later. It is not the purpose of this paper to do more than call attention to them. This organization should be the leader in meeting this situation and in organizing a patient, careful and scientific investigation of the subject, which will go far to produce a proper remedy.

## *Credit Insurance: Its Value to the Banker*

By W. E. SCHWEPPE, Manager Bankers' Department of The American Credit-Indemnity Company.

Ever since the organization of the first bank in Venice in 1171 the principle of demanding collateral and security has never changed, and with all the evolution in the methods and machinery of banking, the underlying principle has been safety. Yet, wherever there is a volume of trade there is also a volume of loss, although the ratio between the two is ever marked by an odd variance caused by that which none of us can determine in advance. If we could there would be no loss, and although the system of credit seems well organized, yet it is far from being under such control that you can determine with any degree of certainty the precise relation between volume of trade and volume of loss, and hold them at any even ratio.

Therefore, as Credit Indemnity determines for the commercial world a fixed ratio of loss upon a given amount of trade, it is of vast and far-reaching importance to the bankers.

Credit Insurance is a new economic in credits which has been tried and found of substantial benefit to the mercantile world, a world so dependent upon, and its interests so closely allied with, that of the banker that every cog in the wheel of commerce must find its mate in the wheel of finance. As a conservator of the stability of trade and commerce Credit Insurance should have the earnest consideration and support of the bankers.

In placing before you the plan it will not be my endeavor to go into all the details, but in a concise way to "skeletonize" the general outlines, in order that you may have a clear understanding of a Credit Insurance bond.

Credit Insurance limits the annual risk of loss through insolvency of customers to a normal amount, and reimburses the insured for any loss in excess of that amount, provided the losses and the sales on which they were sustained were in accordance with the terms and limitations of the bond of indemnity. The mercantile agencies furnish information as to the financial strength and reliability of customers; Credit Insurance protects from loss the firm which transacts its business and extends credit in accordance with that information. The bonds are issued only to manufacturers and wholesale merchants.

The bond is clear, concise and positive. It is adjustable to any line of trade, and to the requirements of any individual business. Under the bond the insured bears the risk of a normal loss on his year's business. This normal loss consists of a certain specified percentage of his annual sales, and the amount is determined by a calculation based upon the personal experience of the applicant in his particular line of business, the length of time given on credit sales, the territory goods are sold in, and the reputation which the applicant bears of conducting his business on conservative lines. The integrity and moral hazard of the applicant take precedence over all these determining factors, for if the risk is not of the highest grade morally it will not be underwritten at all.

When these conditions are satisfactory to the actuarial department, the company agrees to insure, under conservative and proper safeguards and limitations, every merchandise account of the indemnified. When the aggregate of covered claims during the year is in excess of this natural, or normal, risk which the indemnified is to bear, then the excess is the amount payable to the indemnified.

In a word, the bond applies to every account, covers every possible form of insolvency, involves an adjustment simple, clear and equitable, and eliminates the risk of excessive loss from a credit business.

The banker is so closely associated financially with

the mercantile interests, which often comprise his largest patrons, that any system which will protect them from hurtful losses, or afford them additional strength and security, or adds to the banker's confidence in their conservatism and stability, which is the keynote of commercial success, must merit his earnest consideration and receive his approval and encouragement.

Every banker appreciates the value of collateral for loans. The cashier of a bank and the credit man of the mercantile world perform the same service. The banker passes on loans of actual money. The credit man passes on loans in the form of merchandise. But in each case the debtor owes money. The bank requires collateral. The credit man should have it. A Credit Indemnity bond furnishes the only collateral obtainable on all merchandise accounts. You, as bankers, therefore, can appreciate its value to a credit business.

Bankers require their borrowers to carry fire insurance to protect from loss their merchandise, which is considered the basis of credit. It is much more important to insure such merchandise when it has been sold, and is beyond their control, but is not yet paid for, and is represented by book accounts, especially as these accounts largely exceed in value the merchandise carried in stock, and comprise not only the original investment in the goods, but all of the added charges of every kind, including profits.

If, therefore, you deem it of importance for your borrower to carry fire insurance, surely it is of as great importance to have the borrower carry Credit Insurance on the notes of his various customers presented to you for discount. Thus you practically get two name paper instead of one name paper.

Statistics of the mercantile agencies show that in the past eleven years the losses through insolvency have exceeded those through fire by the enormous sum of \$361,000,000. The figures are almost incredible, and few firms doing a wholesale or manufacturing business realize the immense risk which at all times surrounds their credit business.

A Credit Indemnity bond contains a table of coverage which authorizes a certain amount of credit to each customer, proportionate to his capital and credit rating as furnished by the mercantile agency selected by the assured. All classes of customers are covered. Accounts against those having a capital rating with either first or second grade credit rating are covered in full, while accounts against those not having such ratings are covered for an agreed and specified portion of the amount. In other words, on this latter class of accounts the bondholder is required to bear a portion of the loss. It is, therefore, a valuable guide in granting credit.

To-day credit is the cheapest commodity on the market. In the fierce competition for business conservatism is often lost sight of. Quantity, not quality, obtains sway. The holder of the bond has a place named for him where conservative judgment says, "Stop." To go beyond means speculation, and while the bond does not in any way interfere with its holder's independent action, this point limits its liability and displays the danger signal.

The holding of a bond by your customer and your knowledge of his conforming to its terms should add to your confidence in him. It places a definite value upon his outstanding accounts and increases their value, just as substantial endorsement enhances the worth of commercial paper. It guarantees to you that he will pursue conservative methods. Upon these principles Credit Insurance is constructed and stands. It encourages such

care and conservatism as is consistent with legitimate business activity and healthy commercial progress. It determines a fixed ratio of loss upon a given amount of business, which, under proper conditions, cannot be exceeded, and can be calculated in the expenses with the same reliability as rent, or any other fixed charge. All of these will insure to him a system in his business which will guarantee stability.

A few words as to the economic value of Credit Insurance and its effect upon financial panics.

Financial disturbances have a habit of weakening confidence at stated periods in this great country of ours.

Panics are nothing more than lack of, or loss of, confidence in credits, and the world is eager for a preventive, or a cure. When the banker feels that conditions are such as to make credit unstable he commences to draw in his loans. The manufacturer and the wholesaler then feel the necessity for reducing their lines of credit, and knowing their competitors are doing likewise, they become nervous, insist upon immediate settlement from valued and ordinarily solvent customers, thus precipitating failures which would not have occurred had the initial confidence been sustained. Result: a panic has begun, and a few hundred of such failures force the jobber, and then the manufacturer, to suspend, and may even jeopardize the bankers, as you are ultimately expected to

bear the burdens of all. If the financial world knew that there was behind these accounts the collateral furnished by Credit Insurance, and that creditors would be reimbursed for injurious losses which might occur, the panic-creating effect naturally would receive a decided check. Confidence would be maintained, and a commercial panic be a thing of the past.

A well-known financial writer some time ago wrote of credit insurance:

"Its application to ordinary insolvencies and to the extraordinary conditions resulting from extraordinary failures can not but be of interest as well to the professor of political economy as to the financier and practical business man."

I commend Credit Indemnity to your consideration, feeling it will add to your surety, and enhance your security. The banking interests of the country are approaching the time when policies of Credit Indemnity will be universally carried, for they are just as necessary as a protection for the credit of the modern progressive, aggressive business organization as a fire insurance policy is against another and more generally dreaded form of loss.

It is decidedly to your interest to have your borrowers carry Collateral on Accounts as furnished through Credit Indemnity.

## The Mercantile National Bank

of the City of New York

CAPITAL  
\$3,000,000

SURPLUS  
\$3,000,000

FREDERICK B. SCHENCK, President

MILES M. O'BRIEN,  
WILLIAM H. TAYLOR } Vice-  
DICK S. RAMSAY } Presidents

JAMES V. LOTT, Cashier  
EMIL KLEIN, Asst. Cashier  
ALFRED W. DAY, Asst. Cashier

# Detailed Report of Proceedings.

THIRTIETH ANNUAL CONVENTION, HELD IN NEW YORK CITY, SEPTEMBER 14th, 15th and 16th.

## FIRST DAY'S PROCEEDINGS.

*Wednesday, September 14, 1904.*

*Waldorf Astoria.*

The Convention was called to order at 10 o'clock a.m. by the President, Mr. F. G. Bigelow.

Prayer was said by the Rev. Dr. George F. Nelson.

The President: The next thing in the order of business is the roll-call, to be dispensed with unless there is objection.

There was no objection and it was so ordered.

The Chairman: I know it will be a pleasure to the Association to listen to an address by the Hon. George B. McClellan, Mayor of the city, whom I have the pleasure and honor to introduce.

**Address of Welcome, by the Hon. George B. McClellan, Mayor.**

Mr. Chairman, Ladies and Gentlemen: The time may come when government in its infinite wisdom may be able to create capital by legislation and will be willing to lend it in indefinite amounts without exacting interest or security, but until the millennium arrives most of us will have to borrow money from the banks, and nearly all of us will continue to lend to the banks, because in a prosperous country like ours nearly all of us are bank depositors. It is sometimes both easy and pleasant to borrow, but it is sometimes neither so easy nor so pleasant to pay back again. (Applause.) When our note has been discounted we leave the bank convinced that the banker is one of the chief factors in the commercial and industrial development of our country, but when our note falls due we are apt to turn our thoughts to a serious consideration of the remissness of Congress in having done nothing to check the greed of the money power. (Applause and Laughter.)

As the lean years succeed the years of plenty it becomes more and more evident that it is one of the inalienable rights of the American citizen to abuse the American banker. (Laughter and Applause.) The measure of the nation's prosperity is the inverse ratio of the total amount of abuse set apart by the public for the exclusive benefit of the banker. (Laughter.) When times are prosperous there is a disposition to credit all good things to the banker, the most recent case being the establishment of the present standard of values. It is true that there were some who saw in the establishment of the present standard the direct interference of a benign Providence in the settlement of a purely economic question. Others there were who with the faith—a simple, beautiful faith, worthy of earlier and better days—believed that our whole financial system was reconstructed by a patriotic Congress upon a foundation of masterly inactivity and unlimited leave to print in the Congressional Record. (Laughter and Applause.)

Many, on the other hand, are convinced that the standard of value was established beyond all question or cavil because of the will of a majority of the people in consequence of the economic development of our country, and that the sentiment that took the question from the realm of party politics, where it ought never to have been, and placed it in the domain of pure economics, where it belonged, was created and fostered and crystallized by the bankers of the United States. (Applause.)

Which one of these three theories is correct I cannot undertake to say. Where there is such difference of opinion who shall decide? But whether or not the bankers of this country had anything to do with the establishment of the standard, the very establishment of that standard

imposed upon them a duty that they cannot refuse to undertake.

For more than a hundred years there was on the statute books a militia law that required every adult male citizen to keep in his house in defense of the fatherland a musket and sufficient ball and powder and a hanger or spontoon—whatever that may have been—and that law was only repealed during the last Congress, because no one had thought it worth while to awaken Congress to the absurdity. The statute on currency is in much the same condition as the old militia law. I had the honor to be elected five times to the House of Representatives, and during four Congresses I was on the Committee on Ways and Means. In accordance with the traditions of the House, membership on that committee confers a species of omnipotence and omniscience, and yet theoretically omnipotent and omniscient as I was, I do not remember that any one of my constituents ever consulted me on the question of architecture or medicine. If I want to build a house or cure a cold in my head, much as I revere my own representative in Congress, I am inclined to think that I would call in the services of an architect or a physician. The currency question is just as technical and just as scientific as our architecture or medicine. (Applause.) The question will never, never be satisfactorily settled until the settlement has been suggested by those who know what they are talking about. (Applause.)

Congress is always upon the eve of an election, no matter which party is in power; it is afraid to bring up the currency question for fear of political capital being made of it by its opponents. The consideration of the matter has been deferred so often that it seems almost as impossible of solution as the squaring of the circle or the riddle of the Sphinx. You have it in your power to prove to Congress that the question of the currency is in no sense political. You have it in your power to so arouse public opinion that Congress, regardless of section or faction or party, will place upon the statute books a currency law suited to the twentieth century, suited to the economic and business needs of the day in which we live. (Applause.)

I have been asked to come here to-day for the purpose of making a speech of welcome and I have preached. I am sorry. I am here not only in my capacity as Mayor of New York City, but also as Mayor of New York bankers. I am told that there exists a disposition in some quarters to look a little askance at New York bankers, a disposition to divide all American bankers into two classes, the sheep and the goats, the ordinary, every-day good and worthy bankers and New York bankers. (Laughter.) Let me reassure you at the outset of the convention that you will find New York bankers, when you get to know them, very much like all other bankers in this country. They are just as willing to oblige you by taking your account, if you come properly introduced; just as willing to discount your note if it is satisfactorily endorsed; just as willing to make a legitimate profit and just as willing to succeed by every legitimate means. They are very much like other prosperous citizens of New York City; they have the same hard-headed intelligence, the same ability to get on, the same rugged business and personal honesty, the same great pride in our city. It makes them know that New York is not only in fact as well as in name the Empire City of the eastern continent, but that she is destined before long to become the mightiest city the world has ever seen. (Applause.) They have the same intense love of country that has made them in the past, as they will in the future, stand ready to pro-

fect her credit not only in time of war, but what is even more difficult, in times of peace.

So I bid you welcome to New York. May your stay here with us be most pleasant. May your convention be the most successful in the history of your association, and may it fully accomplish all the purposes for which you have met together. (Loud applause.)

The President: The Convention will be pleased to listen to an address of welcome by Mr. James Stillman, President of the National City Bank of New York, whom I introduce to you. (Applause.)

**Address of Mr. James Stillman, President of the New York Clearing House and of the National City Bank of New York.**

*Mr. President and Members of the American Bankers' Association:*

On behalf of the Bankers of the City of New York, I have the honor of welcoming you here. It has been with genuine pleasure that your fellow bankers in this city have prepared for your coming, and their greeting, which I now bring you, is sincere and cordial.

This great convention is a most representative gathering of men whose work lies in the field of finance. The meeting, it seems to me, is of deeper significance than appears merely in the occasion offered here for the interchange of cordial amenities, or even in the opportunity which is presented for listening to the admirable papers and the enlightening discussions which have always furnished reason for these annual gatherings.

The deeper significance of this great national meeting of bankers is to be found in the spirit of co-operation which is being nurtured. The growth of the spirit of co-operation is undoubtedly the most significant phase of the economic development of the present day. Almost beyond calculation are the economic results already attained in the fields of industry and transportation through the elimination of unintelligent competition—that sort of competition which has meant in the end direct and definite loss to every one concerned, loss to the workingmen, loss to owners of property and ultimately loss even to the consumers.

In the management of the country's great industrial undertakings notable progress has been made in recent years in the direction of harmonizing divergent interests, in the wiser comprehension of the value of mutual good understanding, in the juster appreciation of the right of competitors. Such progress in the direction of true co-operation has resulted in vast additions to the wealth of the country, as real as would have resulted from the discovery of new mines, the making productive of desert fields, or the acquisition of new sources for the supply of raw material.

In the field of industry the beneficent economic results which followed this awakening to the value of co-operation have become too obvious to need any word of emphasis. In the field of finance, however, there is not yet such general recognition of the value of co-operation. I believe there is no more important thing left for bankers to learn. When we come fully to appreciate the great economic value of co-operation, when we see more clearly the waste which follows unintelligent competition and understand that such waste means as complete a loss of wealth as comes with a disastrous fire or a blight of crops, we shall have brought into the business of banking something of the modern spirit which has so marked the present-day development of industrial affairs.

Here in this great gathering of bankers is the evidence that we are beginning to appreciate that fact. Here is a fertile ground in which broad ideas may grow; here we may all more easily lose our provincialism—the provincialism of the great city quite as much as the provincialism of the country; and here in the good fellowship and better acquaintance which such a gathering gives opportunity for may well be the beginning of a co-operation in financial matters which will in the end be of vast and most beneficial consequence. And they will be beneficial not to bankers alone, but to every person

whose interest is in any way concerned with banking affairs—and there could be no broader category.

With such a view of the full significance of this convention, I am profoundly appreciative of the honor which I have in offering you, in the name of the Associated Bankers of New York, a hearty welcome.

**Reply of President Bigelow to Addresses of Welcome.**

The President: To you, Mayor McClellan, I can only say I wish I had the facility to express in appropriate language the feelings of my heart. I wish an eloquent tongue could respond to your gracious and kindly welcome.

It is with unfeigned pleasure, however, that I acknowledge, in behalf of the association over which I have the honor to preside, your cordial greeting. I assure you that the bankers of the United States, well represented here, appreciate your words of welcome and that they will feel at home in your well governed city.

Mr. Stillman, standing for the bankers of New York, I return to you the cordial thanks of the Association for the welcome you extend us.

We are workers together in the same fields of endeavor. Banking, like all other business, focuses in New York, and I hope this meeting here presages the greater and greater interest on the part of New York bankers in the work of this Association. While we have, as it were, centers of business more important than in the past, yet in modern business methods we are linked more and more closely to you. All of our worth and all of our resources may not be listed on your exchange, but we acknowledge the fellowship with New York of all important business, initiative and enterprise.

I thank you again and again, gentlemen, for your most cordial welcome. (Applause.)

**Annual Address of F. G. Bigelow, President American Bankers' Association.**

To the members of the American Bankers' Association, friends of many years, always courteous and kind to me, my fellow "father confessors of the modern world," I extend a cordial, thankful greeting. I congratulate you on this fine attendance and the spirit it betokens.

However much prejudice there may appear to be at times against bankers, our business is of the utmost usefulness and importance, and the right pursuit of it in its broader and better aspects requires all the courage and all the conservatism we can command.

We meet in the thirtieth convention of the American Bankers' Association. This covers a period of grotesque and whimsical financial legislation; some of our ablest men were infected with fragments of the silver bacillus and engaged for years in frantic attempts to restore the breaking fortunes of silver; some had too much sense to espouse free coinage, but they sought refuge in the shifting sands of bimetallism. This is all forgiven and forgotten now. History, experience and logic have killed bimetallism and it will never vex the world again.

Elected to this office by your generous favor in San Francisco, where we all so thoroughly enjoyed the genuine, hearty, whole-souled hospitality of those who live in sight of the Golden Gate, it is peculiarly agreeable to preside over your deliberations in Greater New York, destined some day to be the greatest city of the modern world. I beg all your indulgence in the administration of my office in its last stage, and I shall need it.

The work of this Association is done by its active officials, its competent committees and its administrative officers. It is a personal pleasure to me, and I deem it an appropriate official privilege, to say that I think the Secretary of this Association is entitled to your thanks and mine for his able administration of his office, for the growth of the Association which he has done so much to promote and foster, for his ability to lop off much that has been from time to time unwisely proposed, for his quick initiative in any sound, new endeavor to increase the Association's influence and usefulness. The success

of the American Bankers' Association seem to be the very breath of his nostrils.

In 1876 we had 1600 members and our dues amounted annually to \$11,600. In 1885 we had 1395 members and our annual dues were \$10,500. In 1895 we had 1570 members and our dues were about \$13,000. Early in this year we had about 7000 members and our dues were \$73,000. From this date looking forward to the coming year, we have now enrolled 7500 members, and our increased dues will bring in an annual income of \$122,000.

This Association was formed for mutual protection from enemies without and within. An enlightened self interest is the best spring of all human action, and the most manifestly valuable work of this Association has been that of its Protective Committee, dealing with attacks from criminals, forgeries and the like. I will not go over the ground or the argument; you will get the report of the committee and you are familiar with the great benefits our members have derived in that field.

We have until now collected \$5 a year dues from small banks, and we have spent at the rate of over \$5 a year for each bank in the admirable work of the Protective Committee. This has grown with the years, and the intelligence of it has appealed to us all.

The educational work has taken considerable money and its promise is very great; its accomplishment is already considerable.

I wish particularly to commend the Institute of Bank Clerks; much good may come of it. If I were to give a word of warning, I would say, do not expect to be fitted to manage a large bank by reason of any acquired, superficial knowledge of routine. You must put your heads and hearts into the work and devote good broad abilities to it. Your best education will be from actual contact in practical affairs with men on the other side of the counter.

It is not strange that the time came when such meager dues as we have had needed to be raised. We have about doubled them. We must expect to lose members; yet when we all, and those bankers yet outside our communion, think it over, we shall appreciate the benefits of membership in this association, and we shall increase in numbers and in influence.

The most efficient committee work done this year is, in my opinion, that of the Money Order Committee. It had a normal work to do, but it did it with unusual care, and I think its practical results will reflect great credit on the committee and bring increased usefulness to the Association. I cannot too strongly commend it, and I urge the banks who can, to avail themselves of its benefits. It was, as I say, a normal work—that is, it was strictly within our province, and the way of its accomplishment did not, in the matter of financial responsibility, embroil the Association in any way. It went outside for its guarantees, and thus the Association has not sought competition with well established concerns not invading our natural field. I consider this of the first importance, and I hope the scope of the Association's usefulness will be kept well within natural and normal lines.

The work of the Committee on Uniform Laws was always carefully attended to under the active guidance of the late Frank W. Tracy, and it is a mournful pleasure to commit this work to his son. There is much left to do, many States not yet coming into line and enacting uniform laws. In general terms I commend the zeal and intelligent work of all other committees.

I have tried thus to recite in brief what I consider to be the organization's technical and active field of usefulness and endeavor.

A true history of the Association and the work of many of its members, however, would probably show that it had a considerable influence in keeping this country on a sound money basis, without which no State can long prosper; and I believe all able and thoughtful men of to-day, with little regard to party, will see to it that in all public discussion, and all considerable public judgment, our present standard (the standard of the enlight-

ened commercial world, shall be deemed to be settled and settled for good. It is fortunate for us, and for all the people, that in late years the hands of all honest and sensible men have been firmly upheld in this attitude by the strength and integrity of the Government. We have greater wealth and more resources than ever before, and the way we have weathered what has come lately in this unusual period of readjustment has strengthened my conviction that the panics of 1873 and 1893 can hardly be repeated in this country. This is partly because of very strong combinations in the industrial and commercial world, some of which have overstepped the mark, but which on the whole have contributed more, I think, than anything else to this favorable result.

One mission given by the last Convention to this administration was to work out, if possible, a plan for some currency legislation along simple and well defined lines, following the action of the Currency Committee, which was reported to the last Convention, and is familiar to you all. In this or any other Presidential year, however, it were futile to try to interest Congress in any needed amendments to the National Bank Act. It was not an opportune year. I have not mourned as much as some, believing more in good practice and a sound public opinion than in any law. It was, however, as I say, kicking against the pricks to try to get any legislation this year. You may think we who tried it were faint-hearted, lacking courage and persistency, but you must bear in mind that to get it from the House of Representatives was literally walking up to the Cannon's mouth.

Of course, with \$346,000,000 of demand notes of the government outstanding, and an enormous stock of silver whose circulation is only enabled by the device of silver certificates, and only a bank currency secured by bonds, we can hardly be said to have a currency system. We sometimes feel as if we should like to be able to say:

Our little systems have their day.

They have their day and cease to be.

At the same time we are not suffering acutely from the want of a scientific system. We are firmly on the gold standard—level with the whole enlightened commercial world; and as crises do not generally strike all nations at once, this, with our first rate credit, would put us in better position than we have been in in the two recent great crises.

You will listen to able papers on the Money Question and on an Emergency Circulation during this session of the Convention, and I am not prepared to say that some plan of emergency circulation may not be of advantage under present conditions, but with any sort of a proper system of currency I do not believe in an emergency circulation. An ounce of prevention is worth a pound of cure. I never sympathize with, though I was amused at, a suggestion once made to me that children should be taught to use a crutch at school, so that in case they sprained their ankles they would be prepared to carry it gracefully. I believe in a system sound and strong and reasonable enough to meet every emergency we ought to have to meet; and when exuberant human nature, in finance, in the field of labor, or anywhere else, so exceeds natural bounds as to bring distress, I think the public is only worse off for any elaborate, prearranged plans to let it out of a bad hole by an easy way. "Speak to us smooth things, prophesy deceit," is a dangerous watchword in finance. We need the right men for emergencies more than any laws. You had them pre-eminently here in New York in 1893, when you had to bear the brunt of a great financial crisis.

I will not throw the words "asset currency" in here for a bone of contention, but I should be untrue to my own increasing conviction if I did not say I believed in a credit currency under sharp compulsory redemption with the same reserves in coin as against deposits, though I think many barriers of ignorance and prejudice must be broken down before we can have it and before the people who are now a handful will become a strong nation. A bond-secured currency never did and never can respond to the demands of trade. It is a wasteful sys-

tem in tying up capital, and it lacks elasticity. It expands and contracts only with the price of bonds. On the other hand, a circulating medium, to be efficient, to be a ready help, needs to be invoked promptly, without displacement of capital, to do its instant work, and as promptly to be retired. This is its active principle, and these are its essential attributes. I repeat there is no reason why the reserve against circulation should be less than against deposits, and the redemption of currency should be as certain and prompt as the payment of checks, and it would be if provision were properly made, and made so the issuer of the currency paid the cost of redemption. This could easily be arranged by contracts with express companies, and the Chicago plan has worked this out admirably. I by no means advocate or believe in a credit currency for the purpose of expansion. We have abundant circulation; I believe it is redundant to-day. I believe large reserves, with a proper tax, to accumulate a safety fund for prompt redemption of notes of failed banks and sharp redemption, would work in all periods of rest and readjustment like the present in healthful contraction of issues. I know such a currency can only come gradually and as instructed and watchful and intelligent public opinion can understand and digest it. I know that it is not popular to-day. That it will some day come, by the logic of events and in the very nature of things, I have no doubt.

I would like to think as to amendments and changes in currency laws that in the not distant future the Government will begin, at least, to retire the greenbacks, if not more than two millions a month. No tonic could be better than this; it would show that it is the intention of the Government to pay off its demand indebtedness.

I would like to see part of the silver stock converted into subsidiary coins, and part of it sold outright; it is a strained and abnormal situation that we have in silver. Everything has been done by practical rules and regulations to minimize the danger of these silver issues, but still they are inherently wrong.

I would repeal the limitation on retirement of national bank notes. If not all at once, I would certainly increase the limit to six millions, and afterward to twelve millions a month, and finally take it all off.

I would allow the Secretary of the Treasury under warrant of law to deposit all internal revenue, and all customs receipts, in national banks, on approved security.

While I think the limitations of the National Bank act as to strictly commercial banks, in the matter of real estate, are wise and prudent, I think, at the same time, small banks in country districts can well be allowed to carry a certain percentage of paper on real estate security, and I think times of trial have shown in this country that such paper so secured has been entirely safe and as convertible as ordinary investment bonds.

I wish to call your particular attention to a paper that will be read at this Convention on "Banks and Trust Companies," and I think the recommendations made therein are of very great importance and may well be enacted into law. It will bring under one roof activities connected with our business that now have to be performed by a bank and an annex, and it will require differentiation of reserves, according to the quality and sort of deposit.

Over and above all else, the benefit of this Association is in its social and human side. We are not enemies, but friends; it is good for us to mix together as we do, to compare notes, picking out the best ones, of course, for purposes of comparison, and keeping back some we now and then get that are beyond compare.

As I draw these reflections to a close I remind you that it has been well said that our greatest debt to Franklin, one of the very greatest Americans, has been in the lessons of honesty, thrift, temperance, industry and economy which he inculcated, and which have so enormously influenced our social, material and intellectual life. The banker should learn these lessons of self-restraint, of unbroken good humor and cheerfulness under difficulties.

He has many opportunities to properly promote good enterprises and to decline to aid doubtful ones. He has a right thus to build up his own business, and that of the community where his lot is cast; and if he does it efficiently he will have many experiences in times of stress and trial to encourage him and show him that the masses of men are inclined to be reasonable and considerate and just. A banker may make friends and keep them in time of need. I close with a short quotation from Robert Louis Stevenson as a sort of benediction:

To be honest, to be kind, to earn a little, and to spend a little less; to renounce when that shall be necessary and not be embittered; to keep a few friends, but these without capitulation; above all, on the same grim conditions, to keep friends with himself—here is a task for all that a man hath of fortitude and delicacy.

I thank the Association for its attention.

The President: We will listen to the annual report of the Secretary.

The Secretary, Mr. James R. Branch, submitted his report, as follows:

#### Report of the Secretary, Mr. James R. Branch.

September 1, 1904.

To the American Bankers' Association:

*Gentlemen:* The Protective Committee in January transferred its records and work to the Secretary's office, without increasing the clerical force, thereby reducing its annual expenses by \$5,000. In the past year our detective agents have captured, in different sections of the country, seventy-five professional bank criminals, and convicted fifty-four, the sum total of whose sentences amounts to 181 years. This does not include sixteen indeterminate terms, and nine criminals are now awaiting trial. George Collins, who, with William Rudolph, robbed the Bank of Union, Union, Mo., and later on killed Detective Schumacher, was hanged March 11, 1904, at Union, Mo. His partner in crime, Rudolph, is now in jail under sentence of death. This protective work is costly, but of great benefit to our members, and has been one of the strongest factors toward increasing the membership.

#### FIDELITY COMMITTEE.

The active work of the Fidelity Committee has largely reduced the cost of fidelity bonds. The best available statistics indicate that the annual saving in the cost of fidelity bonds to our members amounts to considerably over \$150,000.

#### EDUCATION.

The Committee on Education informs me that it has established twenty-eight chapters of the Institute of Bank Clerks in different sections of the country. The importance of this work cannot be overestimated, as the increased knowledge of the students naturally redounds to the benefit of the banks who employ them.

#### UNIFORM LAWS.

The Committee on Uniform Laws has been unflagging in its efforts to have the Negotiable Instruments Law adopted in every State in the Union. Twenty-five States now have this law on their statutes, two States having adopted it this year.

#### BANK MONEY ORDERS.

The Committee on Bank Money Orders has completed its arrangements with the American Surety Company, who guarantees the payment of all money orders drawn on the adopted form, and issued only by members of the American Bankers' Association. A sample of this money order has been sent from the Secretary's office to every bank and banker in the United States, with the recommendation that a charge of five cents be made on orders for an amount not exceeding \$10, and ten cents for amounts from \$10 to \$25. From our correspondence it appears that banks throughout the country are taking active interest in the plan.

#### THE SECTION.

The Trust Company Section is prosperous, its membership having increased from 453 to 566 in the past year.

The growth of the Savings Bank Section for the same period has been from 500 to 616.

## ROUTINE WORK.

During the fiscal year ending August 31, 1904, 7,500 special letters and 46,500 circular letters have been issued from the Secretary's office.

## ASSOCIATION'S INCREASE.

The membership and resources of the Association have increased as follows:

	Paid membership.	Annual dues.
September 1, 1875.....	1,600	\$11,606
September 1, 1885.....	1,395	10,940
September 1, 1895.....	1,570	12,975
September 1, 1904.....	7,563	122,929
Interest on \$10,000 Government bonds of 1925.....		\$400.00
Making the total income.....		\$123,329

In the past year 500 members have been lost through failure, liquidation, consolidation and withdrawal from the Association, reducing the membership September 1, 1903, to 6,443. One thousand one hundred and twenty members have joined since that date, making a net gain over last year's total membership of 620. The aggregate capital, surplus and deposits of members in the Association amount to \$11,290,686,637. This is without doubt an amount greatly in excess of that represented by any other organization, institution or corporation in the history of the world.

Respectfully submitted,

JAMES R. BRANCH, Secretary.

The report of the Secretary was accepted.

The Treasurer, Mr. George F. Orde, submitted his report as follows:

## Report of the Treasurer, Mr. George F. Orde.

CHICAGO, ILL., September 1, 1904.

To the American Bankers' Association:

Gentlemen: I have the honor to submit the following report of receipts and disbursements since the beginning of the current fiscal year, viz., September 1, 1903.

## RECEIPTS.

Balance September 1, 1903.....	\$72,382.47
Interest on \$10,000 4 per cent. Government bonds, 1925....	400.00
Proceeds sale of two copies of Trust Co. Forms.....	30.00
Five-pound note paid account Dr. Geo. L. Marsland.....	24.20
Paid by Philadelphia Chapter account expenses of Wm. Sherer, American Institute of Bank Clerks.....	9.50
Check returned by Geo. F. Orde, account Committee on Education.....	10.00
Dues from 1,120 members, 1903-04.....	10,038.00
Dues from 2,836 old members paid in advance for 1904-05..	50,950.00
4,400 bills for membership dues for the ensuing year deposited with the Northern Trust Co. Bank, Chicago, Ill. (subject to deduction of unpaid bills).....	67,430.00
	<hr/> \$201,274.17

## DISBURSEMENTS.

Standing Protective Committee.....	\$38,803.06
Committee on Fidelity Insurance.....	4,983.30
Committee on Education.....	9,345.15
Committee on Uniform Laws.....	165.56
Committee on Currency.....	35.00
Committee on Bank Money Orders.....	2,106.14
Committee on Internal Rev. Tax.....	1,977.85
Trust Co. Section.....	1,737.87
Savings Bank Section.....	924.23
Salaries.....	16,117.22
Expenses of San Francisco Convention.....	2,123.72
Proceedings 1903.....	5,184.78
Distributing Proceedings, 1903.....	1,429.79
46,500 circular letters.....	111.48
Stamped envelopes.....	1,218.10
Sundry expenses.....	278.80
Printing, stationery, etc.....	578.13
Expenses of Executive Council Meeting, N. Y., April 27 and 28, 1904.....	3,574.00
Rent.....	3,100.00
N. Y. Telephone Co.....	168.75
Petty cash.....	100.00
Travelling expenses of Secretary.....	341.00
Premium on officers' bonds.....	62.50
Draft of People's Sav. Bank, Woonsocket, R. I., changed back, they having remitted while draft was in transit..	10.00
Accounts drafts deposited Aug. 31, 1903.....	10.00
Drafts changed back (442) account dues year 1903-04.....	4,390.00
Balance Aug. 31, 1904.....	102,397.74
	<hr/> \$201,274.17

Respectfully submitted,

GEORGE F. ORDE, Treasurer.

The President: The Treasurer's report will be received. Its proper disposition, I think, is to refer it to an auditing committee, composed of Mr. William George, Mr. C. B. Mills and Mr. J. R. McAllister.

It was so ordered.

The Chairman: The next in order is the report of the Executive Council by its chairman, Mr. J. L. Hamilton. (Applause.)

## Report of Executive Council by J. L. Hamilton.

Mr. President and Members of the American Bankers' Association:

It is the custom, and custom makes it the duty, of the Chairman of the Executive Council to make a report to the Association. However, by the time that he has been reached the work has been usually well covered and there is nothing much for him to report except a repetition of what has been said.

This year's work has been unusually successful for the interests of the Association and its members. Every committee has done all that has been in its power to push forward the work assigned to it, as the results will show by the reports.

The Committee on Uniform Laws has been pushing its work in the different States where there has been an opportunity for work to be done, and it has been meeting with encouragement. The results of the work of this committee must necessarily be slow, as it has to deal with the legislatures of the different States, and these bodies are slow to act, as any one knows who has had anything to do with legislation. This committee deserves great credit for its perseverance and its policy that under no circumstances will it use questionable means for the accomplishment of its purpose.

The Committee on Currency Legislation has worked for the interests of the members of the Association, and to it is due great credit for the fact that no vicious legislation has been enacted during the past year.

The Fidelity Insurance Committee during the past year has gathered statistics as heretofore and has been unusually busy in answering inquiries, both from members and non-members, asking for copies of the Association form of bond. As will be shown by its report, this is an important work in the estimation of the members of the Association.

During the past year I have been thrown in closer contact with the Educational Committee and I find that it is doing a great work, not only for the Association and its members, but for the financial interests of this nation, and is educating financiers who will soon be the peers of the financiers of the world. The different Chapters, or Institutes, of bank clerks organized by this committee are the greatest practical, financial, educational organization in the world, and their publication, the "Bulletin," should be read by every bank employee as well as every employer in the Association, as no one can read it without being benefited. The last meeting of the Institute was held in St. Louis and it was a decided success.

The Committee on Bankers' Money Orders, appointed by a resolution adopted at the San Francisco Convention, carefully considered the question and prepared a report that was submitted to the Executive Council at its April meeting, and in pursuance with the recommendations of the committee a new committee was appointed to prepare a form of order and to enter into a contract with a surety company to guarantee these orders. This was done, as will be shown by its report, and those orders can now be had on application and issued only by members of the Association.

The Protective Committee I have reserved for the last, and I regret that I am not permitted to give the names of the three gentlemen who are its members. This committee, I believe, has the most trying work of any committee in the Association, and to it are referred the most trying questions for its consideration. Upon its judgment depends the success of this movement, and, being conscientious men, they have devoted much

of their valuable time to the interests of the work. They have, by their reorganization, been able to save thousands of dollars in the management of this department, at the same time maintaining the effectiveness of the work.

I do not believe that the members generally appreciate the work that is being done by the different committees of the Association, and I would suggest that when the reports of the convention are published you read carefully the report of each committee, the speeches and other proceedings, and I believe you will be surprised to learn that there is no better financial history written than the proceedings of the Association.

We have been pushing forward the work of making a closer organization of the members of the Association, and in this work we have been assisted by the Vice-Presidents of the different States, who have appointed representatives in each of the Congressional districts, and they, in turn, have appointed live men in every county who are working to further the interests of the Association. I only regret that I have not had the time to prepare and report a list of the names of the bankers who are now actively engaged in furthering the interests of this Association, but I expect to be able to make a complete report of these names in the near future.

The expenses of the Association are necessarily large, as you will note by the reports of the Secretary and Treasurer, and while we have a large income from dues of the members of the Association, yet we should be careful in the amount of our appropriations, as there is a tendency toward extravagance in expenditures that should be stopped, and I think there should be a standing Auditing Committee to whom should be referred all expenditures.

The Association was never in better working condition than at the present time. There is not an officer, a committee or any one to whom has been assigned special work who is not putting forth his best efforts for the Association.

At the regular annual meeting of the Executive Council of the American Bankers' Association held in New York Mr. Clark Williams, of the United States Mortgage & Trust Company, New York City, was elected to fill the vacancy caused by the unexpired term of Mr. William G. Mather. Mr. Griswold presented a resolution for an act to amend the Negotiable Instrument Law relative to the payment of forged checks after one year has elapsed.

Appropriate resolutions were offered regarding the death of Mr. Robert R. McCurdy, former member of the Council, also Mr. Morton McMichael, a former President of the Association, and Mr. Frank W. Tracy, Chairman of the Committee on Uniform Laws.

In pursuance of the recommendations of the Bankers' Money Order Committee, the chairman of the Executive Council appointed Messrs. A. B. Hepburn, Joseph Chapman, Jr., F. H. Fries, William H. Porter, and James B. Morgan as a Committee on Bank Money Orders, who were given the necessary authority to employ competent legal assistance and put this feature of the Association into practical operation.

#### FORM OF INTERNATIONAL TRAVELERS' CHECK.

Mr. Hamilton (continuing): At the meeting of the Executive Council the following resolution was presented by Mr. R. L. Crampton, of the National Bank of the Republic of Chicago:

*Mr. James R. Branch, Sec'y American Bankers' Association, Hanover Bank Bldg., New York City.*

*Dear Sir:* Desiring to introduce the following resolution at the Annual Convention of the American Bankers' Association to be held in New York City September 14, 15 and 16, it is now filed with you, to conform with Article VII, Section 1, of the constitution:

*"Resolved,* That this Association authorize and provide a form of International Travelers' Check, to be issued by its members, and that the President of this Association appoint a committee of three members to serve for three years, for the purpose of devising a system to carry out the object of this resolution, and putting said system into active operation as soon as practicable, on a basis which will insure the greatest conven-

ience as well as the largest measure of security to the holders of these checks."

Kindly lay the above matter before the members of the Executive Council for their consideration and recommendations.

Yours very truly,

R. L. CRAMPTON, Assistant Cashier.

The Council recommends that this be referred to a committee with power to act, and I move that this committee be appointed in pursuance of the recommendation of the Council.

The President: The motion is that the Chair shall appoint a committee of three with power to act. The motion was seconded.

Mr. Howland, of Barre, Vt.: Mr. President, I would ask the Executive Committee if that committee would consider the matter of foreign exchange?

Mr. Hamilton: Yes.

The question was taken, and the motion was agreed to.

The President: The appointment of the committee will be made later.

#### BETTER CONSULAR SERVICE.

Mr. Howland: The following resolution was offered by Mr. Robert J. Lowry, of Atlanta, Ga.

The Secretary read, as follows:

The National Business League have for years been endeavoring to better the Consulate Service of the United States, and to that end the commercial organizations and the manufacturing and commercial interests generally of the country have used their best endeavors to secure the enactment of the Lodge Bill, so called, originally designated as Senate Bill 2261 and House Bill 7097, for the reorganization of the United States Consular Service, which bill, in brief, contains the following provisions:

1. Substitution of salaries for fees.
2. Improved classification, or grading, and transfer of consular officers.
3. Adoption of the "merit system" in the selection of consuls.
4. Consuls must be familiar with either the French, German or Spanish language, and possess a knowledge of the commercial resources of the United States, with reference to the possibilities of increasing and extending the trade of the United States with foreign countries to which they are accredited.
5. Consuls shall be eligible for promotion.
6. Tenure of office to continue only during efficiency and conduct of the highest grade.

*Therefore, be it Resolved,* That the American Bankers' Association are deeply interested in everything that tends to better the commerce and manufacturing interests of our country; and the bettering of our consular service is of vital importance and it is absolutely necessary that a better class of men—men who are conversant with all the products and the language of the country to which they are accredited—be appointed, so that they will be enabled to make such reports to our Government as will allow manufacturers and others to take advantage of the wants of the countries to which they are appointed; then to become thoroughly conversant with the products of these countries, or such products that can be used in our country at a profit, thereby building up our trade on a reciprocity basis, which will take much of our surplus products of all kinds, and increase in that manner not only our trade, but give employment to a large shipping interest, which we sincerely trust will be built up on such principles as to make it a permanent feature. It is a fact that many of our representatives abroad are appointed through political pull or other influence, having no regard to their fitness for such positions. If a merit system prevails we will soon have a better consular service, which will be worth millions and millions of dollars to our great country.

Mr. Hamilton: The Council recommends the adoption of the resolution, and I move that it be adopted.

The motion was seconded.

The question was taken, and the motion was agreed to.

Mr. Hamilton read as follows:

#### PROPOSED AMENDMENT TO ARTICLE IV, SECTION I, CONSTITUTION OF THE AMERICAN BANKERS' ASSOCIATION

So that the same shall read as follows:

The Executive Council shall appoint a Standing Protective Committee of three persons, whose names shall not be made public. The said committee shall control all actions looking to the detection, prosecution and punishment of persons attempting to cause, or causing, loss to any member of the Association, either by loans upon false statements or any other form of crime.

This proposed amendment is submitted under instructions from the New York State Bankers' Association by the delegates

of that Association to the Convention of the American Bankers' Association.

LEWIS E. PIERSON,  
A. D. BISSELL,  
M. S. SANDFORD,  
D. M. PRATT,  
W. I. TABER,  
W. H. RAINEY,  
R. A. PATTESON,  
H. L. CRANDALL.

Delegates.

Mr. Hamilton: In pursuance of the wish of the Council, I move that this resolution be laid upon the table.

The question was taken, and the motion was agreed to.

Mr. Bissell, of Buffalo: Mr. President—

The President: The motion has already passed.

Mr. Bissell: I think I was on my feet.

The President: May I ask whether you wish to improve this motion?

Mr. Bissell: In reference to this motion, yes sir.

The President: I will ask that you be as brief as you may be.

Mr. Bissell: I will be. I represent the New York State Bankers' Association and they favor the passage of just such legislation as is not recommended by the Executive Council.

The President: I think the Convention understands that the object is well intended.

Mr. Bissell: I just wanted to say that word.

CLEAN CURRENCY.

Mr. Hamilton read as follows:

Whereas, At the last session of Congress there was introduced by Congressman Gaines of Tennessee a bill to secure clean money, which provided that expressage both ways on mutilated notes for redemption should be paid by the Government, and which failed of adoption; therefore in order that a source of contagion, long a menace to the public health, be eliminated, be it

Resolved, That this Association record its hearty approval of the above bill, and instruct the Executive Council to have the measure reintroduced at the next Congress and endeavor to secure its adoption.

The above resolution is introduced under instructions from the New York State Bankers' Association by the delegates of that Association to the Convention of the American Bankers' Association.

LEWIS E. PIERSON,  
A. D. BISSELL,  
M. S. SANDFORD,  
D. M. PRATT,  
W. I. TABER,  
W. H. RAINEY,  
R. A. PATTESON,  
H. L. CRANDALL.

Delegates.

In accordance with the action of the Executive Council I move that it be referred to a committee of five, to be appointed by the Chairman, and when in proper shape that it be endorsed by the Association.

The President: The theory being that all proper steps should be taken to secure clean money.

The question was taken and the motion was agreed to.

CIPHER TELEGRAPHIC CODE.

Mr. Hamilton: The next is a communication which I will ask the secretary to read.

The Secretary read as follows:

James R. Branch, Esq., Secretary American Bankers' Association, New York City.

Dear Sir: In accordance with Article VII, Section 1, of the Constitution of the American Bankers' Association I hereby submit the following resolution to the Executive Council for consideration:

"Resolved, That the President of this Association appoint a committee composed of not less than three nor more than five delegates in attendance upon the convention, the duty of which committee shall be to devise and prepare a cipher telegraphic code for the exclusive use of the members of the American Bankers' Association, adequate in scope for practical banking needs, so designed as to permit its free use by said members of said Association without subjecting them unduly to the danger of loss through fraud, and that upon the completion of said code it be delivered to the Secretary of the Association, who shall immediately have same printed in convenient form, and shall thereupon further furnish a numbered copy of the code as thus prepared to each member of this Association, with full instructions as to

its proper use and care, requiring from each bank thus receiving a copy of the code its receipt for same upon delivery, together with its agreement to keep same in a safe and private place when not in use and to return by registered mail said copy of code immediately upon its ceasing to be a member of this Association."

It is my desire to have this resolution presented to the convention of September 14-18, 1904, for action.

Very respectfully yours,

F. F. BLOSSOM.

Mr. Hamilton: The Council recommends that a committee of three be appointed with power to act. I move the adoption of the recommendation of the Council.

The motion was seconded and agreed to.

The President: The next business is the report of the Protective Committee.

The Secretary read as follows:

Report of Protective Committee.

DETAILED FINANCIAL STATEMENT OF STANDING PROTECTIVE COMMITTEE FOR 1903-04.

RECEIPTS.

October 23, 1903, by appropriation of Executive Council at San Francisco, Cal.....	\$18,000.00
April 28, 1904, by appropriation of Executive Council at New York City.....	25,000.00
	\$43,000.00

EXPENDITURES.

September 1, 1903, debit balance.....	\$435.30
Pinkerton National Detective Agency, expenses incurred prior to September 1 1903 .....	4,520.62
Pinkerton National Detective Agency, expenses from September 1, 1903, to August 31, 1904.....	32,074.47
Salaries to January 31, 1904.....	1,683.10
Petty cash.....	20.00
J. H. English & Son, 5,000 confidential books .....	\$74.00
1,000 reports of committee and express charges to San Francisco.....	116.20
	190.20
T. Hanrahan & Co., 1,500 aluminum signs and chains .....	187.50
Yawman & Erbe Mfg. Co., white cards, rodless tray and cabinet.....	40.92
E. V. Brokaw & Bro., minute book.....	5.25
S. W. Pennington, cash account forgery matter Albia State Bank, Albia, Iowa..	75.00
Cartage .....	6.00
August 31, 1904, balance.....	3,761.64
	43,000.00

Credit balance, August 31, 1904..... \$3,761.64  
Cost per member, September 1 1903, 6,943 members, \$5.50.  
Cost per member, September 1, 1904, 7,563 members, \$4.53.  
4,674 reports received and filed since September 1, 1903, to August 31, 1904.

Respectfully submitted,

JAS. R. BRANCH, Secretary.

The President: The report of the Protective Committee will be received and placed on file if there is no objection.

The Convention will listen to the report of the Executive Committee on Fidelity Insurance, of which Mr. Hardy is chairman.

Mr. Hardy: Mr. President, I am requested by Mr. Hamilton, chairman of this committee, to present the committee's report to the American Bankers' Association.

Report of the Committee on Fidelity Insurance.

To the American Bankers' Association:

Your Committee on Fidelity Insurance desires to report that, having been continued by a resolution offered by Mr. Cook of Kansas City, which was referred to, and favorably reported by, the Executive Council and unanimously adopted by the convention at San Francisco, we have in our work endeavored to follow closely the intent of the original resolution adopted in Denver in August, 1898, as follows:

"Resolved, That a committee of this Association be appointed to inquire into the rates of surety bonds and to recommend a standard form of policy, and to consider any plan or plans that may be submitted."

RATES.

Under this instruction the committee has from its inception reported to the Association the rates that

were being paid. These rates we found varied greatly to banks under substantially similar conditions. This year we have continued to make inquiries, and find that the rates have become more uniform on bank risks, and that there has been no material change during the past year, the average rate now paid being \$3.04 per thousand, or 85 cents per thousand less than at the time of the appointment of this Committee. THIS REDUCTION IN THE RATES FOR FIDELITY INSURANCE IS MORE THAN THE ENTIRE ANNUAL DUES PAID BY MEMBERS FOR THE SUPPORT OF THIS ASSOCIATION. This committee has never assumed to recommend a rate, but has reported the rates as they existed from year to year. The members of the Association are carrying \$145,196,528.00 of Fidelity Bonds. The amount of premiums paid annually is \$434,475.12 and the number of employes covered by such corporate suretyship is 18,598. Of this number 5,579 are bonded under the American Bankers' Association copyrighted form of bond, a gain of 25 per cent. over the previous year, showing a growing appreciation of this bond.

#### STANDARD FORM OF POLICY.

In pursuance of the original resolution we had a form of bond prepared that is most equitable for the insurer and the insured. This bond is so drafted as to comply with the insurance laws of the different States and to give protection to those using it.

This form is copyrighted for the exclusive use of the members of the American Bankers' Association. It has been formally adopted by the Association, and for four years has been steadily growing in favor, and so far as we know has never been the subject of litigation. We are again obliged to report that in some cases companies are writing this form of bond only after persistent attempts to furnish their own forms, and some are insisting on the insured making warranties in the application blank as a basis of the contract. This makes a conflict in the terms of the policy and is liable to involve the bank accepting such insurance in litigation and possible failure to recover in case of loss. Our members cannot too carefully guard against any attempt to substitute an application blank containing warranties for a cash premium as a basis for the insurance.

#### PLANS.

Numerous plans have been submitted to this committee, all of which have received careful attention and consideration. It has been suggested that we recommend some one fidelity insurance company to which the business of the American Bankers' Association be given, the company giving a portion of the premiums received to the Association as a commission for securing the business. The committee has, from the first, thought that this was not a safe course for the Association to pursue, as practically all fidelity insurance companies are writing risks more or less hazardous, in addition to the bonds of bank employes, and are in no way accountable to the Association either in the conduct of their business or character of their investments. The wisdom of this position is proved by the fact that some of the companies had to be practically reorganized since this matter was first brought to the attention of this committee, and one of the State Associations that has adopted this or a similar plan is now embarrassed by the contesting of claims, and the members are making the plea that the Association, having received a portion of the premiums, should take an active interest to enable them to recover the amount of their loss.

We have had suggested for consideration a plan of organizing a stock company, the stock to be taken by members of the Association, but the same objection referred to above—the recommendation of any one company—would apply to a new company. No company owned in whole or in part by bankers should be organized

with the purpose of making a profit on the fidelity insurance of bank clerks.

The plan of mutual assessment insurance we have never considered safe, and the uncertainty of collecting the assessments, should the losses become frequent, would make the bonds practically worthless as security for banks.

#### RECOMMENDATION.

Your committee has again carefully considered the question of fidelity insurance in all its various forms and is firmly convinced, as before, that the best and most feasible plan, which covers the ground and combines the element of safety, is the one recommended at the New Orleans and San Francisco conventions—namely, the creation of a guaranty fund for the benefit of the members contributing to the same, under the management of trustees. The idea contemplated in this plan is the original collection of premiums at a reasonable but sufficient rate to cover the risk and to create an ample surplus in the guaranty fund, involving no liability to any one other than the premium paid.

It is not an untried experiment, for it has been in successful operation in England for thirty-nine years under the Bankers' Guarantee and Trust Fund, and for thirty-eight years under the Colonial and Foreign Banks Guarantee Corporation.

The number of employes bonded in the English Bankers' Guarantee and Trust Fund is 15,806. The number bonded in the Colonial and Foreign Banks Guarantee Corporation is 6,795. While the number of employes bonded under the Bankers' Guarantee and Trust Fund is somewhat smaller than the number of employes of members of the American Bankers' Association covered by corporate bonds, yet the average amount of the bonds is almost identical, and the average loss has been practically the same. The success of these foreign companies can best be shown by the following figures taken from the published official reports of the Bankers' Guarantee and Trust Fund:

Year.	No. Employes.	Prem. Pd.	Amt. Loss.	Amt. Reserve.
1900	15,473	\$49,203	\$25,984	\$870,964
1901	15,651	47,652	46,748	890,870
1902	15,897	46,813	33,539	923,356
1903	15,888	40,325	21,864	963,829
1904	15,806	37,058	9,522	983,969
Total .....		\$221,051	\$137,657	

It will be noted by these figures that there has been an increase in the reserve of this British company of \$113,005 during the past five years, after meeting all losses and paying all expense of management; that the amount returned in losses is \$137,657. In other words, the amount returned in losses and the amount of increase of the fund held for the bank employes is \$29,611 greater than the amount that they contributed during these five years, while in America we are contributing at the rate of over \$434,475.12 a year, or in five years upward of \$2,172,375.60, and the only return to show for it is the amount recovered when there are losses, and these we have shown are comparatively few.

The Colonial and Foreign Banks Guarantee Corporation from its beginning has issued 17,262 policies. It has in force at the present time 6,795 policies, and during the last year rebated to the policy holders \$59,203, in addition to setting aside \$19,520 for depreciation of securities, and yet increased its reserve fund to \$942,600. This company requires a payment of only \$11 per thousand for insurance, divided into four annual payments, and no further premiums are required.

These English companies bond the employes of hundreds of banks in England and in the British possessions.

In addition to the above funds there are private funds created by the Bank of England and other leading banks for the bonding of their employes. These departments have been in successful operation, some of them since 1841, and in no instance have more than five annual

premiums been required, this amount being sufficient to meet all losses that have occurred.

On this side of the Atlantic the Canadian banks have for years maintained fidelity funds with equally satisfactory results.

The plan of creating a trust fund in the hands of trustees has therefore proved a success, and our attention has been directed to no specific case where such fund has not been successful. As before stated, the various companies have been in successful operation in England and her colonies for nearly half a century. We might add that in this country the employes of several of the leading express companies are successfully bonded under the same plan; that some of the railroad companies are maintaining pension departments, in which subscriptions are received and credited to the fund in this manner, and that the Jewelers' Association has a protective organization similarly controlled.

After careful consideration of all the plans the committee has no hesitancy in recommending this as a proper one for the Association to adopt. Should the convention adopt the recommendation of this committee, we have, as a part of the plan reported, prepared rules and regulations for the government of such a fund, similar to those that are now being used by the guarantee funds in England, changing them sufficiently to meet the conditions in this country.

During the year the committee sent inquiries to all the banks in the United States, asking for an expression as to whether or not they approved the recommendation of the committee made at the San Francisco convention. The result of our inquiries is as follows: From the non-members of the Association we received 4,033 replies. Of this number 3,971 favored the plan, while 62 were opposed. From the members of the Association we received 4,041 replies. Of this number 3,139 were favorable to the recommendation of the committee and 389 were opposed, while 513 were indifferent. Two thousand three hundred and thirteen did not answer our inquiries. Most of these, however, are brokers and small bankers who are not interested in this movement. There were 796 bankers who favored the recommendation of the committee in 1903 and 15 opposed who have not answered this year.

It is the belief of this committee that the adoption of this plan and the amendment of the constitution of the American Bankers' Association is an important step, and one that should be taken for the strengthening of the Association and the protection of its members.

Many bankers seem to labor under the impression that they are bound to accept this form of protection if adopted by the American Bankers' Association, or they would in some way become individually liable. This is not true. In no way can liability attach to any member of the Association, whether accepting this form of indemnity bond or not, and the acceptance of such indemnity from an employe would carry with it no more risk than would accompany an individual or corporate bond.

Again, some bankers think that the Association is by this amendment launched into the insurance business. This would not be the case. The Association for and on behalf of such members as choose to join in the fund engages simply to name the trustees and audit the accounts of the fund.

Assuming it to be the wish of the Association that the matter be again considered, your committee has filed with the Secretary the amendment to the constitution presented at the San Francisco convention for such disposition as the Association may deem best.

Respectfully submitted,

JOHN L. HAMILTON,

CALDWELL HARDY,

L' H. FRIES,

W. P. MANLEY,

A. C. ANDERSON,

Committee on Fidelity Insurance.

#### FIDELITY INSURANCE BOND—PROPOSED GUARANTY FUND.

Mr. Hamilton: The following amendment to the Constitution was presented to the Executive Council by the Executive Council Committee:

An amendment to the constitution of the American Bankers' Association, presented by the Fidelity Insurance Committee. An amendment to Article 3 of the constitution of the American Bankers' Association by the addition of Section 2:

Sec. 2. The Executive Council shall appoint a board of five trustees for the management and administration of a fund to be known as "American Bankers' Guaranty Fund." Said fund shall be established for the purpose of enabling such of the members of this Association and their employes as may elect to become subscribers and contributors thereto and to avail themselves of the advantages thereof to provide, by means of a general co-operation among said members and their employes, a fund from which said members may be reimbursed for losses arising from the dishonest acts of their employes. Said board of trustees shall establish rules and regulations for the government and management of said fund, and the rules and regulations formulated and adopted by the trustees shall be binding upon all the contributors to and beneficiaries of said fund. Vacancies in the board of trustees shall be filled by the Executive Council, and it shall be the duty of the Council to annually appoint an Auditing Committee to audit the books and accounts of said trustees; but nothing herein contained shall be construed as creating any financial liability by the Association on account of said fund.

Mr. Hamilton: The Council at its meeting last evening voted to recommend that it do not pass.

A Member: I move that the recommendation of the Executive Council be concurred in.

Another Member: I would rise to move as a substitute that the recommendation be not concurred in, that we do not agree to the recommendation of the Executive Council.

Mr. Randall, of Maryland: Mr. President, I think that the usual course when an unfavorable report is brought in is to substitute the original proposition for an unfavorable report. That is the proper parliamentary way to bring the matter before the Convention. Now, inasmuch as this proposed amendment comes in with an unfavorable report, the proper way to bring the original proposition before this body would be to move to substitute the amendment to the Constitution for the unfavorable report. That would bring the matter squarely before the house.

A Member: That is my intention. I will accept the gentleman's suggestion as the true interpretation of my motion.

The President: Gentlemen of the Convention, the Chair declares that the motion before the house is that the amendment to the Constitution be carried. You are aware that it will require a two-thirds vote.

Mr. Hardy: Mr. President, I want to say a few words as to the action of the Executive Council. I think this is a most important matter.

I imagine that the matter has been before the Convention frequently enough for most of the delegates to be more or less familiar with its importance and the purport of our recommendation.

The committee feels confident in the position which it has taken and the recommendations which it has made. All such matters, however, have to go through a period of probation, and the campaign of education carried on before people become absolutely settled in their convictions and their views in regard to it.

So far as we can judge, members of this Association have been deeply in favor of the carrying out of the recommendations of the committee; but, on the other hand, there has been a strong counter influence against the working of the committee, and I have no hesitation in saying that to a considerable extent, at least, that feeling has been inspired by the bonding companies. That feeling has been strengthened by the natural conservatism of our members against taking any radical steps—the feeling that we should be absolutely certain we were right before going ahead.

You are familiar with the usual proceedings in your board meetings. You bring up a matter of importance

for consideration, and while a majority of your members may be in favor of some one proposition, if there is a strong undercurrent of dissent, even on the part of a few members of your board, you usually go on the safe side and pass that matter by. In other words, in taking important steps you want your committee to be a unit, and the committee, at least, feels that in acting on this matter the American Bankers' Association, if it should see fit to adopt it, should be as nearly a unit on the subject as possible.

There has never been a committee in my observation of the affairs of the American Bankers' Association that has been more fiercely attacked than this committee has, and the committee has the gratification of having it come to their knowledge that at least one member of the bonding company said that it was the hardest committee they had ever run up against, because it was indifferent whether they carried out their project or not. In other words, it has had no axe to grind, seeking to serve the interests of the Association, and it has been satisfied to abide by the action of the Association, whatever that action might be.

We have actually had our pulse felt as to whether there was any graft in the situation or not. They found out that there was not. (Applause.)

Now, I have a letter here which the Comptroller of the Currency wrote to the Chairman of our committee recently, which will give you some idea of the value that he, at least, sets upon the work already done in the preparation of the form of bond that is coming in vogue among the members and to which the bonding companies have been so averse. I will read this:

*Mr. John L. Hamilton, Chairman Fidelity Committee, American Bankers' Association, Hoopetown, Illinois.*

*Sir:* In the management of the affairs of an insolvent National bank this office has experienced much difficulty in collecting from surety companies the amount guaranteed by them to secure the faithful services of National bank officials.

The bonds have usually been written upon forms prepared by attorneys for the surety companies, in which the interests of the company appear to have received exclusive consideration. Many of them have been conditioned upon the accuracy of a printed statement, to be signed by officers of the bank, couched in such language as to mislead the officer as to its legal import. Some have contained provisions in the nature of warranty as to the examination of accounts to be made and supervision to be exercised over the conduct of the guaranteed officials, practically defeating the whole purpose of the bond.

With a view of endeavoring to encourage National banks to require their officers to furnish bonds of uniform character and so drawn as to furnish indemnity against their fraudulent acts, I desire to join in recommending for their use the standard form of bond approved by the American Bankers' Association. This bond seems to clearly protect the bank against the dishonesty of its employes, and contains all reasonable provisions for guarding the surety company against imposition by the bank. I believe its general use will result in banks obtaining the security stipulated for, and which under many bonds now in use is not afforded.

In this connection it may be stated that it is the policy of this office, in cases where it requires fidelity bonds to be furnished, to patronize only such companies as have manifested a disposition to discharge the obligations of their bonds when no legal defense exists. A few companies, as appears from the experience of this office and in cases contained in the legal reports, have shown a tendency to evade their liabilities, apparently indifferent to any effect upon their reputations from such policy. As the selection of a fidelity company is usually left to the employee, who is not interested in the character or the reputation of the company to be selected, but cares only for the premium to be paid, it is obvious that the insured does not have that protection from a desire on the part of the company to establish or maintain a reputation for fair dealing which belongs to one insured in an ordinary fire or life insurance company. Bankers are pre-eminently interested in observing and properly appreciating credit. It is suggested that a careful discrimination in the selection of the Fidelity Committee as to its credit for prompt payment, based upon its record, is the only remedy for the evil referred to, and would result in the prevention of much injustice in the future.

Respectfully,

WM. B. RIDGELY, Comptroller.

(Applause.)

The Executive Council has seen fit to recommend that the recommendation of the committee be not adopted. The members of the committee appreciate probably more

fully than you do the responsibilities which they would assume in prosecuting this work. In view of the fact that the Executive Committee has made its recommendation and that that recommendation would relieve the committee of further care and responsibility, it is perfectly acceptable to the committee to accept that verdict, and I wish to second the recommendation of the Executive Council and to ask that the committee be discharged from further consideration of the matter.

Mr. Edmunds, of Baltimore: I wish to call attention to two sentences in that letter. The statement is made that the selection of a bonding company is left to the employee. It is not so in Maryland. Is it so in other localities—that the selection of the bonding company is left to the employee? I never heard that before. The other statement is this: He recommends the form adopted by the American Bankers' Association, and says that now bonding companies do not furnish that form. We have that form—the form that the Comptroller recommends.

The President: It seems to me that we are about to take a vote upon the substitute motion or bring this amendment to the Convention. That would require a two-thirds vote. You have heard the report and the remarks made.

Mr. Supplee, of Maryland: Mr. President, I will yield to no man in admiration of the work that this Association has done for thirty years. We of the younger generation have read its reports as religiously as we have Holy Writ. It would be to add a "perfume to the violet," "to paint the lily," "to gild refined gold," to say a word, and I only wish to say that for conservatism this Association has no equal on the continent. Now we are at the parting of the ways. A Convention that for conservatism has no equal proposes to launch out upon a field the most hazardous in the entire domain of insurance. Is there a gentleman here who will doubt it? I will tell him that last year was the most disastrous year for surety insurance, while the most successful for the general business of the United States. One company disappeared in the hands of a receiver, although well conducted; two companies had their assets cut in half in order to show a surplus.

Mr. Hardy arose.

Mr. Supplee: Do you wish to know who I am?

Mr. Hardy: No. I wish to ask a question. Were those losses incurred by bonding the general contractors or were they incurred by bonding bank clerks?

Mr. Supplee: They were largely by bonding bank clerks. The percentage of bonding of bank clerks this year has been the largest for the past fourteen years.

Hear me for my cause. I am here to state that the company I have the honor to be connected with paid more losses every year for six years than the committee has reported for the entire nation. You reported at San Francisco \$45,000 of losses. I am here to say that we signed checks for more than that for bank clerks.

We have accepted, as the gentleman has well stated, your form of bond, and are ready to write it anywhere. I stand here representing \$30,000,000 capital engaged in this which will soon be a disappearing industry unless there is a halt called and there shall be found such method that fidelity shall be controlled, that the interest of the individual shall be raised, and we appeal to this conservative organization not to embark in a field which puts you on a par with insurance lawyers, that are now being turned down throughout the nation by insurance commissioners.

A Member: I rise to a point of order. I would ask if the gentleman represents a bank or a bonding company? (Applause.)

Mr. Supplee: I represent both.

The Member: What bank?

Mr. Supplee: The United States Bonding and Guarantee Company of Baltimore.

The Member: What is the bank?

Mr. Supplee: The Farmers and Planters'. I wish to say in this connection that you cannot do the business

without running counter to the laws of the State. Will this great Association run counter to the laws of the respective States? Will you do it by mail and your agent not be known?

We appeal that you shall stand by your Executive Council, for it has been known as the guiding force, the balance wheel, of this Association for thirty years. They have reported a deficit. We beg that you will stand by their report, and not attempt something new and untried.

You may say that it is voluntary. The name of the Association will be smirched if it is a failure; you will have to audit its account every year. You are morally responsible whether financially responsible or not. One hundred thousand dollars of the fund will disappear in two years, wiped out by the losses. The notes you will give will be thrown out by the bank examiners because they are not good. And you will be glad to go back to the ancient time.

I am surprised that the Comptroller of the Currency shall lend his name and stationery of the Department—and the Secretary of the Treasury has already been written on the subject by conservative banks in Philadelphia—and I am surprised at this juncture that we shall have to meet this question. It was supposed at San Francisco that the matter was killed, but we stand here to-day as bankers, and we should be conservative.

Mr. Durham, of Illinois: The honesty of the gentleman is to be commended, in that he admits very frankly that he is a part of the small but very acute opposition to this bill. This committee has investigated this proposition in its home land across the ocean. They have seen where it has been successfully working for years. They present to us this morning a statement that the amount of money we are absolutely and actually throwing away in this matter is twenty times larger than it should be if we were to adopt this system. (Applause.) The gentleman suggests that he thought this matter was killed. It is not killable, gentlemen. (Applause.) It is like Banquo's ghost, to disturb many a feast of the bonding companies. (Applause.)

It seems to me it should be unnecessary to advance any arguments in behalf of this move. Like a jug handle, it is all on one side, excepting for the pecuniary interest of men who are now writing this business.

Let us be sane and sensible; let us take this matter up. It is an individual matter with each of us. The committee has recommended a complete and thorough and impregnable bond. Let us adopt it; let us use it. (Applause.)

Mr. Sullivan: As a member of the Executive Council I want to say a word as to why this should not be adopted. I am unable to remain a member of the Council and permit this large and intelligent assembly of bankers to be stampeded by the fiery oratory of the gentleman from Illinois.

This question is not a new one. It has been frequently before you in the past, and you have invariably set your foot upon it, you have invariably voted it down. Now, then, last evening this proposition was considered by the Executive Council, considered religiously and faithfully and earnestly. Two of these gentlemen of the Fidelity Committee are members of the Executive Council, and one is an ex-President. With all of the influence, personal and otherwise, of the gentlemen, this proposition was unable to receive at the last night's Council meeting more than two or three or four affirmative votes. Now, then, I cannot understand the persistency of this Fidelity Committee in persisting year after year to thrust this proposition on you for your consideration. We do not impugn the motives of the committee; they are intelligent gentlemen, and I believe they are honest; but I do believe that they are certainly misguided. This proposition is certainly not one to be considered by the American Bankers' Association, and in saying this I want to anticipate a question from my friend over here, that I am not identified with any bonding company. I am a banker pure and simple. (Applause.) In what I say I am not

actuated in any manner of means by selfish motives. I think, gentlemen, that if you amend your constitution as provided by this resolution you will go beyond the purposes which actuated the gentlemen in organizing this Association 30 years ago. I think you will get yourselves into trouble and you will be badly talked about. Besides, this proposed amendment to the Constitution is not in good form. It says: "The Executive Committee shall appoint a committee of five trustees." For what time? For life? You would not say that, certainly not. If it should be adopted at all it should say a Board of Trustees to be appointed for three years, or five years, some definite period. Now, then, you all remember, you who were in San Francisco last year, that this proposition brought forth a lot of discussion, and the consensus of opinion was that the recommendation of the committee should not be adopted. You remember that, and you remember how the members of the Fidelity Committee asked that they be continued for another year.

Now, it is true that the members of this committee have labored intelligently and faithfully, and they have used a great deal of your money in the consideration of this proposition, a great deal, and I consider the money wasted as a matter of fact.

A Member: Who voted it?

Mr. Sullivan: Who voted it? The Executive Council, why certainly. The Council is prompted by the same motive that you are prompted by, and that others are prompted by; they are prompted by a desire to bring about the best results for the Association, and the character of the gentlemen constituting the Fidelity Committee was such that the Council voted the money in the hope that they could by investigation produce something worthy of consideration and adoption. Now, after seven years' investigation they have produced this which you have before you this morning.

Now, gentlemen, I certainly think you ought not to be stampeded in the manner in which it is sought to stampede you this morning. Do not make a false step; do not do that which will throw discredit upon our Association. I move that the substitute as well as the original question be laid upon the table.

A Member: I second the motion.

Mr. Ridgely: Before this motion is put I would like to ask the gentleman's consent to say one word.

The President: While a motion to lay on the table is not debatable, I am constrained to give the Comptroller of the Currency time to say a word.

#### REMARKS OF COMPTROLLER RIDGELY.

Mr. Ridgely: Mr. Chairman and gentlemen of the Convention, I have no desire to enter into this discussion. I simply want to say in reply to the gentleman from Baltimore who endeavored to make the insinuation, if not the statement, that the Comptroller of the Currency had taken part in the controversy, that if you will read that letter you will see it does not refer in the slightest degree to the question you have had under consideration here this morning. That letter was written simply as a part of an effort to get the National Banks to adopt the form of a bond which will give them proper protection. Its only object is to give them that protection, to call their attention to the differences in the kinds of bonds which are being written, and the circular to the banks and the bank examiners was only sent, and this letter was only written, after we had had a very unfortunate experience with a few bonds. In those cases we were dependent on statements made by the officers, and they were so defective in form that one company in particular said: "We won't pay that policy," and gave us no reason why they would not.

The President: Gentlemen of the Convention, of course I think you will uphold the Chair in the desire to give the Comptroller the opportunity to say what he has. (Applause.) I cannot consider what he has said a debate on the question to lay this whole proposition on the table, which is now before you and which is not subject

to debate. Gentlemen, it is the duty of the Chair to put that motion.

The question was taken and the motion to lay on the table was lost.

Mr. Hamilton: On behalf of the Fidelity Committee I wish to make an explanation, and as to the remarks made by our friend, Mr. Sullivan, from Cleveland. I am surprised that that gentleman, a member of this Council, would come before you with the statement that this committee has endeavored to perpetuate this before this Association. The records of the San Francisco Convention do not bear him out in his assertion. The Executive Council at San Francisco recommended that this amendment to the Constitution do not pass. This question was discussed before that Convention and this amendment failed by 29 votes. The action of that Convention on the first day practically put this committee out of existence. The following day a gentleman from Kansas, a Mr. Cook, with whom not a single member of the committee has an acquaintance, offered a resolution asking that this committee be continued. The Chairman required a two-thirds vote to report that resolution to the Executive Council for their immediate action. The Executive Council met in pursuance of the request of the gentleman from Kansas City and without the President of the Association, who is not a member of the committee, Colonel Fries, a member of the committee, and myself being present, unanimously adopted the resolution. (Applause.)

If there was any inconsistency anywhere it has been on the part of the Executive Council. At that meeting he had previously recommended that this amendment be not adopted, recommending a resolution that the committee be continued.

• In answer to the gentleman from Baltimore, who got up and criticised the figures of the committee, I wish to say that he has spoken from a broad field, including the 18,000 banks of the United States. There has not been a single fidelity insurance company able to refute a single figure made by this committee—(applause)—as reported to this Association. (Applause.)

Our figures apply only to the membership of this Association when we make our report.

I will say in justice to that gentleman that the losses this year have been heavier than heretofore, but notwithstanding that they have been heavier they do not represent one-quarter of the premiums paid by the membership of this Association. (Applause.)

I will say, further, in justice to those gentlemen, that never since this committee has been appointed have they been as prompt in payment of their losses as they have been this year. (Applause.)

I want to say in justice to the Comptroller of the Currency that he was forced to this position from the position taken by the fidelity companies. His experience is the same as that of the different State banking departments. They pay when it is policy to pay, and they turn it down if they see fit, and under no form of bond written by the surety companies, with the exception of the form prepared by this committee, are they bound to pay these obligations. (Applause.)

Mr. Powers, of Louisville: Mr. President, being a member of the Executive Council, knowing something of the operation and work of this committee, I feel, without trespassing seriously upon your time, that I may make some suggestions that will possibly relieve the situation. The gentleman from Illinois, who spoke in advocacy of the bond that this committee reported four years ago, and which was adopted by this Convention, certainly was without the pale when he undertook to make that the question as to whether or not we should vote for this amendment.

Now this bond has been established by us as our bond; it has been copyrighted; it is used everywhere. Every solitary guarantee company in the United States is ready to write upon that, and none has refused to write.

(Cries of "No! No!")

Mr. Powers (continuing): I say distinctly that no

party has ever been turned down and sent to another company by reason of their refusal to write the bond we have prescribed.

(Cries of "No! No!")

Mr. Powers (continuing): I say, furthermore, that you cannot drag into the question that is now before you, as was attempted to be done in a speech that was made here by the gentleman who read the report of the Fidelity Committee, the bond question. The attempt in that report is made to give emphasis to what? To the bond. Is that the question here? What have you to do with the bond? The bond is adopted long since and you use it; it is not a party.

Gentlemen, in this report of the committee that was made the whole burden of the song was upon the bond, in the attempt to influence, by circular letters, the bankers throughout the United States.

Each time the Executive Committee has said to the Convention, has said to the members of the Fidelity Committee: "You have made a mistake, and we do not concur in the view you have taken."

A Voice: On what ground?

Mr. Powers: On what ground? They did it upon the ground of the good of the Bankers' Association of America, they did it because they feel that they know that it will only mean failure and disaster and ruin as far as the credit and good sense of the American Bankers' Association of the United States is concerned. (Applause.) They did it upon the high and broad ground that this committee was never constituted for a purpose such as they attempted to foist upon this Convention and upon the Executive Council.

Read this report, and read it carefully, and you will find that there is not a syllable in there which warrants for what you propose to do after you get this amendment through—not one. It has been complained by this committee on the floor of this Convention this morning that there was unfairness shown it, that they have been pursued. Gentlemen, I want to say that I had occasion not a great while ago, last April, when the Executive Council met, when a letter was presented by one of the members of that committee addressed to its chairman, and that chairman adopted it as the action of that committee and read it before that Council, undertaking to brand every man who opposed the measures that they had advocated or recommended in San Francisco as being interested, and people who are swayed, influenced or hired as the representatives of guarantee companies. By reason of that letter I express myself with some degree of freedom with reference to the acts of this committee. I stand here not as the representative of a guarantee company. I stand here in my individual capacity as a member of the Executive Council. I stand here as a member of this Association free from any of the shackles that have been insinuated with reference to the judgment of these people. Do you believe that an Executive Council composed of thirty-five members is tainted? Do you believe they are fair? Do you believe it was a fair and impartial jury that undertook to try this case, and have tried it? They have tried it, I believe, four different times, and rendered the same verdict each time. Will you uphold that verdict, or will you be overriden by those who have been worked up most systematically by a committee that says on this floor: "We want to be discharged?" The gentleman's good faith must be measured by the acts that grow out of the conditions that surround the action of those who undertake to determine the question.

Now, then, in 1900 what did this committee say? I do not want to lug anything into this debate in this discussion that will influence anybody unfairly, but I do ask you to listen to what these gentlemen have said, the record they have made, and if they have stated it fairly in the other reports they have made, then I think I am justified in saying that this amendment should be defeated. (Reading):

We get from many of them expressions favoring the adoption

by this Association of a similar plan, but the successful operation of it would involve possibly an incorporation of some kind.

Who says that? This committee, these officers.

Then officers and a suitable staff, experienced in such business, would have to be employed to manage it and a supervision exercised over such a bureau, which would require more time than any member of this committee, or any member of the Association, could probably afford to give it. One State Bankers' Association has entered into an agreement with a surety company by which all its members get their fidelity insurance written at a moderate and uniform rate.

When did they say that? In 1900. They thought the machinery was too cumbersome; they thought it was too expensive; they thought it meant something if you undertook to do this. And I think so now. And I will tell you where the difficulty lies. You are undertaking to put on its feet a concern without surety, to maintain it without money, to leave it without any responsible head, making this great American Bankers' Association the god-father of an institution whose maternity will be denied from start to finish. (Laughter and applause.)

I will tell you, gentlemen, that when you undertake this question you have the right to take time enough to think and see what it means. In 1901 what further did they say? (Reading):

In order to ascertain what was an equitable and adequate rate, it became necessary to secure tables of the experience of our own members, which has satisfied that the highest rates were not warranted by conditions, and that while the very low rates might be adequate in especially favorable years or possible for some company enjoying a particularly favorable loss ratio for a series of years, they are probably too low to afford assurance of sufficient income to meet losses in full over a period of years, and this not because losses consume so much of the premium income as because expenses take the major part of the receipts.

Now, how are you going to run this institution? How are you going to organize so as to take over all these banks without expense? How are you going to undertake to take care of these people under the committee that is to be appointed every year? That is what the amendment says. Because of the absence of any provision you cannot make it extend over one year. (Reading):

We are satisfied that the lowest rates then granted were made in fierce competition for business instead of as the result of deliberate judgment based on carefully prepared statistics.

It is to be noted that while no lower rates are to be obtained than the lowest three years ago, the high rates, then so common, have practically disappeared.

The publication of the information furnished this committee has, therefore, tended to establish rates on a more uniform and equitable basis.

Now, what more do you want? Do you insist that you can go into market and buy stuff and sell it to the farmer because you are a farmer, cheaper than you can get it from a merchant who is a merchant? Who is to run this; who is to operate it? They say you may sue the trustees. They are our trustees. They change every year. There is one set in this year and another set in another year, and so on.

Now, gentlemen, you are supposed to be sensible, cautious, careful, prudent men. With such conditions surrounding the paper of your country, and a doubt thrown upon it, I do not think it will pass the Discount Board very easily.

Now the report: and the thing that you have been advised was to happen by reason of this amendment is that you ought to have your insurance of your employees for one-third. That is it—that is the statement—one-third! Now, gentlemen, I want to ask just a plain, old-fashioned question: Is there a man here, is there a banker here, who wants the insurance of the guarantee of what would be a uniform and equitable basis? Now, do you? That is what the committee has said to you. If it means that, it means every bond that is written under this amendment, if one should be formulated and presented, is a straw bond, with not straws enough in it to drink up a good old-fashioned Kentucky mint julep.

A member: Does the report say that the rate is now equitable, or that it is more equitable than before the committee went to work?

Mr. Powers: I will read it again:

(Reading):

The publication of the information furnished this committee has, therefore, tended to establish rates on a more uniform and equitable basis.

Now, listen to this committee. I am taking the evidence of the other side.

This is from the proceedings of 1902, pages 96 to 97:

(Reading):

Having now, as a committee, performed the duties imposed upon us by reporting the rates paid by our members for their insurance; having provided a standard form of bond and secured nine surety companies from whom it may be obtained by members; having carefully considered all matters submitted pertaining to this subject; having in the discharge of our duty not only hung out danger signals upon some of the shoals that had been proved dangerous to warn our members from future bitter experiences, but having mapped out courses of safety, we respectfully ask that this report be received and we be discharged.

That is not so very long ago, and that is what they thought then. That is what Mr. Hamilton and Mr. Anderson and Mr. Fries thought—that was their deliberate judgment. They did not think it was so important for the safety and happiness and good looks of this Convention that they should have a guarantee company then. They were not extending a paternal regard for you at that time, in this report. That is what they say.

In 1903:

(Reading):

The conclusions are that there are two ways for the American Bankers' Association to bond their employees within themselves if they care to do so. The first and least cumbersome in its organization is by the amendment of the constitution so as to provide for the appointment of a board of trustees to establish a protection fund, and, if desired, a pension fund in connection with it. By the appointment of such a board the future liability of each bank is avoided, yet the association controls the trust funds.

Mr. Shorrock: I would like to ask a question so that the matter may be made more plain to me in one regard. The committee have made one very strong point, as it appears to me, which has not as yet been met at all by the members of the Executive Council. They have made the point that this matter has been adopted in other countries with entire success. This seems to be an important point. Is it a fact, or not? I for one would like to have information on that subject, because, apart from what the committee has said in the past, and apart from what the Executive Council may feel in regard to a particular report, what we had before us is a complete illustration, we think, of the carrying out successfully of this very plan. I, for one, would like to know if those facts they have given us are true. If they are not true, I would like to know in what respect they are unsound, so we can have before us a concrete illustration, and not theory. They give facts. Let us see whether they are so or not, and then we can come down from the platform of theory to that of practice. (Applause.)

Mr. Powers: The gentleman's suggestions are not only pertinent, but absolutely along an intelligent line. So far as I can answer them I will do so cheerfully. I want to say that the facts I have been stating have been taken from the committee's report. As to whether this plan they have got has already been in operation for a series of years, and has been successful—you want to know as to that?

Mr. Shorrock: Yes.

Mr. Powers: Gentlemen, the plan as outlined by this committee and the information given us as far as we have been permitted to see behind the curtain says that in Scotland and in England large and great and wonderful corporations that have existed for one, two, maybe three hundred years, or some of them, bond their own clerks, take care of their own people. They cite to us the American Express Company, the Adams Express Company, as bonding their own people, and therefore we should bond our own people. Now, is there any man here that thinks there is any analogy there at all?

A Member: That is not the point. The point is in reference to the cases referred to; are they successful or not?

Mr. Powers: I will answer if I am given time. This running conversation takes a great deal of time, but rest in patience and I will try to answer you.

Now, sir, the Adams Express Company and the United States Express Company have thousands of men in their employ; they control those men. Why is it they bond them? Because, if a bond were purchased for them it would cost a vast deal of money. In this organization, if this company for whom this is intended, or any institution that had five thousand members or one thousand members—one thousand people to be bonded—they would certainly make a very serious mistake if they did not bond their own people. How would they do it? They would do it by an assessment to pay it. How many banks in the United States do you suppose the employees to pay their own bonds? I undertake to say that no well regulated bank, no bank that is entitled to that high respect which all institutions desire, no institution that puts forward its interests to the public and asks their confidence, undertakes to allow their employees to pay for their bonus.

Mr. Fisher, of Flatbush: I rise to a point of order. I read from the Constitution that discussion is limited to thirty minutes for each topic. (Applause and cries of "Question! Question!")

The President: The Chair is of the opinion that that has no application to the question we are considering. That only has to do with practical questions of banking that come afterward in debate. (Applause.)

Mr. Powers: Now, I am aware that some of you want me to quit, and I am not going to take very much longer.

The banks of England that have been referred to are operated in such a way by their governors that they are absolutely in touch with all their employees—and they have got hundreds of them. Now, you take this assertion and compare it with any reputable bank in England and see what it would amount to. How many different heads have you got? There you have one head and you have 1200 or 700 or 800 people in it. Now, how many banks here have twenty-five men in their employ to be bonded? And yet you undertake to liken this to a bank in England that has run for three hundred years, that has employees in its institution and the various branches that it has numbering in the hundreds. Now, that is absurd. The very position that these gentlemen take on this subject is absolutely absurd.

Take the Adams Express Company, and you see the absurdity of this proposition in a minute. They can control conditions. But you cannot control conditions. I do not gainsay the truth of what these gentlemen tell you, and I do not think any one of them would attempt to mislead us, but I do attempt to say that you gentlemen cannot come to conditions in England and Canada and undertake to fix conditions for the American Bankers' Association.

What is good in England under this rule is not applicable to this institution. If the Hamilton National Bank, or any other great bank of this city, should adopt a plan to bond its own people, that would be proper and right and within the scope of its authority; but would you say that a thing that was judicious for them to do was judicious for seven thousand banks to do collectively? If you do, then your judgment is at variance with what I believe to be the true measurement of good sanity.

This committee has all the plans, rules, regulations and rates of the different banks of England governing such fund. And should this Association establish a feature of this kind, we have the information at hand, so that it could easily be put into practical operation. We believe we have all the information that is possible to be obtained and recommend that the information be put to a practical use. Has the information been put to a practical use? Up to four years ago the information they got with reference to the bond, with reference to rates, was put to practical use, showing these guarantee companies that we did not intend to pay any price that they might fix, but that the competition should be sharp,

and if that did not suit us we would undertake to get up something of our own. But not one like this. If you did you would have a peripatetic president of a homeless corporation, as an Irishman said once to me about a railroad—he could not find the officers of the railroad or any one else, and that seems to me to characterize the condition in this situation.

I want to apologize for having taken up so much of your time. I submit this matter for your consideration as a member of the Executive Council. I submit it to you for your candid, calm, judgment, and then if you say that we shall start this variety show, very good, I am quite content, and I will take a ticket and go in. But you will never bond anybody that belongs to the United States Trust Company.

Mr. Fries: Mr. President, I do not come to argue this question. The committee has not sought to do that at any time, and I do not wish to do it now. If I can do so I will pull aside the curtain that Colonel Powers seems to think hides something, and in behalf of the committee I would like to read the resolution under which they were originally appointed and for which they stand to-day:

That a committee of this Association be appointed to inquire into the rates of surety bonds, to recommend a standard form of bond, and to draw any plan or plans that may be submitted.

We have done that, and have done nothing else. And I want to say, upon behalf of this committee, that the labor has been very arduous. Our conclusions have been reached rather against our original convictions. We have sent one of our men to England to investigate the companies there, and I have in hand the published statements of these companies there which this report covers, showing that if they paid eleven dollars, divided into four different annual premiums, they carry an indemnity policy for life. That is, therefore, just one-fourth of eleven dollars for five years. Eleven dollars pays for an annual premium for life. We pay three dollars a year for the same amount, and pay it for life.

A Member: You are President of the North Carolina Bankers' Association, are you not?

Mr. Fries: Yes, sir.

Mr. Evans (a member): I am Secretary.

Mr. Fries: I recognize you.

Mr. Evans: I mailed an inquiry to 206 banks to know the rate they were paying for fidelity insurance. Is that true?

Mr. Fries: I think so.

Mr. Evans: The answers were \$17.50 a thousand for fidelity bonds. And yet the gentlemen are claiming that the rates are equalized.

Mr. Fries: I would say in reference to that, that the rates have not been lowered, and if the plans are carried out you cannot expect to have less than a three dollar rate; because we cannot fasten upon the American banker the conditions that obtain, perhaps, in England or in Canada, or elsewhere.

I am forced to the conclusion, after service on this committee, that this form of insurance is practical. It does not make any difference, and I know it, whether you adopt the plan of the committee or not; but our duty compels us to look into their plan and see it as it is, and if it is working successfully elsewhere we could not do other than report it favorably here. (Applause.)

Mr. Cooper, of North Carolina: Mr. President, the different banks have different equipment. Some of them in our State, North Carolina, are doing business in log huts. Some of them are doing business in finely equipped bank buildings.

Mr. Fries: This does not apply to burglar insurance, it is only for bank clerks. Now, I have nothing more to say. I simply rose in behalf of the committee to make a short explanation. If you want to examine these reports, if you want to draw aside the curtain from them, if there is anything the committee can say to you or for you to enlighten you on the subject, they would be very glad to do it; but we do feel like resenting any imputation that there is anything back of the curtain. Every-

thing has been done for the benefit and for the advancement of the Association.

Several members arose and addressed the Chair.

The President: I do not wish to assume to try to cut off debate, but I will ask you to be sharp and bright and quick in debate, because this is a question that has been digested by you all, your minds will not be changed, and the sooner you can come to a vote on this question the sooner we will be able to finish up the other business that is before the Convention.

Mr. Anderson, of St. Paul: I rise to a question of personal privilege. Reference has been made to the expenses of this committee. The reports show that there has been saved \$150,000 per annum, or more than all the dues of this Association. How much has it cost?

Mr. Brown, of Texas: I wish to say that I do not think this Association can do more than give due heed to the deliberations of the Executive Committee. We have selected that committee without regard to self-interest of the individual; we have selected it only to consider the welfare of the entire Association. They have given the matter more attention than we could possibly give it, no matter how many circulars we have received or how many replies we have given out in reference to this matter. At a matter of fact, we have given those replies out probably without very much thought; we have done it in a hurry, and we have sent them out and probably forgotten all about it. Now, this committee has given this careful consideration. This Convention cannot do more than be conservative in giving attention to what the committee recommends. (Applause.)

Mr. Anderson: I would like an answer to my question as to the expense. This has saved \$150,000 a year.

The President: That has been given in all the reports; acknowledgment has been given.

Mr. Anderson: Two or three thousand dollars, is it?

The President: I do not remember; you have called the attention of the Convention to it. They have those figures.

Mr. Chandler, of Kansas: The Chair rules we can have all the time we want. I want to say a few words, even although everybody leaves the house. It seems to me we have drifted from the subject. It is not a question of abuse of this Fidelity Committee or defense of them; the question before us is, Shall the guarantee companies run the American Bankers' Association, or shall we, as bankers, have the saving of \$150,000 a year for our pockets? The gentleman from Cincinnati says that this question has been voted down time and time again. I beg his pardon. The American Bankers' Association has had one whack at it; and what did we do? We only lacked twenty-nine votes of having a two-third majority. And I appeal to the gentlemen here, Shall we save this money or not? The gentleman from Louisville has a great bugaboo about the way it shall be managed. I have faith in this committee, that this committee will manage it all right. I have faith that the bankers are just as smart and just as astute as the hardwaremen and the lumber men. At San Francisco last year when we discussed this subject I raised a point about it, and when I returned home I found one of our hardware stores had burned down. The proprietor of the store had \$4000 in the Hardware Association. It was paid promptly. I met the man who managed that side of it, and asked him how he did it. He said: "We charge the regular rates that the insurance companies do, and then at the end of the year we have paid our losses and we rebate." The gentleman was in my office the other day, and I said: "How about your insurance?" He said: "I paid \$1.25, and had the one-half of it rebated at the end of the year." Now, shall we let the Trust Companies by silver-tongued oratory tell us our business? (Applause.)

Mr. Harding, of Alabama: Mr. President, I wish to say one word in support of the Executive Council. I think they have given this matter careful consideration, and I think we should recognize the fact that there is such a thing as a division of labor. Banking is one busi-

ness and insurance, in all its branches, is another business. The most successful banks are those that are able to stick most closely to the banking business. Sometimes they have to go into other business as a matter of self protection, but not from choice. There has been a great deal said in the last few years of the encroachment of express companies on the domain of banks. That evil has been thoroughly discussed, and I believe the problem has been solved by the recommendation that will be submitted by your Money Order Committee. Now, why should we engage in the insurance business? It is a hazardous business, and one entirely separate from ours. I stand here to-day as the representative of a bank that pays a premium upon the bonds of nearly fifty employees. We are not interested in the remotest degree in any bonding company. And, therefore, I feel I can speak in an impartial manner. I hope the Convention will support the action of the Executive Council in this matter. (Applause.)

The President: The question is not upon the report of the Executive Council, but upon the amendment itself. Therefore a vote of "Aye" would be to amend the Constitution, providing for this new thing. The vote "No" would be to vote down that proposition.

Cries of "Question, Question!"

Mr. Brewster, of Rochester: Mr. President, it appears to me that there is only one fair way to get a vote on this question before this body, and that is to have the Secretary call the roll of the membership, as recorded on the books of the attendance, and that each member, each bank represented by its officer, shall respond yes or no, as he wishes. I call for the roll-call.

The President: Will the gentleman first call for a rising vote and see if a roll call is necessary?

Mr. Brewster: Yes.

The question was taken and the motion was rejected.

The President: The Chair finds it unnecessary to count the vote, it being so clear that the motion is lost.

Mr. Hill: If it is in order, I would like to move that the committee be discharged.

Mr. Laughlin: I second the motion.

Mr. Durham: Mr. President, it has been moved that the committee be discharged. It seems to me that in view of the fact of the painstaking labor that the committee has given this subject, in view of the fact of the aspersion which I claim has been cast on this committee this morning, and in view of all they have done and all the labor they have bestowed on this, that we should extend them a vote of thanks, and I move such a vote.

Mr. Hill: I accept the motion of the gentleman from Illinois.

Mr. Powers: Mr. President, I desire on behalf of some of the gentlemen who are associated with me, but more particularly on account of the personal association I have had with the delightful gentlemen who composed the Fidelity Committee, to second the motion, and once more thank them for the magnificent work they have done with reference to bonds. As to their character, it needs no encomium at my hands. These gentlemen stand for themselves, elegant, magnificent, splendid men, but with warped judgment.

Mr. Sullivan: Just one word, Mr. Chairman. (Cries of "Question, Question!")

Mr. Sullivan: I have one word, and that is this: The gentleman on the left said that I cast an aspersion on the members of the committee. I inadvertently referred to the expense incurred by the committee. I certainly did not intend to cast any reflection whatever on the members of the committee, and if any gentleman here inferred from my remarks that that was my intention, I want to say now that it was far from my thoughts. (Cries of "Question, Question!")

The President: The Chair understands that the motion of Mr. Hill, of Missouri, is that the committee be discharged with the thanks of this Convention.

The question was taken, and the motion was agreed to.

Mr. Hamilton: On behalf of the deceased, I wish to thank the gentlemen for their handsome floral tribute. (Laughter and Applause.)

#### LETTER FROM GOVERNOR HERRICK.

The President: I have here a letter from Governor Herrick, as follows:

STATE OF OHIO, EXECUTIVE CHAMBER,  
COLUMBUS, September 13, 1904.

Mr. F. J. Bigelow, President American Bankers' Association:

*My Dear Mr. President:* I had hoped until to-day to be present at the opening of the thirtieth annual convention of the American Bankers' Association, but find to my extreme regret that official duties prevent me from leaving the State at this time. The position of the Association in matters of national finance has been such as to commend it to the good opinion and confidence of the people. In the light of recent history we are, I am sure, proud of the emphatic and unequivocal declaration in favor of the gold standard made at the St. Louis Convention of the Association in 1896. This one unanimous act of the Association, regardless of party affiliations, evidences that the bankers are sound not alone on questions of financial policy and good judgment, but that they will never be found wanting when patriotic adherence to national principles is demanded.

Please express my regrets to my friends, the members of the Association, and say to them that I hope I will not again be prevented from attending a convention.

Very truly yours,

MYRON T. HERRICK.

#### GREETINGS.

The President read a telegram from Mr. Stanzat, as follows:

DENVER, COLO., September 13.

F. G. Bigelow, President, and Bankers' Association, Waldorf-Astoria, New York:

Greeting from the National Association of Credit Men.

We stand with you for the upbuilding of commercial integrity, the improvement of business methods and the enactment of better laws.

FREDERICK STANZAT, President.

The President: This has been duly acknowledged.

The Secretary read a letter as follows:

Mr. James R. Branch:

*Dear Sir:* The convention of the chapters of your American Institute of Bank Clerks, held in St. Louis, August 25, 26 and 27, with, say, 200 delegates present from all parts of the country, instructed me to voice to you their full appreciation of the far-seeing wisdom that has led your body to father and promote the much needed educational work in banking among bank clerks. They pledge you loyal and hearty support in the development of this movement, and ask for the co-operation, personal services and influence of each member of the American Bankers' Association.

Yours truly,

JASON A. NIELSON, President New York Chapter.

#### Report of Committee on Currency Legislation.

The Secretary read the report of the Committee on Currency Legislation, as follows:

Your committee, appointed by the President of the Association, makes the report that its work has been limited to getting a general idea as to the disposition at Washington in regard to any bill that would have the support of the banking interests of the country, so that no formal bill was drawn up to present to either house of Congress. A tentative bill was prepared, with the kind assistance of the Honorable Comptroller of the Currency, which will probably serve as a basis on which to commence. It was found that the feeling in Washington displayed practically by every one was that this vexed question would have very much greater attention at the hands of the legislators if a concrete bill designed to aid the commercial interests of the country were presented by the proper committee representing the organization. You will bear in mind that legislators have had an infinite variety of bills presented to them in the past, either directly in the House of Representatives or before the Banking and Currency Committee of the House, where such legislation must originate. The President and Secretary, working in harmony with the committee, visited Washington by special request, and the whole matter, so far as the Association was concerned, was carefully presented to people in authority there, and every indication showed their great desire to aid any legislation which had the sound and solid support of the banks of this country. Un-

fortunately, the sentiment of a great many of the leaders of both parties of this country tended toward as little legislation as possible at the last session of Congress, and by numerous friends the committee was advised, and came to the conclusion, that it would be very much better to defer the matter until the coming year, when all sides of the question could be thoroughly debated and the Committee on Finance of the Senate and the Committee on Banking and Currency of the House could in advance be consulted and a bill that would meet their past experience could be drawn up and the same considered to some extent before the regular session commenced.

We, therefore, respectfully report the above, all of which is duly submitted.

The Secretary: This is signed by Mr. Donald and Mr. Pugsley, of the committee.

Mr. F. E. Tracy, from the Committee on Uniform Laws, submitted the following report:

#### Report of the Committee on Uniform Laws.

The Committee on Uniform Laws begs to report to the American Bankers' Association that, considering the small field for action during this last winter, very good progress was made. Kentucky and Louisiana passed the Negotiable Instrument Law, and it is now on their statute books. In the former State some changes were made in order to get the bill through, but the committee is advised that the changes do not materially alter the law.

The organization of the Bankers' Association in this State was admirable, each member being furnished with a copy of the law, and by their united efforts each member of the Legislature was familiar with the law before the beginning of the session, and was prepared to give it intelligent consideration.

In Louisiana the united efforts of the Bar Association and the Bankers' Association put the bill through, and it is placed among the laws of the State.

In Mississippi a strong effort was made to pass the bill, and the State Bankers' Association succeeded in getting it through the Judiciary Committee, but political questions intervened, and the law failed of passage.

In Vermont an effort was made to organize for the passage of the law by the Legislature, but without success. The Committee has assurances from each of these States that the organization will be thorough for the next session, so we may hope they will join the list of States on the Roll of Honor.

At a meeting of the Executive Council of this Association, held last May, a copy of the following amendment to the Negotiable Instrument Law passed by the Legislature of the State of New York was referred to this committee in order that the opinion of the bankers throughout the country could be had upon it.

CHAP. 287.

AN ACT TO AMEND THE NEGOTIABLE INSTRUMENT LAW RELATIVE TO THE PAYMENT OF FORGED CHECKS. Became a law April 13, 1904, with the approval of the Governor. Passed, three-fifths being present.

*The People of the State of New York, represented in Senate and Assembly, do enact as follows:*

SECTION 1. Article seventeen of chapter six hundred and twelve of the laws of eighteen hundred and ninety-seven entitled, "An act in relation to negotiable instruments constituting chapter fifty of the general laws," is hereby amended by adding at the end thereof a new section to be known as section three hundred and twenty-six, and to read as follows:

SECTION 326. Recovery of forged check.—No bank shall be liable to a depositor for the payment by it of a forged or raised check, unless within one year after the return to the depositor of the voucher of such payment, such depositor shall notify the bank that the check so paid was forged or raised.

SECTION 2. This act shall take effect September first, nineteen hundred and four.

Several copies of the amendment were sent to each State Association and Clearing House throughout the country with a request that a thorough consideration be given to it. Replies were received from a majority of these institutions, and without exception they were favorable to the suggestion that the amendment be made a part of the Negotiable Instrument Law, the only question being regarding the limit of time; many suggestions were received that three or six months should be the proper

limit. In connection with the opinions regarding the amendment the committee was much pleased by the large number of voluntary expressions from States that have not yet passed the Negotiable Instrument Law regarding its value and the determination that it shall be taken up this Winter.

We wish to impress upon the members of the Association that only by thorough organization of the State Associations can this be brought about, and if each Association of the States named below will take the matter up in earnest a large number of them will be on the Roll of Honor at our convention in 1905.

In conclusion the chairman personally wishes to thank the members of this Association for the courtesy of their Executive Council, which enabled him to take up the work of this committee where it was laid down by the late chairman, Mr. Frank W. Tracy.

The Legislatures of the following States will meet during the Winter of 1904 and 1905:

Arkansas,	California,	Delaware,
Georgia,	Illinois,	Indiana,
Kansas,	Maine,	Michigan,
Minnesota,	Missouri,	Nebraska.
Nevada,	New Hampshire,	New Mexico,
Oklahoma Territory,	South Dakota,	Texas.
West Virginia,		

The following is a list of the States now operating under the law:

Connecticut—April 5, 1897.
Colorado—July 15, 1897. (Notes falling due Saturday are payable the same day, except those falling due in Denver on any Saturday during June, July and August, when they are payable the following Monday.)
Florida—Aug. 3, 1897.
New York—Oct. 1, 1897.
Massachusetts—Jan. 1, 1893. (Three days' grace allowed sight drafts.)
Maryland—June 1, 1898.
Virginia—July 1, 1898.
North Carolina—March 8, 1898. (Three days' grace on notes, acceptances and sight drafts.)
District of Columbia—April 3, 1899.
Wisconsin—May 15, 1899.
Tennessee—May 12, 1899.
Oregon—May 19, 1899.
Washington—June 7, 1899.
Utah—July 1, 1899.
Rhode Island—July 1, 1899. (Three days' grace on sight drafts.)
North Dakota—July 1, 1899.
Arizona—Sept. 1, 1901. (Except by clerical error, chapter on Promissory Notes and Checks omitted.)
Iowa—July 1, 1902. (Amended to give three days' grace, on each of which demand may be made.)
New Jersey—July 4, 1902.
Ohio—June 1, 1903.
Pennsylvania—July 1, 1901.
Montana—March 7, 1903.
Idaho—May 1, 1903.
Kentucky—May 1, 1904.
Louisiana—July 1, 1904.

FRANK E. TRACY, Chairman.  
HOMER A. MILLER,  
J. D. POWER,  
Committee.

The President: The next is the report from the Committee on Education by Colonel Lowry.

Mr. Lowry: I wish to say to you, gentlemen, that Mr. Finley, the chairman of the committee, is in Europe. I confidently expected him to be present to present the report, and I know that you are the losers by his not being present, and I feel that I should not afflict you this afternoon with all of this. I believe you will read it when you have it at home—although I doubt my belief a little. (Laughter.)

I will just read the closing part of this report, because it is getting late, and I know you will want lunch or something else to refresh you, and I am just going to read a few lines.

The report submitted by Colonel Lowry is, in full, as follows:

#### Report of the Committee on Education.

To the American Bankers' Association:

Your Committee on Education respectfully reports that its efforts in extending and systematizing the work of the American Institute of Bank Clerks during the past year have been exceptionally gratifying. As a culmina-

tion of the work already in successful operation, a system of official examination has been established, intended to centralize the various lines of instruction and fix and maintain a recognized standard of banking education. The examinations give definiteness of purpose to every branch of Institute work and are adapted to the circumstances of students in country banks as well as to students organized in chapters in the larger cities. Subjects in which proficiency is required are Practical Banking, Commercial Law and Political Economy. To students who meet requirements certificates of proficiency are issued by the American Bankers' Association jointly with the Institute, the plan having been submitted to the Executive Council and been duly approved. Certificates are signed by officers of both organizations. Examinations for certificates are conducted annually under the supervision of local moderators in accordance with prescribed restrictions, and the qualifications of students examined are determined by educators of experience and reputation. The examiners are as follows:

PRACTICAL BANKING.—William B. Ridgley, Controller of the Currency, and Joseph French Johnson, Dean of New York University School of Commerce, Accounts and Finance.

COMMERCIAL LAW.—Eugene Wambaugh, Professor of Law in Harvard University Law School.

POLITICAL ECONOMY.—J. C. Schwab, Professor of Political Economy in Yale University.

To qualify students for examinations upon which the issuance of certificates depends, the examiners have prepared courses of study in Practical Banking, Commercial Law and Political Economy, and prescribed preliminary exercises and examinations based upon the required text-books, which include several standard works published since the organization of the Institute, four years ago. The preliminary examinations are conducted by correspondence without restrictions in answering questions, and in connection with the required text-books make a complete system of education sufficiently advanced to command recognition. Students are privileged to obtain preliminary papers before beginning the text-books, as they can thereby see for themselves exactly what is required. Those who find themselves able on receipt of the questions to return correct answers without special study are at liberty to do so. Those who realize the need of preparation will find in the preliminary exercises and examination questions systematic guidance in the study of the text-books. Students are thus enabled to submit answers to preliminary examination questions whenever they feel competent to meet requirements. Credit is given severally for examinations successfully undergone, but certificates are issued only to those who have passed both preliminary and final examinations in all subjects. The more advanced students in the correspondence school, which has heretofore been of comparatively elementary character, have been graduated into the standard examination courses, and others are in the direct line of promotion. In view of the circumstance that some, if not all, of the required text-books in Practical Banking, Commercial Law and Political Economy may be found in the libraries of progressive banks and chapters, it is impossible to know the exact number of students who are pursuing these studies with the definite purpose of preparing for the standard examinations, but some idea of the extent of the movement may be realized from the fact that about two hundred applications for preliminary examination papers have already been received. It is probable that sufficient progress will be made by students during the coming year to justify the Institute in holding the first final examination for certificates.

In the larger cities chapter organization and work have been satisfactory. Efforts have been directed toward educational rather than numerical results, and as a consequence members of chapters are recognized as a su-

perior class of young men. In cities where chapters exist a large percentage of promotions have been made from bank clerks prominently identified with chapter work. The Institute appreciates the cordial support of bank officers generally who have taken the time and trouble to make addresses before these organizations. The list has already outgrown the limits of enumeration. Among others who have been of service in our educational work are former Secretary Gage, Controller Ridgley, Assistant Secretary Armstrong, former Assistant Secretaries Vanderlip and Ailes, former Controller Eckels, Treasurer Roberts, Congressmen Fowler, Pugsley and Prince, Judge Spencer, of St. Louis; President Wakeley, of the New Jersey Senate; ex-Controller Coler, of New York; Superintendent Kilburn, of the New York Banking Department; several members of the National Treasury Department, and numerous National and State bank examiners. Among prominent educators who have addressed chapters or otherwise aided the work of the Institute are President Wilson, of Princeton; Professor Wambaugh, of Harvard; Professor Schwab, of Yale; Professors Johnson, Tompkins, Cleveland and Aymer, of New York; Professors Reinsch and Scott, of Wisconsin; Professors Pattee and Paige of Minnesota; Professor Plehn, of California; Professor Bolles, of Haverford; Professor Mack, of Chicago, and Professor Hicks, of Cincinnati. The late Charles W. Haskins, Dean of New York University School of Commerce, Accounts and Finance, the father of higher accounting in America, was particularly interested in the Institute and its work.

To indicate the scope and character of addresses before chapters, the following subjects are selected from various programmes: "The Protective Work of the American Bankers' Association," "Two Views of Asset Currency," "Personality in Handwriting and How to Detect Forgery," "Foreign Banks," "The Ideal Banker—A Depositor's Views," "Clearing House Certificates," "Character as Collateral," "How a Corporation Is Organized," "Wills and Estates," "New York City's Financial Department," "Educational Opportunities of the Present Day," "Administration of Estates," "The Banker as a Promoter of Prosperity," "Business and Politics," "Movements of Currency," "Bankruptcy Law," "Origin and Source of Credit," "Clearing House for Country Checks," "Banks and Publicity," "Banking One Hundred Years Ago," "The Evolution of the Railroad," "Taxation of Bank Moneys and Credits," "Essentials and Non-Essentials of Negotiable Instruments," "The Special Importance of the Banking Business in Modern Life," "Personality in Banking," "Reminiscences of Early Banking Days," "The Moral Side of a Bank Clerk's Life and His Obligation to His Employer," "Ethics of Banking," "What Is Necessary for the Successful Operation of a Bank," "Corporations as Bank Depositors," "Practical Suggestions Relating to Negotiable Paper," "The Hawaiian Territory and Its Resources," "What May Be Derived by Bank Clerks from Organization," "The Economic Effect of Watering Stocks," "The Laws Relating to Real Estate Transactions," "Is There Still a Necessity for Currency Legislation?" The total chapter membership is now 3,720. Two annual conventions of chapter representatives have been held, comparing in character with the conventions of bank officers, and the indications are that some of the most valuable future members of the American Bankers' Association will come from present members of the American Institute of Bank Clerks.

Collateral with the work of the Institute, substantial progress has been made within the past few years in the general field of financial and commercial education. Among leading universities and colleges which now maintain complete schools of banking and business are New York, Pennsylvania, Louisiana, Dartmouth, Vermont, Wisconsin, Ohio, Michigan, Indiana and Chicago. Economic subjects are also taught to a greater or less extent at Harvard, Yale, Columbia, Cornell, Johns Hopkins, Brown, Western Reserve, Barnard, Minnesota, Rad-

cliffe, Vanderbilt, Stanford, Princeton, Iowa and California. The officers of the Institute have communicated personally or by correspondence with representatives of nearly all of the institutions named, thereby obtaining information and suggestions of inestimable value, and prominent educators have given assurance that the benefits derived from such exchanges of views have been in a measure reciprocal. Your committee appreciates the cordial relationship which has been established between the Institute and the leading schools of the country, believing that education in banking and kindred subjects will thereby be improved and extended.

With due appreciation of the responsibilities of trusteeship, your committee has conducted the Institute with the sole purpose of rendering the most valuable service to the young bankers of America and reflecting the highest honor upon the American Bankers' Association. Expense has consistently been subordinated to efficiency, but notwithstanding the broadened character of the work the financial deficiency during the coming year will be reduced. Up to the present time the details of operation have been handled by contract, but in view of the more comprehensive plans now established, the trustees have deemed it expedient to assume direct management through the Secretary of the Institute of every department except the publication of The Bulletin, which will be conducted by the Account-Audit Company as heretofore. The Bulletin now has about seven thousand subscribers, and with improvements recently introduced and others in contemplation an extension of its circulation and usefulness is assured. The introduction of the examination feature has necessitated some unusual expenses, which have been paid out of the last year's appropriation, leaving an unexpended balance of about \$1,500. This unexpended balance and an additional appropriation of \$6,000 will enable your committee to conduct the Institute another year in a manner creditable in every way to the American Bankers' Association, and it is, therefore, recommended that such appropriation be made. Respectfully submitted,

J. B. FINLEY, Chairman.

The President: The report of the committee will be received.

The next is the report of the Committee on Bank Money Orders.

#### Report of Committee on Bank Money Orders.

Mr. Hepburn: Mr. Chairman, the American Bankers' Association at its meeting in San Francisco continued a Committee on Bank Money Orders, of which Mr. Joseph Chapman was chairman, and they were directed to report at the meeting of the Council in this city, which they did. A new committee was then created, and they were discharged from their duties. They reported to the Executive Council. I did not understand that the committee was to make any report to this Convention. Both the Chapman report and the report of my committee have been made and mailed to every member of the Association.

Therefore I do not think there can be any occasion, Mr. Chairman, for any further reference to the subject here.

The President: The report, as made, will be received.

Mr. Hill: Mr. President, as President of the American Bankers' Association, I was opposed to this, and appointed Mr. Orde and Mr. Finley on that committee to kill it. But after working on the committee I found it was a good thing, and after serving you a year without salary they took me on the committee, and I am now in favor of it, because I want a New York bank clerk to know that Santa Fé, New Mexico, is not in the vicinity of St. Louis, and I want the bank clerk of Chicago to know that the Burlington road does not run into Pensacola, but it does run where it is mortgaged.

Twenty-five years ago when I used to come to this city a New York bank officer would meet me at the gate, and lean on it, and ask me when I came to town, and

when I was going to leave, in a very nice tone of voice, but in a few moments more a man would step up behind him, and hand him two or three books, and he would say: "Excuse me, sir, I am very busy." Yesterday I went into a board room in this city where millionaires sit around the table every day, and that board room was given up to a free lunch to the hayseed bankers of the West.

## ST. LOUIS EXPOSITION.

I want to say a word about a little educational institution at the end of the bridge with about 700,000 people between the end of the bridge and the Convention gates, the gates of the greatest exposition the world has ever seen. I do not have to say that to the Middle West men, because they are coming there in droves, and those that cannot pay their way are walking; but I want to say to the Eastern and the Western people that we have \$45,000,000 of somebody's money in that plant. We have every Government in the known world represented there but two. We have every State and Territory in this great country represented here by a State building but two. I do not see anything here in the representative papers. I cannot understand why papers as great as the Eastern papers are should neglect to publish one of the grandest speeches ever made by man. That great editor of some London paper, who had the hyphenated name which I have forgotten, but he was a man that was knighted by Queen Victoria because of his work to upraise mankind, and I want to educate the newspaper men so that their journals will turn from red and yellow to white. (Applause.)

If any banker in this part of the country cannot get into that fair, has not the money, if he will come to St. Louis I am sure I will say that any financial institution there will loan him enough to get in—fifty cents—if he will leave his watch there.

But I am going to cut it short by saying we want every man, woman and child who is competent of taking in the greatest exhibit the world has ever seen, and some of the greatest men the world has produced, who are there to show the exhibits. If they are not satisfied I will raise a fund to pay their way back from St. Louis.

Mr. Hackett: May I make a few remarks?

The President: I will recognize you a little later if that will do.

Mr. Hackett: Very well.

The President: The Chair now presents Hon. A. B. Hepburn to speak to you upon the money question.

Mr. Hepburn: I never offer apologies for any intellectual matter I have to present, but I feel like indulgence this morning on account of the condition of my voice. This Convention has had a most interesting morning session. You have been in session now for nearly four hours, and it is long past the usual time in which gentlemen indulge in a mid-day meal. I think, therefore, that with your permission I will hand this manuscript to the Secretary and let you gentlemen find it in the report of the proceedings, which will be more to your convenience, and quite as much to mine, in view of the present condition of my voice. (Applause.)

The President: Gentlemen of the Convention, I wish to express my own regret that it is come about by reason of the condition of Mr. Hepburn's voice that we have not the pleasure of listening to his address. I know, without knowing its contents, that it will be worthy of hearing.

Mr. Hepburn's address is as follows:

**The Money Situation, by Hon. A. B. Hepburn, President Chase National Bank, New York City.**

[Mr. Hepburn's address in full will be found on pages 1127 to 1130 of this publication.]

The President: I think this winds up the regular order of business, and it now gives me pleasure to introduce Mr. Hackett, of Wisconsin.

## Remarks on the Money Order Report.

R. H. Hackett, National Union Bank, Oshkosh, Wis.: In making my comments I shall distinguish between two committees; the first, the Bank Money Order Committee appointed by the chair at San Francisco, consisting of Messrs. Chapman, Willits, Hillyer, Kuhne and Butler, and which also included for a time Mr. Pierson, and which I shall call the San Francisco committee, and the later committee, consisting of Messrs. Hepburn, Chapman, Fries, Porter and Forgan, which I shall call the New York committee.

To the first committee was assigned the task of formulating a money order system; to the second, the mere perfunctory task of carrying out the recommendations already determined upon by the San Francisco committee and the Executive Council.

I do not doubt that the report rendered by the San Francisco committee and the arrangements for its inauguration made by the New York committee represent the best thought of the members of both committees. That the report and the arrangements are entirely inadequate to meet the conditions they are supposed to ameliorate, and that the system established thereby is entirely impracticable, so far as the achievement of any distinct step in the solution of the money order problem is concerned, I thoroughly believe. The gentlemen who so faithfully labored on the New York Committee are not to blame, since they found their task already prescribed for them when they took hold of the subject. I do, however, want to inquire into the motives that prompted the evolution of the hybrid, crazy-quilt, "patched" order which is presented to us for serious consideration and adoption. If this were not so formidable a body, one would almost be forced to regard the report and its conclusions in the light of a humorous production. It is, indeed, not without cause or reason that the eminently sensible, sincere and self-respecting New York committee declined to assume the onus or responsibility for the demerits of this system. This latter committee, which contains only one member of the San Francisco committee, takes pains to call attention once in about every six lines of its text to the fact that the plan they are putting into execution is one which had previously been fully determined upon. They iterate and reiterate that their function is to do just three things—that is (1) to draw an agreement between the American Bankers' Association and some surety company; (2) to determine a form of agreement between the constituent banks of the Association and a surety company, and (3) to determine a proper form of money order under the resolution already adopted; and having done these three separate and distinct things, they ask to be discharged.

We are thrown back then to the work of the San Francisco committee.

And what, pray, has the San Francisco committee done? In full seriousness and with due gravity and solemnity they have determined that the banks and bankers of this country who are members of the American Bankers' Association need a chaperon—a dowager of capitalized reputation and standing to vouch for and preserve the good names of our co-members.

Glorious verdict this, is it not?

To add to the agony one of the members of that committee appears before the Convention of the North Dakota Bankers' Association last summer, and, among other things, blandly assures us in that speech that we, the banks and bankers of this country, are not to be trusted; that our bank drafts are really not respectable or fit to be received in decent society; that they are little better, if not somewhat worse, than the wild-cat currency of our forefathers; that what we need is a guardian or censor-in-chief, and that if we are real good boys and behave ourselves, and continue to do or start in to do business in a manner satisfactory to this general guardian, that the said preserver of our financial morals will give us a good character, and will trust us with nice blue pieces of paper suitably patched, worth—think of it, gentlemen—worth, perchance, as much as \$25,000 American money.

But if we are not good boys, or refuse to carry on our business according to the more or less exact notions of the guardian so proposed for us, or if our ideas of banking methods are not in accord with those of our proposed guardian, then we shall be forthwith excommunicated and ostracized, and labeled as not being good enough to receive the aforesaid certificates of good character in the form of money orders potentially worth \$25,000, more or less.

Magnificent prospect this, is it not? My institutions, as members in good standing of the American Bankers' Association, are now called upon to satisfy the dowager chaperon selected for us under the plan of the San Francisco committee that they are "real nice" institutions, and if for some reason the said dowager refuses to be convinced, we are to be marked before the banking community as being unworthy of public confidence. So much for the plan.

Let me mention an incident in connection with the method adopted for the execution of this plan. We are favored with an innocent looking application blank, which, on cursory read-

## SECOND DAY'S PROCEEDINGS.

Thursday, September 15, 1904.

The Convention was called to order promptly at ten o'clock.

Prayer was said by Monsignor M. J. Lavelle, St. Patrick's Cathedral, Vicar-General.

The President: Gentlemen of the Convention: You will have the pleasure of listening now to a paper not in the order it is put here in the list, on "Emergency Circulation," but, as it is called by Mr. Frame, "Panic Panaceas." I take pleasure in introducing Mr. A. J. Frame, of Waukesha, Wis.

Mr. Frame: This beautiful sunshine suggests the remark of an Englishman, "I cannot understand why the atmosphere in New York is so much clearer than in London," to which the New Yorker replies: "Just see how many sky scrapers we have here."

"Panic Panaceas," by A. J. Frame, President Waukesha National Bank, Waukesha, Wis.

[Mr. Frame's address in full will be found on pages 1130 to 1133 of this publication.]

The President: Gentlemen of the Convention: You will now listen to a paper on "The Western Banker," by Mr. W. C. Robinson, President of the First National Bank, in Winfield, Kansas.

"The Western Banker," by W. C. Robinson, President First National Bank, Winfield, Kansas.

[Mr. Robinson's paper in full will be found on pages 1138 and 1139 of this publication.]

The President: Gentlemen of the Convention: The next paper was to have been read by the author, Mr. Eugene E. Prussing, of Chicago. I regret very much to hear from him to-day he could not read it in person, but his partner, Mr. Frank H. McCulloch, will read Mr. Prussing's paper, which I think is a paper of great interest, and I have the pleasure of introducing Mr. McCulloch.

"National Banks and the Trust Company Problem," by Eugene E. Prussing, Chicago, Ill.

[Mr. Prussing's paper in full will be found on pages 1140 to 1142 of this publication.]

The President: It has been the custom and convenience at this stage of the proceedings to have a roll-call of the States. We have thought that the membership was so large, so many delegates and so many States being represented, that we would modify that custom and have a call of Sections, so that as the Secretary calls the Sections, North, South, East and West, we shall be happy to hear from some one representing these sections.

The Chair would feel very sorry, indeed, if the effect of this modification was to close the mouths of all the orators that have been expected to respond for their different States, and I would not consider it by any means being forward for any orator from New York or New Jersey, or Connecticut, or Massachusetts to rise first. Don't wait for each other. Let us have some one from the North. If we cannot begin with the North, I know we can begin with the South, and I will be glad to please you by calling on Mr. Joseph G. Brown, the President of the Citizens' National Bank, of Raleigh, N. C.

## Remarks of Joseph G. Brown.

That is a very beautiful custom, originating in New England, but soon spreading far and wide, that at Thanksgiving Day the scattered members of the family should gather again around the old hearthstone, and while enjoying the roast turkey and the toothsome pumpkin pie, tell each other of their achievements, their aims and their hopes.

In such a spirit, I take it, we are come to-day, not in pride and boastfulness, to proclaim aloud our deeds, but, as members of one great family, to rejoice with one another over our common prosperity.

The time is not far in the past when I stood before you and held up to view my own State as the one garden spot, and worthy is she of all that I said; but a trip

ing, leads us to believe that all we have to do is to pay our five dollars and we shall receive the money order blanks. Who would think of ascribing any importance to the innocent sentence that has reference to some "form of undertaking," yet to be signed? It is very remarkable, however, that this form of undertaking, which was supposed to have accompanied the original report of the New York committee, and which the Secretary of this Association was to have sent out with the committee's report, is held back until our money is up and our application in.

Don't they dare to break the news to us all at once? I am credibly informed that it was originally intended to send the whole story out in one batch; but we now get the glad tidings on the instalment plan. First we get the innocent looking little note sheet; then we give up our money and we get the real essence of this entire scheme in the second, or qualification, blank.

How many of you gentlemen have seen this form of undertaking? And if any of you have seen it, how many of you feel like executing it?

Now, gentlemen, I am not here to find fault with those who have acted in this matter in good faith. I am and have been for years an earnest advocate of the Bankers' Money Order, and it is because I believe that this hybrid system is more likely to hinder the firm establishment of a bank money order system than to help establish one that I am here talking on this subject.

I am compelled by the usual parliamentary rules to refrain from using names, but there is one member at least of the San Francisco committee whose actions in this business are so involved and incomprehensible that one pauses in mute astonishment and seeks in vain to find some explanation of the import of his financial gymnastics. He came to the bankers of this country a little over three years ago, and on the strength of his firm's reputation solicited and induced them to subscribe funds in large amounts for the establishment of a bankers' money order system. I ask him why he changed from that system, which was and is meeting with uniform success, and shifted to this new arrangement? Was it because the other arrangement was becoming too successful? You will pardon the question, but you must concede that when a man gives up something that is practicable and useful to take up something else of the same kind that is impracticable and not useful, the question of his motives will arise in the mind of the careful observer.

For myself and the institutions I represent I say that if you propose to appoint me a guardian or a character maker or destroyer, if you propose that I shall come to New York to learn how to conduct my business and receive from time to time a diploma or certificate of good character from some institution controlled by certain financial interests, I tell you that the American Bankers' Association has lost all its charm for me. You cannot coerce us of the West into seeking approval of our business relations at home at the hands of any surety company or of any other corporate interests. If there are any here who feel that their institutions require a pair of moral crutches in the guise of a surety company to support themselves upon, or a dose of corporate espionage to preserve the vigor of their blood, you are welcome to this mess. For myself, I never have liked personally conducted tours, and swaddling clothes are as much out of my line as crazy-quits.

We in my section of the country know of only two degrees of honesty; the first is honesty, and the second is dishonesty. When a trick or subterfuge is resorted to at the outset of a proposed business arrangement, we do not see fit to go any further with that arrangement. When a plan is proposed that is certain in a very short run to disgust rather than to attract, we do not care to adopt the plan, and—in my opinion—the plan proposed by the San Francisco committee, and apparently so unwillingly put into execution by the New York committee, is not a plan to enable banks to do a money order business, but a plan to make it impossible for banks to do a money order business, and I venture to predict that your respectable dowager will find few timid debutantes to seek the protection of the voluminous folds of her capitalized skirts.

The money order business belongs to the banks of this country, and to all the banks, regardless of their affiliations. We want a plan that will bring the business to us, and we can get the business when we get a sensible universal plan. So far as I am concerned, I should like to see the members of the New York committee tackle this problem unhampered and unfettered by previous action or recommendation: I should like to see a report from their hands handed down by them in an emphatic rather than an apologetic tone, and without wishing at this time to make a formal motion, I would suggest that the best thing for us to do for our own interests is for us to turn over to this New York committee, or to some other committee as eminently well constituted, the task of formulating a real bankers' money order system.

(Thereupon, at 2 o'clock P. M., the Convention adjourned.)

across this continent from sea to sea, and, later, from the Great Lakes to the Gulf, has revealed to me the fact that not North Carolina, not the South alone, but this great country, has been highly favored of heaven.

The black lands of Texas in their fruitfulness, the Middle and Northwestern States in the richness of their soil and the wealth of their products, the East, with the busy hum of its marvelous industrial development, the Far West, with its luxuriance of fruits and flowers and foodstuffs, wrested from barren wastes, and my own loved Southland, coming forth like a bridegroom from his chamber, all go to make up as fair a land, perhaps, as that which greeted the eye of Moses when from the mountain top he looked out upon a land flowing with milk and honey.

Happy am I that upon such an occasion I can bring you so glad a message from your brothers South of the Potomac. It would be of little use to occupy your time with the oft-told tale of the desolation that stared us in the face in '65, before we discovered anew the beauty of the Stars and Stripes, and awoke again to the fact that its stars were our stars, and its glory our glory.

Let us look rather upon what has been accomplished since that time, ever keeping before us the fact, however, that all that the South may be able to show to the world to-day dates from that period of absolute dearth.

I shall not weary you with multitudinous figures, but will ask the privilege of printing in the record a few striking statistics, so admirably collected by the accomplished editor of the *Manufacturers' Record*, of Baltimore:

	1880.	1903.	Percent- age of Increase.
Pig iron made, tons...	397,000	3,300,000	731
Coal mined, tons.....	6,000,000	62,000,000	933
Value lumber products.	39,000,000	200,000,000	412
Capital in cotton mills.	21,000,000	200,000,000	852
No. spindles in mills...	667,000	8,250,000	1,105
Cotton consumed in Southern mills, bales.	225,000	2,000,000	788
Capital in manufactur- ing .....	257,000,000	1,200,000,000	367
Value of manufacturing products .....	457,000,000	1,600,000,000	251
Foreign exports through Southern ports.....	261,000,000	508,000,000	90
Railroads, miles in operation .....	20,600	60,000	191
Investments in railroad building from 1880 to 1901.....		1,500,000,000	...
Value of cotton crop...	313,696,000	625,000,000	99
Value of all agricul- tural products.....	660,000,000	1,700,000,000	154

These figures will exhibit most faithfully the result of these years of toil.

The development of our railroads, the output of our coal and iron, the value of our minerals, the wonderful yield of our cotton fields, the products of our mills and factories, the increasing wealth of our banks, the ever diminishing percentage of illiteracy among us, the growth of our schools and colleges, the broader, saner views of our people and their general thrift, and the bravery of our soldiers in defense of the flag—all these things give us the right to stand here to-day, not as the prodigal returned, but as the loving, loyal son, proud of his heritage, and proud of the opportunity he has had and is having to aid in making his land the glory of the world.

But, you ask, are these things true—or is this a creation of the imagination only? Let us see. Look for a moment at the Seaboard, the Coast Line, and the Southern Railways—those three great systems that are vying with each other in the development of our section. Take with me, if you will, the fast mail of the Southern and speed away through the very heart of the South, covering the fourteen hundred miles between New York and New Orleans in about thirty-one hours. Where can you find more splendid engines, finer trains, better service, greater speed or stronger evidence of railroad development?

Or, better still, take your place in the observation

car of one of the frequent southbound vestibules that go with some less celerity, so that in passing you may get a bird's eye view of the country. Of course, ours is pre-eminently an agricultural section, but when prosperity smiles upon the field the glow is reflected in every direction.

What is the picture that greets the eye as you hurry southward? Broad acres that but a little while ago were bare and desolate are now rich in cultivation, producing abundantly the golden leaf so readily convertible into golden coin, while the silvery sheen of the opening cotton bolls reveals a product for which the world stands ready to pour out its wealth, and which during the season just ended brought into our section not less than \$800,000,000.

The little town of Chadbourn in North Carolina, with a population of only 500, is to-day the largest strawberry shipping point in the world. In a single day she shipped 111 earloads.

From that immediate section during the last season the shipments of truck and the net cash returns were

548,709 crates strawberries.....	\$1,097,418
80,000 packages lettuce.....	120,000
126,570 packages beans, etc.....	116,570
11,443 crates strawberries.....	22,886
102,000 barrels Irish potatoes.....	225,045
90,916 packages cantaloupes..	136,370

And all this from lands that but a few years ago were considered almost worthless. The shipment of strawberries alone from this section would require a train of loaded cars eight miles in length.

Orchards of peaches and fields of melons, the prolific trucking districts, luxuriant gardens, great fields of corn and wheat and rice, and the cattle upon a thousand hills evince the fact that, in addition to her money crop, the South is making her own bread and meat, with some to spare for her neighbors. And what more? Above the noise of the car wheels hear the musical hum of the mills and factories as day and night, with but little interruption, they are adding to the value that brain and skill can give to the raw product of the fields before shipping it to the markets.

Note, too, the long trains of freight cars on every side track, loaded with our surplus products, on their way to help feed and clothe the world. See the villages growing into towns, and the towns into cities, all bustling with life and trade.

See the rude shanties of yesterday giving place to modern and well equipped farmhouses, with their groves and beautiful lawns. See the improved cattle, the fine stock, the handsome vehicles—observe the happy, contented air of the people, their improvement in dress, in manner and education. These things tell you far better than any language of mine can portray of the material development of that section of our country which we call the South.

As you witness all these things you will no longer marvel that our railroad mileage has grown to 60,000 miles, that in a single decade the business of these roads has about doubled itself, that whereas ten years ago the gross earnings of all of our roads were but \$130,000,000, last year \$132,000,000 was earned by five of them, representing about one-half of the total mileage, while the other roads increased in like proportion. To-day we are told that, notwithstanding their present splendid equipment, thousands of new cars are being bought in anticipation of the maturing crops, which bid fair to be the best ever made. A single line has recently ordered three thousand cars. Can there be any better index to the prosperity of a country than the prosperity of its railroads? All these things are visible proofs of the statement that since 1880, although the population of the South has increased but 60 per cent., the value of her agricultural and manufactured products has been about trebled. The value of the cotton crop alone since that time has grown from \$300,000,000 to \$700,000,000, while the capital invested in manufacturing has increased by \$1,000,000,000.

Her pig iron, her coal, her lumber interests have all

kept pace with the general growth. Her banks have not failed to reap the benefit of growing trade. Their capital, their earnings, and their resources have been largely augmented, and to them and their guiding hands is due much of the prosperity that blesses our people.

Figures might be multiplied indefinitely showing the material growth of our section, but time will not permit. The future is radiant with hope. The construction of the great canal, opening by shorter route a great gateway to the teeming millions of the Orient, can but accelerate the already rapidly increasing commerce of our Southern ports and stimulate trade in every line.

Little wonder that our old men dream dreams and our young men see visions. And the handwriting on the wall is not the "Mene mene tekel upharsin" that so smote with terror the Babylonian King, but on the great scroll, unrolled like a beautiful bow of promise across the heavens, methinks I see, in living letters, "Thou has been faithful over a few things, I will make thee ruler over many."

It is said that all things come to those who wait. To the South the period of waiting has been a long and weary one, but in the glad fruition of her hopes, which a beneficent Providence is now holding up before her, she will cease to look mournfully into the past, and will use the means placed in her hands for the upbuilding of her country.

I have called attention to several of her products: shall I fail to mention that which is of most value—her men? She is giving to the world a noble set of men—men who in other sections, many in this great metropolis, are guiding the great business enterprises that are so manifestly making this the industrial age of the world. She has already sent out many such, but, like the widow's cruse of oil, her supply is unfailling. The more she gives away the more she has left.

Finally, her wonderful prosperity has not deteriorated the character of her people. They are brave and loyal and true. There is a growing spirit of patriotism in the South. She teaches her sons, first, the utmost loyalty and fidelity to their own homes, to the towns and cities in which they live, and the institutions which they serve. But she does not stop here. She begets within them a pride of State, and inspires them with love for their own commonwealth. And more than this. She takes them up on the mountain top, where the air is pure and the vision unobstructed, and points them to the world lying at their feet, and tells them it is theirs. From this eminence city and county lines are obliterated, State lines are lost to view, and the eye looks down upon one vast, united country, and that a nation of people not content to live within and for themselves alone, but who, looking out, over the waters that lave their shores, upon the isles of the sea and in other lands, see people less enlightened than themselves, and in a spirit of broad philanthropy undertake to carry to them the light and liberty of American freedom, which under heaven has brought such blessings upon their own heads, and

"The God of Nations is with them."

The President: It has stirred our hearts to hear Mr. Brown, and I think we will stay in the same section a little longer, and I will call upon Mr. Lane, of Texas.

Mr. A. V. Lane, Vice-President of the National Exchange Bank of Dallas, Texas, spoke as follows:

#### Remarks of A. V. Lane.

*Mr. President, Ladies and Gentlemen, Members of the American Bankers' Association:*

Upon the shore of Destiny there sits alone a maiden once most fair to look upon; but now, in garments torn, her eyes suffused with unshed tears, her head bowed low with anguish all unspeakable, she wrings her soft white hands and seems a veritable goddess of despair. A moment thus, and then she quickly rises to her feet, her proud head lifted high and in her eyes the light of a newborn resolution, as with clinched hands and heaving breast she utters those two words that, in themselves, attest a kinship to omnipotence, "I will."

And she sets about her work. Those hands, unused to work, are torn and bleeding, but they falter not, nor murmurs she at her hard task. New homes from smoking ruins quick arise, the devastated fields are made to "blossom as the rose," and in the busy marts of trade the wheels of commerce once again are heard. The fires are lighted and from many a towering chimney strangely new the curling smoke ascends on high and marks the advent of industrial prosperity. Such to-day is the happy domain of this peerless Queen of the South—and her ambassador am I, sent with a message of sincere good will to all of you assembled here, the which to frame into befitting words her own sweet lips have charged upon my willing but unequal tongue. If, then, in aught I shall fall short, I trust you will accept the purpose evident for the accomplished fact.

She bids me say that all is well with her; her barns are full to overflowing and her fields of green are changing 'neath the ardent sun into a snow white fleece that later on shall clothe the nations of the earth and levy tribute on their hoarded gold. The season past this plant alone brought in three-quarters of a billion dollars, and now to do as well again bids fair, despite its enemies, the weevil worm and "Wall Street bear." Of all the exports from this realm last year, two-fifths originated in the South. Her lumber and her mineral outputs larger grow with each succeeding year, and church and school-house still keep pace with agriculture, mines and commerce, in the strenuous race.

And so she stands to-day, upon the threshold of this grand new century, so full of promise and of opportunity; happy in the present, proud of her past, and, therefore, hopeful of the future. That she has had and that she has momentous problems to determine, none have known and none know better than herself. But she will solve those of to-day as she has solved those of the past—in her own good time, in her own best way. And the solution will be true and fair—none other will she entertain. In letters, science and in art, in all things good and worthy, she has done her part. Her name is written high upon the scroll of Fame—and yet she loiters not, but presses ever onward, upward, "with a heart for any fate, still achieving, still pursuing," she has learned "to labor and to wait."

R. F. Maddox,

Vice-President of the Maddox-Rucker Banking Company of Atlanta, Ga., spoke as follows:

The last time Carolina fired the first gun for the South the result was a little disastrous, and I hope we will be able to reinforce her a little better this time; having been requested by the Georgia Bankers' Association to bring to the Empire State of the North from the Empire State of the South our most cordial greetings and to the other forty-two States represented our sincerest good wishes, we are glad to meet with such a representative body of bankers in this metropolis under the banner of "Fraternity," upon the folds of which we can read from afar the propitious words of Peace and Prosperity. About a hundred and seventy-five years ago an English poet, writing on the new province of Georgia, said:

Surely God hath left this spot of earth uncursed  
To show how all things were created first.

It is not surprising, then, that with such a soil and such a climate there has been developed between the Chattahoochee and the Savannah River a State of which any country might well feel proud. I know it has been said that among the early settlers of Georgia there were many brought from the debtors' prisons of England. If this were true, I am sure that the bankers of our State can testify that they all must have died barren benedicts or bachelors, for there is no trace of such hereditary infirmities in the commercial life of our customers to-day. Almost anything produced in the United States will grow and do well in Georgia. The percentage reports show that, owing to the relative value of our farm lands, the products equal 40 per cent. of the value of the farm lands, and there never was a season in our history when

Almighty God has so sent the seasons that our every crop has resulted so abundantly and brought such good prices. Our plentiful peach crop with its luscious flavor has brought our State the banner of first place in the peach-growing States of our country. Our corn and hay crop has left the barns of our farmers full to overflowing. Our pine is now shipped all over the world, and our marble, in its virgin whiteness, has just been used in the construction to typify "Peace and Strength" in the magnificent New York palatial Stock Exchange.

The banks of Georgia are in excellent condition. The deposits now equal nearly seventy-five million dollars, and their prospects were never brighter than now. The State of Georgia is now spending about two and a quarter million dollars for education annually. In a hundred and twenty-three counties there is no liquor sold, it being decided by local option. Liquor is usually sold in the larger cities under high license and strict regulations. In my own city of Atlanta if one is not satisfied by ten o'clock in the evening he must go thirsty to bed. There is not a single gambling house in the city of Atlanta. The splendid city government is one of the reasons why our city is so rapidly growing in population and increasing in commercial importance. Georgia is as loyal to the flag as New York. (Applause.) As an evidence of this, she sent to the Spanish War more soldiers than any other State in the Union, in proportion to her population. Our people are as much opposed to mob violence as are the good people of Illinois or Massachusetts.

As far as the negro question is concerned, we believe there should be a middle-ground between social equality and lynching. The one is contrary to a law of nature; the other assumes the execution of the law of our land; the erroneous effect of both being to elevate the negro above his sphere and place him beyond the protection of his friends. We have the greatest interest in the coming Presidential campaign, if for no other reason than because the mother of the Republican candidate was born in Georgia, and Judge Parker's boom was launched on the banks of the Taloola at the meeting of the Georgia Bar Association last year, and the wonderful Watson, that idol of the populace, is a resident of our State. Therefore, if for no other reason, no matter which of the three gentlemen is elected Georgia may have some reason to feel proud.

In conclusion, I wish to express the thanks of the Georgia Bankers' Association for the cordial welcome we have received, and to express the hope that our deliberations here may bring much pleasure to all present, promote good fellowship, and result in much profit to the large interests which it represents.

J. Wirt Randall,

President of the Farmer's National Bank, Annapolis, Md., spoke as follows:

Mr. President, Ladies and Gentlemen, I feel a good deal of hesitation amid the entirely impromptu addresses, in prose and poetry, with which we have been treated, to say anything in the way of a set speech, but as I have been asked to do this, to greet you on behalf of Maryland, and as there seems to be a practical disposition to admit all we have heard heretofore, we may say that in this campaign and previous political campaigns something to the effect that there is no North, nor South, nor East, nor West, and therefore, perhaps, it is just as well for a State which occupies a middle position to have the floor for a few minutes.

Before saying anything, gentlemen, in regard to conditions in Maryland, I feel that I would be derelict to my duty as a representative of the Maryland Bankers' Convention if I did not say that there is one thing that the Maryland Bankers' Association has earnestly at heart, which has been proved by the fact that they have in three successive conventions appointed committees to urge the legislation upon Congress, and that one thing that they have earnestly at heart is the importance of having currency legislation enacted by Congress. I hope sincerely

that this Convention will not pass or adjourn without its taking formal action and recommendation upon this subject, appointing committees to urge that matter upon Congress; because, gentlemen, important as it may be to consider these matters of bonding, and dollars and cents, and other particulars, the very existence of national banks depends upon something of this sort being done in the near future. In that very interesting book which many of you, no doubt, have read, "Reminiscences of the Civil War," by the late General Gordon, he tells the story of a friend of his who was a preacher, and who had himself a slave who was a preacher. Old Allen, the slave preacher, was in the habit of asking his master every now and then what he was going to take his text from the following Sunday, and Allen seemed to think sometimes it was a very good lead to follow. He asked him on one occasion what his text was going to be, and his master said, "My text is going to be 'And He healed them of divers diseases.'" "Yes," said Allen, "that is a very good text, and I think I will preach from that text myself next Sunday." So some of the young men of the family went down to hear him, and he announced his text by saying "He healed them of all sorts of diseases, and particularly that disease called divers," and after referring to all of the various kinds of diseases that he could think of and their relative importance, he said: "But there is a disease called 'divers,' and if you get that disease you certainly is a gone nigger, except the Lord helps you." Now, Mr. President, I think we will all agree that however many diseases and troubles national banks may have, there is one thing that is going to be the divers to them unless it is done pretty quick, and that is some currency legislation. So I feel that I, knowing how strongly our Association in Maryland feels on this subject, as it has indicated by passing resolutions earnestly advocating a system of circulation based upon assets, which was known as the Baltimore plan, that your Convention adopted when the Association met in Baltimore—I feel that that or some legislation of that sort should be considered, and at the outset I feel that I should say that we sincerely trust that this Convention will follow the lead that Maryland has taken in that direction and appoint a committee to urge this legislation upon Congress; for, although it is true that on the eve of a Congressional campaign, as we had last year and as we have had this year, it is perhaps hopeless to expect parties to commit themselves on the matter until after this campaign is over and Congress assembles this winter; but now is the time to strike the iron while it is hot and try to get something accomplished.

Now, in regard especially to Maryland, we have had what are naturally called two calamities during the past year in Maryland; one was the failure of two trust companies, which was a very serious matter in Maryland, and for a while made things look to be in a very dangerous condition. The other was that terrible fire with which our metropolitan city was afflicted, and which in a few hours swept out of existence all the great wholesale district of the city of Baltimore, and a very large part of its retail business.

As concerns the matter of trust companies, I think Maryland can say to you that it has taught us lessons, and they are lessons which to a great extent are appreciated all through the banking world, and have been dwelt upon by gentlemen here from our own Association. One is, as expressed the other day by Mr. Fries, in his address, the gross impropriety of a trust company becoming a promoter or entering into the field of speculation. That is exactly what wrecked those two trust companies in Baltimore.

And another matter, Mr. President, which is equally important, and I think perhaps of more vital importance, generally speaking, and that is, that in its banking business these same reserves should be insisted upon and required of trust companies and State banks as they are required of National banks. That is another matter that this Convention ought to speak upon, it strikes me, and speak upon plainly and clearly, and I trust resolutions

or action will be taken looking to that effect. It is a lesson that has been firmly impressed upon us by our own experience, and, gentlemen, you certainly can learn from that.

Now, then, one word in regard to that great disaster which afflicted Baltimore—the fire. We have learned a great many lessons from that. One lesson that we have learned, Mr. President, is the widespread brotherly feeling that exists among American cities. No sooner was the news flashed out of this terrible disaster to our metropolitan city than the wires were laden down with offers to help, pecuniarily and otherwise, from all parts of the United States. The fire had only progressed so far as to make it manifest that it was going to be a difficult matter to control when, thronging from all directions, from Washington, from Annapolis, from Harrisburg, from Philadelphia, from New York, came on the wheels of steam the engines to help subdue the perilous flames, and they succeeded; and without the help of these American cities, I believe, the whole city of Baltimore would have been laid in ashes.

That is one lesson firmly impressed upon us by this fire. Another lesson, of perhaps more material character, is the fact that we all observed that in the recent construction of our banking institutions there are very few skyscrapers going up. We have begun to believe that it is very well for banks to keep close to their solid foundations, and not have too much expansion, and the result is that almost all of our new banking institutions are going to be one to two and three story buildings; no more fifteen and sixteen story buildings. That is a thing that impresses the eye, too, Mr. President. Greater than all the lessons which we have learned from that fire is the realization of the fact that in that city and in that old State is embodied that magnificent spirit of energy, push and courage which distinguishes American cities which have ever been visited by a similar affliction. Up from the ashes a new Baltimore, more beautiful than the old, is rapidly rising, and it only will be a year or two when the docks have been widened, when the streets have been straightened and broadened, and when new and handsome palatial residences and houses of business, banks and financial institutions will have risen in every direction, and we will look back upon that day of seeming terror, dismay and destiny as one of the greatest blessings that could have been visited upon our community, for with it we have realized, like our sister cities, Boston and Chicago, and Portland, and others that might be named, that we, too, are Americans that are imbued with the indomitable spirit of America.

#### St. Louis Exposition.

The President: I would at this time, as we are all interested in the St. Louis Exposition, like to call upon Mr. Festus J. Wade, of St. Louis, to say a word to us.

Mr. Wade: I am really glad to have an opportunity of discussing just for a few moments the Louisiana Purchase Exposition. It is your Exposition, not a St. Louis Exposition, and I want to make a statement in regard to its finances which will doubtless surprise you. The Fair still has two and a half months to run. Every dollar expended in that magnificent aggregation of the results of the progress of the world has been paid back one hundred-fold to those who entered into the enterprise. The United States of America, who invested five million dollars in the stock of that Exposition, have exhibited to ten million of people up to this hour the greatest show of agricultural implements, of mechanical appliances, of the arts and the sciences of the world, of the varied industries, of the horses and the cattle and the sheep and the swine of the world, and they are to-day educating the people of the world upon the progress of this great country.

The City of St. Louis as a corporation has been paid back its five millions of dollars by having a new and a rejuvenated St. Louis produced in a period of three years' time. The citizens of St. Louis, who have contributed five million dollars more, have gotten back every cent by bringing together the best minds and hearts and energies

for the development of the Mississippi Valley. It has been exploited, particularly in the Eastern country, that there was at one time danger of the Exposition going into the hands of a receiver. A greater slander on a great enterprise was never given utterance; the Louisiana Purchase Exposition at no time owed a dollar to any one except to the people of the United States, and the ninety-three men constituting the Board of Directors of that organization, aided and backed by the bankers and trust companies of St. Louis, have guaranteed the repayment of that Government loan, and up to this time have repaid three million dollars of it back. Not only will it meet its obligations, but it will pay a dividend to its stockholders. That I know.

Those of you who have seen the Exposition need not be told about it. Those of you that miss it are going to lose an education that no money could buy in the next twenty-five years. The magnitude of the Exposition, its completeness, its beauty, is beyond the comprehension of the man who has not visited it, and equally as far beyond the comprehension of he or she who devotes two months' time to its study. In its various departments there is not a line of human endeavor that is not submitted. They are on exhibition for one-half a dollar to those who visit it.

The President: I know it will be gratifying to the Convention, as it is a pleasure to me, to ask our former President, Mr. Hendrix, if he will say a few words to us.

#### Remarks of Joseph C. Hendrix.

Mr. President, Ladies and Gentlemen: There seems to be an impression on the part of the President who is in office that an ex-President can do about anything that he is called upon to do, which I assume is a state of mind in preparation for the future to come. Now, to be suddenly called upon to speak for any section would be embarrassing, to attempt to localize and speak for any particular section of the country would be more particularly embarrassing to me at this time, because the part of the country that I was born in, which is the West, has a President which is to succeed, and he can do his own talking. The part of the country that I live in, New York, is represented by a great big Committee of Arrangements that was visible last night, but not visible this morning. I am very much like a little story that I heard. There was a surgeon coming down the steps of one of our hospitals, running down very fast, as all these New York doctors do, and he met another surgeon coming in, and he says: "Hello, anything new, what is going on upstairs?" And the other surgeon says: "We have got the funniest case upstairs you ever saw; we have got a woman up there who is so crosseyed that when she weeps the tears run down her back." "Well, you could not do anything with her, could you?" asked the surgeon, and he replied: "Why, certainly, we turned right around and treated her for bacteria." I think that when this dignified Committee of Arrangements wanted to treat you last night in one direction you turned them around and treated them in another. In fact, some of them appear to me very much like an English officer who was being court martialed. He was one of the best officers in the regiment, and the court martial wanted to save him, but the evidence was dead against him; his friends were on the bench, but the evidence was cumulative, until there came along a dense, stupid orderly who seemed to be ready to give evidence that would exculpate the officer, and so the Judge says: "Did you see the Colonel when he came into his quarters last night?" He says, "Yes." "Well, did you notice anything unusual in his manner?" "Nothing at all." "Did he say anything to you?" "Yes." "What did he say?" "He gave me the orders for the morning." Well, the old presiding Judge, who was very anxious to save the Colonel, leaned over his head, and he said: "Did you say the Colonel gave you the orders for the morning?" "Yes, sir." "And what did he say to you?" "Well, he told me to wait and call him early." "Did he say why he wanted to be called early?" "Yes, he said he was to be Queen of the May."

Now, I am not only a retired President of the American Bankers' Association, but I have retired from the banking business in this sublunary world, and as I informed the Executive Council the other night at the little entertainment, I am now the President of the First National Mental Science Bank of Arcadia. That is situated on the road to Paradise. You get off at the Elysian Fields, and you go down through the green pastures and by the still waters, and then you come to my place, and we have open house for all country bankers. We allow no interest on deposits. We have got too much sense for that. We are trying to avoid some of the mistakes that are made in the material world in the conduct of the banking business, and when you do it all in your own mind and in your own way, and just think it out all by yourself, it all works out nice, and balances very nicely, and I invite you gentlemen at an early stage in your careers to seek this brain contracting, spirit paralyzing banking business; nothing like being a retired banker and all through with the cares of discounts. It is a sort of a preliminary preparation for what is to come. Now, when you become a disembodied financial spirit you know how it feels; so you may be getting ready, because it is very much like the old lady who was observed in an Episcopal Church up town in New York always to bow when the name of Satan was mentioned through the service—she would always duck her head. The rector went to her one day and he said, "Excuse me, madam, but I notice that when the name of Satan is mentioned in the service you bow your head; you know that is not customary, and I would like to know what is your reason." "Well," she says, "you know it does not cost anything to be polite, and you can never tell what may happen."

I have observed, in looking over the various banking association gatherings, that the old types by which one could pick out men in an audience and associate them with certain portions of the country are disappearing. New York, as you know, is the most cosmopolitan city in the world, and America is very rapidly becoming the cosmopolitan country of the world. You do not observe the distinction in individual types that many of you can remember in the early days. It is very hard to tell when a Western banker walks down Broadway whether he is running a bank in Fourteenth Street in New York or out in Oshkosh. There is a rapid assimilation going on between the types of individuality in various parts of the country; our fashions are alike, our habits are alike, and I was never more surprised than when at a convention out in Denver I had a gentleman say to me, "If you will come up to my country place in the Rocky Mountains on Saturday night for dinner we are going to have boiled live lobster." That shows what a great country this is getting to be.

The speeches which have been made here, Mr. President, indicate a common line of thought, and it is the greatest pleasure to hear these silvery tongued orators, the natural troubadours of our country from the South tell their stories and give us their outlook. Now, the outlook of the North and of the East should be spoken for, and is it not possible for some one who is properly equipped for the task and properly authorized to speak to an assembly of this sort to say that the outlook of the North has very greatly changed in its character in the last ten years, in respect not only to the South, but in respect to the North? The fact of it is that the recrudescence of prosperity which has been so highly accentuated within the last few years has come in its great influence from the West and from the South, and New York simply is the registering thermometer of the business of the United States, and shows it, feels it, and evidences it in the things you see about you. Whence these magnificent hotels in New York? Whence this lavish expenditure of the city? It simply means the tremendous prosperity which has come upon the whole United States of America.

Mr. Bryce, the great English statesman who wrote the "American Commonwealth," said that when he first came

to this country he could not discover evidences of European civilization further West than the Alleghany Mountains, but when he came to this country the second time he discovered them as far as the Mississippi River, and that upon his later visit to the United States he found that European influences pervaded the entire country. Well, now, the retroactive effect of all these things simply develops the great cities, and they are merely the accent of the enormous productive power which these gentlemen represent to you in the splendid statistics that they bring to your attention.

We are very happy and we are very fortunate, gentlemen, to be living in our day and generation in the United States of America, and the period through which we are passing, which has been within the experience of most of you, has been a phenomenal period, and when in the future some careful student of economy goes over it he will wonder, stand in amazement, at the story it tells. For the first time in the history of the whole world was the question of the standard of value submitted practically to a popular vote. Fancy the law of gravitation being submitted to a popular vote for its determination. Fancy some of the most abstruse scientific propositions having to rest upon the determination of a popular vote. But is it not a tribute to a democracy, is not a great tribute to a free government, the free enlightenment of the people, the education of the little red schoolhouse on the hill-top, the influence of the church, the bank, the warehouse, the commercial emporium, all of these, that so abstruse, evasive and illusive a question as the question of the standard of value, which in all the kingdoms of the world has been reserved for the finest intellects to settle, could here have been thrown en masse to a great congregation of people, an aggregate of population, and that the prevailing judgment of that mass of people should be right, and should be established as the right thing for the country. I believe that when some future time shall come that it will be realized that we have written the dramatic history of the world, and that it will be found that that was one of the most intense moments for all modern history when a great republic has to pass at the polls upon the question of the standard of value. Now that is all passed away, floating down the stream like the thistle-down of last summer. We are face to face with new propositions, with a great, magnificent history, with an amplification and development of a great credit system, such as has never been paralleled in the history of civilization, with immense masses of loans which you, gentlemen, have to carry in your institutions, with a great aggregation of currency, with a wonderful growth in the general wealth of the United States; and the problem is there just coming over the horizon; we can see far enough in the future to detect it. We always know that out of a clear sky, if we wait long enough, a cloud comes and then a storm. You, gentlemen, have to be upon the watch-tower all of the time. Your vision is strained. Your nervous system is intensified with a view of seeing what is the matter. Are we passing through a glorious period of our history? Is this the golden age of the Republic? Are we at the apex of our prosperity? Have we just to look down a long and winding path into a vale where there may be shadows, where there may be storms, where there may be difficulties before the pathway can go up over the opposing mountain range?

As we stand to-day upon our own feet, in the light of our own knowledge, it seems to us that we have a giant's strength commercially, financially; a giant's strength in possibilities of national assertion, and there is, I believe, in the feeling of all men of your type, all conservative men, that having a giant's strength in all of these departments, that we should use it like a giant, with modesty, with reserve, with conservatism, and with caution.

We observe that on the other side of the water Mr. Chamberlain, of the British Ministry, is seeking to introduce reforms that must have great importance to us if carried into effect. These things bankers will think of.

I shall attempt to arrive at no conclusion, simply passing them in a suggestive way to your minds as they occur to me; but whatever betides, I think that the past experience, the traditions of this Association, and of our business, both justify the conclusion that if we continue to do strictly commercial banking to supply the needs of our particular customers as they may be developed, and to keep in the old-fashioned middle of the road, there is a line of safety for us to pursue, and we are as free from danger as it is possible to be and be engaged in any business. The traditions of this Association are all in favor of that old conservative policy, and I have no doubt that as a younger generation comes on it will carry forward the same feeling, and that the American banker, whose record up to date, in spite of all the disorders of the currency and all of the difficulties of the law, has been one of steady progress, will continue on in as great prosperity; and for one and all of you gentlemen I wish the greatest possible prosperity.

The President: Gentlemen, and members of the Convention, I do not care which part of the country is called for, we are all mixed together in a common field. I will call now for Mr. Wilson, of San Francisco, who some of you had the pleasure to know when we were out there last year.

Remarks of James K. Wilson,

President of the San Francisco National Bank.

Mr. President and Gentlemen of the Convention: While listening to the remarks of the gentlemen on the great divisions of this land of ours, the uppermost thought in my mind has been this:

I am proud of my country; of its achievements; of its opportunities; of its possibilities; proud that I am an American citizen, and therefore entitled to a share in the glories of the past, to take a part in the activities of the present and to gather inspiration from the anticipated greater and more beneficial results that the future will most surely unfold.

But, Mr. Chairman, though these points of the compass have been covered by the gentlemen who have preceded, the half has not been told, and to undertake to tell the remainder in a five-minute speech is to assume profound ignorance of the subject or profound wisdom in the selection of a few of its leading features.

To briefly sum up what has gone before, and epitomize what is to come, I may say:

While the East has its feast,  
And the South a full mouth,  
And the North may bring forth,  
Yet the West is the best.

Mr. President, I need not tell you nor the members of this Convention that the West is going to be the big end of this country. Many of you have seen it, and are therefore more or less familiar with its size and resources.

It is within the memory of men in active business to-day when all the region now known as the West, and much more, was then known as simply so much public land. Not a single State or Territorial boundary had been run in any direction.

The West has been a movable line for a century or more. It has at least reached its utmost land limits, and over two thousand miles beyond, to take in the Hawaiian Islands—the latest territorial addition.

Excluding for a moment the Territory of Hawaii and the Territory of Alaska, the West, as recognized in the last census report, consists of nine States and two Territories.

These States and Territories lie in three tiers, from south to north, all facing to the west, or to the Pacific Ocean. The first consists of California, Oregon and Washington; all daily kissed by the gentle waters of the largest and finest ocean in the world. Nevada is also in this division, though without an ocean frontage.

The tier just outside of these States comprises Arizona, Utah and Idaho, and adjoining these on the east

is the third, comprising New Mexico, Colorado, Wyoming and Montana. The oldest one of these States is California, and she is the only one that came into the Union without going through a probationary territorial existence; and California is only fifty-four years old.

The other States in this division are from ten to forty-five years old, including five that are from ten to fifteen years old. Those eight States became Territories thirty-six to fifty-six years ago. Arizona has existed as a Territory forty-one years, and New Mexico fifty-six years; both are entitled to Statehood.

While this section comprises only 20 per cent. of the number of States and less than one-third of the Territories, they have been organized on such a grand scale that they include about 40 per cent. of the whole land area of the United States.

The natural slope of this area is to the Pacific Ocean, and its foreign commerce is transacted through the magnificent ports of California, Oregon and Washington.

There is no finer opening for settlers in the country than is to be found in these States and Territories. In the first place it is a roomy section. The Census returns of 1900 show one-quarter of a square mile of land, or 160 acres, for every inhabitant. To do the best work a person must have room; this they have in abundance in the West. In the rest of the country the Census gave to each inhabitant an average of only one-fortieth part of a square mile, or sixteen acres.

The West abounds in everything except people. This deficit is causing no anxiety. The population is increasing more rapidly than in the remainder of the country. There was a gain of nearly 31 per cent. in the nine States and Territories known as the West between 1890 and 1900, against a gain of a little over 20 per cent. in the remainder of the country. There are no available figures of gain since 1900, but there are good reasons for believing that the increase for the past four years has been proportionately greater than it was in the previous ten.

The overflow of the more populous States must naturally come our way, and there are evidences that this overflow is increasing in volume from year to year as the people become acquainted with the advantages and resources of the region.

It would be difficult to select an equal area of opportunity in any other part of our prosperous country. The three primary sources of wealth—agriculture, mining and manufactures—are in a fine state of development, but capable of much future expansion.

This area embraces all grades of climate, and there is hardly a product of the soil in any zone but what finds hospitality within our borders. We are the producers of all kinds of grain and fruit in abundance. We can supply the whole country with all the raisins and wine it can consume. If we include Hawaii, we have cane sugar plantations under the most intelligent cultivation of any in the world, and capable of furnishing 400,000 tons per annum.

We inaugurated the manufacture of beet sugar, which has now become a prominent industry with us, as it also is in some other parts of the country. To other products it is not impossible that we shall add coffee, rice, tea, cotton, silk and tobacco in some parts of our domain.

The one feature that differentiates the West from the remainder of the country is the product of the precious metals. It is appalling to think where this country would have been classed to-day in the nations of the world if the rivers and mountain fastnesses of the West had not been unlocked by the enterprise of man, and treasures brought forth to gladden and beautify, not only this country, but, indirectly, all other countries.

It is our boast that we have upwards of \$2,000,000,000 in gold and silver coin and bullion. From whence did we get this money? Practically every dollar of it came from the Western States and Territories, and very much more—the commercial value of the silver and gold products of this country for the past few years has averaged in round numbers \$100,000,000 per annum, and the total value of

this product, to the close of the current year, is estimated at \$4,362,225,000.

Practically all the gold and silver has been produced since the discovery of gold in California in 1847, or within a period of fifty-seven years. The total domestic product prior to 1847 was less than \$25,000,000.

Reckoning silver at its coinage value, the Mint Director gives the total product of gold and silver to the close of 1902 at \$4,417,229,000. At least 90 per cent. of all the gold and nearly 98 per cent. of all the silver produced in this country since 1848 have come from the nine States and three Territories banked against the Pacific Coast and classed as the West.

But these are not the only metals for which this country is distinguished. The production of copper, lead and a score of other minerals has been notably large. The only cinnebar deposits in the United States also lie within this area, and the value of the quicksilver has added materially to the wealth of the country. The borax deposits in California and Nevada have contributed most liberally in the same direction.

All these mining industries throughout the whole territory are still in flourishing condition and likely to last for many years. In the last five years liberal supplies of earth oil have been discovered and worked.

The fisheries are another valuable industry, in which large amounts of capital are invested, with good returns. The Coast boasts of the finest salmon streams in the world, and the boast is not an idle one, as can be attested in all parts of this country and in foreign lands.

The raising of cattle and sheep and high bred horses is a prominent feature of these States and Territories. It is literally true that these sheep and cattle roam on a thousand hills.

In the line of manufactures great progress has been made. A shipyard that can turn out such notable vessels as the "Olympia," the "Oregon," and the "Chitose" in the Japan service, which recently overhauled and destroyed the "Novik," the pride of the Russian Navy, is only a single illustration of what has been and what can be done in manufactures. The discovery of fuel oil in abundance has not only been of great help to manufacturing, but also to the transportation interests centered in the West.

To facilitate activity in all these and various other industries there are numerous and well established mercantile and banking institutions of all classes, private and corporate.

Ample means are at hand for fostering and distributing all the products of the soil, whether subsisting in or above ground, animate and inanimate; all that pertains to the fisheries, large or small; all of the thirty or more different products of the mines, and all of the scores of manufactured articles, from the minutest and least valuable to the mammoth steamer whose value goes into the millions.

Much might be said of the lumber industry. The timber is of the finest and tallest description, and there is plenty of it. It is being used in the erection of buildings of all sizes and for all kinds of purposes along the West Coast, in Australia and in the Orient.

The present conditions of the West are causing no uneasiness. Some of the crops in some parts are not as large as usual, but better prices are being realized, which, as a rule, fully offset any deficiency in volume. It is probable that a lessened growth of grain will be sent on the long voyage to Europe, which mitigates to some extent against the interest of ship owners, but that misfortune falls on non-residents.

Trade with Pacific ports is steadily increasing, especially with the Far East. The introduction of a number of large steamers, with more to come, is good evidence of the present and prospective increase in the freight trade of the Coast. In a word, the condition of general trade appears to be sound and fairly prosperous.

Mr. W. H. Byerts, of Socorro, N. M., spoke as follows:

#### Remarks of Mr. Byerts.

While listening to the beautiful recitals from members of the different States giving a short sketch of their great development and resources, one almost fancies himself in the fairylands in company with Col. Mulberry Sellers. Now comes the should-be State of New Mexico, with a boast of which she is proud, of her resources, which are just as necessary and as essential to the growth and prosperity of this great nation as the growing of corn, wheat and cotton. The raising of horses, mules, cattle, sheep and Angora goats is so healthful and profitable in New Mexico that the ranchman can go to his bank and borrow the necessary money to stock his ranch, paying the banker the handsome profit of 12 per cent. per annum, and with proper care said ranchman is out of debt in a few years and in a healthy, prosperous condition. This industry, which is only one of the many, is so profitable that it brings handsome returns to both borrower and lender. One of the great blessings of New Mexico I would love to mention, and that is her pure mountain-made air, which has blessed humanity and sent thousands home well and happy, and they are to-day singing praises to the pure mountain-made air of New Mexico, and of this she has millions. On tiptoe and with outstretched hands she invites you to come and partake.

#### Remarks of Mr. William George,

President of the Old National Bank of Aurora, Ill.

On behalf of the Illinois Bankers' Association, I wish to invite you before there is an adjournment to attend that Convention in St. Louis on the 18th and 19th of October. It seems to the Illinois Convention that it would be a good time for those of you who contemplate attending the great fair at St. Louis to come on those two days. Any of you who desire to reserve rooms, I know, can secure them by writing to Mr. Frank P. Judson, Chicago, Secretary of the Illinois Bankers' Association, for he has reserved 500 rooms for the Illinois Convention.

I hope that, inasmuch as so few of the delegates are here at present at this speaking, that those of you who are here will extend the invitation of the Illinois Bankers to all of your friends.

The meeting thereupon adjourned until Friday, September 16, 1904, at 10 A. M.

### THIRD DAY'S PROCEEDINGS.

*Friday, September 16, 1904.*

The Convention was called to order at 10.15 a. m.

Prayer was offered by the Rev. J. M. Farrar, **First** Reformed Church of Brooklyn.

The President: The next order is unfinished business. Authorization was given yesterday to fill in the names of the Vice-Presidents from States, and if any of the delegations desire to make any changes or to hand any names in that have not been done, they may be sent to the table here. Unfinished business is the next order.

Nothing appearing, it is my pleasure now to introduce to the Convention Mr. W. E. Schweppe, Manager of the Bankers' Department of the Credit Indemnity Company, of St. Louis, Mo., who will address you on "Credit Insurance; Its Value to the Banker:"

"Credit Insurance; Its Value to the Banker," by  
W. E. Schweppe.

[Mr. Schweppe's address in full will be found on pages 1143 and 1144 of this publication.]

The President: You will next have the pleasure of listening to the Hon. Ellis H. Roberts, Treasurer of the United States, on "The Strength and Weakness of American Finance."

"The Strength and Weakness of American Finance," by Hon. Ellis H. Roberts, Treasurer of United States.

[Mr. Roberts' address in full will be found on pages 1134 to 1137 of this publication.]

SPEECH OF MR. JOHN MITCHELL, JR. (COLORED), PRESIDENT  
MECHANICS' SAVINGS BANK OF VIRGINIA,  
RICHMOND, VA.

Mr. Chairman, were it not for remarks made here to-day I should not come and appeal to you or speak to this Convention. For the first time, I think, in the history of the American Bankers' Association, although having been a member for many years, I appear upon its rolls. I come, sir, only after I consulted the white business men of the South, and it was upon their advice that I occupy a seat in these halls. I wish to say, Mr. Chairman, that I am a product of the Southern soil, educated there; I served six years on the Board of Aldermen under Democratic control, and while associated there with white men I have yet for the first time to recognize any discrimination on account of my race, color, or religion. I wish, Mr. Chairman, to emphasize the fact that there is no disagreement between the better class of colored people of the South and the better class of white people of the South. You told us to eschew politics and go to business. We have followed your advice. We knocked at the door of religion; when it opened we saw that its pathway led straight to Heaven and we were not ready to go there. We tried the door of politics and we have come out of that door upon your suggestion, and upon the suggestion of the business element, the white element of the South, we are knocking at the door of finance, and the white men there in the South are leading us on and on, and will lead us on until we have reached a certain limit, I presume, and until that time will serve as our guide. I am here, then, Mr. Chairman, that we are come in search of information. God knows the people that I represent have had a hard time of it. We have nine million people in this country. Four million, according to the census reports, are bread winners, and it is on behalf of the bread winner that I am here to-day. We recognize a colored man in the South is as respectable in the community as he is respectable to himself and becomes valuable to the community and pays his taxes. We have found the true way to reach the pinnacle of success is through the avenues of finance, and so we have the savings bank in Richmond, and it is authorized to do business, and nowhere in the administration of that have we found a white man who will refuse to help us when we ask him for our support to give encouragement when it was in his power.

It was true, Mr. Chairman, that I thought that there would be no objection to my presence here to-day. Certainly at the South they would not object. I presume the East and the North and the West would afford me free permission and permit me to sit here and enjoy the flow of oratory which has encouraged my soul, and when I awoke from the spell I wondered if at last I had not reached Heaven. We intend to rise to higher things. The only thing that is handicapping us in the South is the bad class of negroes, and if we could throw that out we would be that much better off. I wish you to understand that the conflict between the better class of white men and the better class of colored men, that there is no conflict, and after listening to that magnificent oratory as it flowed like a river from his lips, I cannot help but feel it more.

I wish to call your attention to the fact that we have ten colored banks in the United States to-day, and there are only ten in the Southern States. I wish you to understand that not one of those colored banks can exist without the authority of Southern white men, that they are incorporated by them, and that they give them the authority to do business. I wish you to understand that they have an accrued capital of \$235,000, with deposits aggregating \$300,000. I tell you the white man of the North has never been able to understand the difference between the two classes in the South. When you hear white men get up here and talk about the negro they mean the Northern negro; they do not mean our kind. (Applause.) We are just as much opposed to that kind as they are.

As I told you a minute ago, if you will examine the Census Report No. 8, just sent out, you will find that there are nine million negroes in this country, and of the nine million there are four million bread winners. Now, what are the bread winners doing? Do you know that we produce \$172,128,000 worth of crops a year? Do you know that of the Southern prosperity our people produce \$756,351 worth of the tobacco crop? Do you know that we negroes produce \$4,148,939 worth of wheat at 70 cents a bushel and that the market has gone to \$1.20 a bushel? Do you know that we produce \$40,356 worth of oats? Do you know that we produce \$215,926 worth of rye? Do you know that we produce \$768,580 worth of potatoes? Do you know that we produce \$2,691,939 worth of sweet potatoes, and do you know that we produce \$46,687,493 worth of corn, making a total production of the negroes of the South of \$232,437,515 per year?

I have not included the production of rice, for in 1900 we produced 26,574,750 bushels of rice, and we produced 299,287 tons of hay, and we produced 29,059 bushels of buckwheat in 1902, demonstrating that these are the breadwinners of the South, and that there is no law between this class of people and the other class of white people to which you can refer.

Now, our distinguished friend from Georgia—oh, how I like to hear a white man direct from the South! how I like to hear him talk; there is something musical in his voice even though he abuses it. I will tell you to-day that we have some of the best material that you ever saw from the South. Take your distinguished Secretary there, Colonel James Branch, you cannot find a finer specimen of manhood anywhere.

If I have said anything that will give you a better opinion of the poor blacks in the South, if I have created a better impression, that is something. I want you to understand that we are separate from the hoodlums of both races. I want you to understand that there is no trouble between the better class of whites and blacks. I want you to understand absolutely the negro is working out his own salvation; he must do it if he hopes to rise to higher things. Pardon this allusion to Richmond; they own there \$1,100,000 worth of property. In the State of Virginia they own \$18,400,000 worth of property, and pay taxes thereon. These are official reports I am citing from. I am not dealing in any fantastic figures; I have enough authority for all I say. I also wish you to understand that the colored people own \$499,400,000 worth of farm lands and products; that they own over \$700,000,000 worth of property in the United States to-day.

Therefore, I ask you to think of the negro as a white man will. The only thing is, they are a little slower about their politics, and that comes from the upper and lower strata. But a man of the John W. Daniel type never begrudges a humble character like myself.

(Mr. Mitchell made some other remarks at this time which were not intelligible from the platform, as he dropped into dialect and talked very fast.)

In the coming years remember that we are all Christians. In the years to come to those who would say unkind things of our class, meaning the other class of negroes, we would say, in the words of the Saviour, when the last day shall come, when the evening sun is setting for the last time, when my last day shall come I shall say in His words: "Father, forgive them, for they know not what they do." (Applause.)

A Member: It gives me a great deal of pleasure to hear from our colored brother of Virginia. He has stated it right. There is no trouble between the best classes, between my race and the other race, in Georgia. All workmen, white or black, are given the right hand of fellowship, and the same chance to get up as the other. It is the loafing negro and it is the loafing white man that make it hard. I am very glad to hear this gentleman from Richmond. I am very glad, indeed, to hear him speak, and as a Southern man born and bred in the South, that I love one part of this country just as much as I do the other. He has stated the facts, and I am glad

he is here, and I am glad to have him here. He said it in a way that speaks well for himself.

The President: I am sure it is not necessary for the Chair to say that the gentleman must see himself, Mr. Mitchell, of Richmond, Va., he must be aware himself that no one has been accorded during this Convention a better reception than he has at the present time. It was not a shadow that he threw across our proceedings, and in the matter of oratory it was very clear that there is no color line in the South.

#### SUGGESTION FOR AN INTERNATIONAL COTTON SPINNERS' CONVENTION.

Colonel Lowry: Gentlemen, you will pardon me, but I have a communication that I wish to ask the Secretary to read. It pertains especially to the cotton raising and the cotton manufacturing in that section of our great country, and I ask the permission of the President and you gentlemen to have it read.

Colonel Branch thereupon read the letter referred to, as follows:

MY DEAR COL. LOWRY:

In view of the world-wide importance of the South's cotton crop and the dependence of Europe upon this country for its supply of this staple as the foundation of its largest manufacturing industry, I recently suggested that an international cotton spinners' convention be held in the South in order to enable the spinners of Europe to study in person the cotton growing and cotton manufacturing possibilities of the South. This suggestion met with a quick response from the leading cotton manufacturers of New England and the South, as well as from cotton growers. The Governors of several Southern States, appreciating the importance of having a visit to the South from the cotton spinners of Great Britain, also wrote me urging that the matter be pushed. Mr. Edward Atkinson, of Boston, immediately became so much interested in the matter that he wrote to a number of friends in England calling their attention to the suggestion and urging that a large delegation of spinners come over this fall and make a personal study of the subject. Among those to whom he wrote was Mr. Scott, editor of the *Manchester Guardian*, and likewise a member of Parliament. At Mr. Atkinson's suggestion I wrote Mr. Scott and suggested that if the cotton spinners of England favorably received the idea I would arrange that an invitation be extended to them from the cotton people and other leading business organizations of the South. Other friends took up the matter with their English correspondents, and yesterday I received a cable from the *Manchester Guardian* stating that the English cotton manufacturers would probably accept an official invitation if extended from the American cotton trade. In view of these facts Mr. S. F. B. Morse, President of the Southern Cotton Corporation, and a few other friends interested in the upbuilding of the South have joined me in an invitation to Southern bankers in attendance upon this convention to an informal dinner at Sherry's, Friday evening at 7.30, in order that while spending an hour or two in social intercourse the bankers here representing all parts of the South may in such a gathering express through an invitation to the cotton spinners of Europe the hope that they will visit the South and see in person the resources and advantages of this section as the center of the world's cotton producing interests.

The bankers from the South who desire to attend are requested to give their names to Mr. E. W. Lane, of Jacksonville, and Mr. L. P. Hillyer, of Macon, in order that cards of invitation may be issued to them.

In view of your deep interest in the upbuilding of the South I would ask that you kindly call attention to this at to-day's meeting of the Association.

Very truly yours,  
RICHARD H. EDMUNDS,  
Editor *Manufacturing Record*.

#### RESOLUTIONS OF THANKS.

Col. Powers: Mr. President and gentlemen of the Convention, our stay here in New York has been so thoroughly pleasant that I think we are under some duty to give expression to what we may feel on the occasion, and while I confess I have not put myself in the attitude where I might express my real feelings as I would like to, I have written the following, which is subject to your amendment at will:

In recognition of the ability, skill and absolute fairness of our most worthy president, Mr. Bigelow, we desire to put on record our thanks. We would also give emphasis to our appreciation of the sympathizing and tireless energy of our most efficient secretary, Colonel Branch, who has displayed such marked ability in building up our membership.

At this, the largest and most successful meeting of the

Association since its organization, we desire to express our thanks no less than our gratitude in appreciation of the efforts of the various local committees and members of the Association in Greater New York for the charming manner in which they have dispensed the most lavish and generous hospitality, in which there was nothing overdone and nothing left undone, for our comfort and pleasure, giving assurance of a really true welcome. We are not unmindful of how much the press, the telegraph and telephone companies have contributed to make this occasion so thoroughly successful, and to them we make our acknowledgments with thanks.

I move the adoption of these resolutions.

Motion seconded and unanimously carried.

#### NOMINATIONS AND ELECTIONS.

The President: Unless there is some further discussion on practical banking, I call for the report of the Committee on Nominations:

The report is as follows:

NEW YORK, September 16th, 1904.

*Gentlemen of the Convention:*

The Committee on Nominations desires to report the result of its deliberations, and for President of the American Bankers' Association tenders you the name of E. F. Swinney, President of the First National Bank of Kansas City, Missouri.

#### FOR FIRST VICE-PRESIDENT.

John L. Hamilton, of Hamilton & Cunningham, Hoopston, Illinois.

#### FOR MEMBERS OF THE EXECUTIVE COUNCIL FOR A TERM OF THREE YEARS.

Clark Williams, Vice President U. S. Mortgage & Trust Co., New York.

G. S. Whitson, Vice-President National City Bank, New York.

John Perrin, President American National Bank, Indianapolis, Ind.

Grier Hersh, President York National Bank, York, Pa.

John T. Dismukes, President First National Bank, St. Augustine, Fla.

#### VICE-PRESIDENTS.

Alabama—James H. Fitts, President City National Bank, Tuscaloosa.

Alaska—B. M. Behrends, Banker, Juneau.

Arizona—S. F. Sullenberger, First National Bank, Bisbee.

Arkansas—W. H. Langford, President Citizens' Bank, Pine Bluff.

California—E. McLaughlin, President San José Safe Deposit Bank, San José.

Colorado—M. D. Thatcher, President First National Bank, Pueblo.

Connecticut—E. G. Sanford, President City National Bank, Bridgeport.

Delaware—Otho Nowland, President Equitable Guarantee & Trust Co., Wilmington.

District of Columbia—A. B. Clements, Cashier Aetna Banking & Trust Co., Washington.

Florida—Edward W. Lane, President Atlantic National Bank, Jacksonville.

Georgia—Robert F. Maddox, Vice-President Maddox-Rucker Banking Co., Atlanta.

Idaho—George D. Ellis, President Capital State Bank, Boise City.

Illinois—Charles L. Castles, Cashier Federal Trust & Savings Bank, Chicago.

Indiana—Harry L. Scott, Cashier Steuben County Bank, Angola.

Indian Territory—Frank S. Genung, President First National Bank, S. McAlester.

Iowa—L. F. Potter, President First National Bank, Harlan.

Kansas—C. Q. Chandler, President Citizens' State Bank, Medicine Lodge.

Kentucky—Chas. E. Dallam, Cashier Henderson National Bank, Henderson.

Louisiana—J. H. Fulton, Commercial National Bank, New Orleans.

Maine—F. D. Hill, Cashier Bath National Bank, Bath.

Maryland—R. K. Vanneman, Cashier First National Bank, Havre de Grace.

Massachusetts—W. F. Hills, Vice-President Traders' National Bank, Lowell.

Michigan—Morris L. Williams, President Commercial National Bank, Detroit.

Minnesota—C. D. Griffith, President First National Bank, Sleepy Eye.

Mississippi—C. W. Troy, Cashier Bank of Tupelo, Tupelo.

Missouri—W. Davless Pittman, Bond Officer Mississippi Valley Trust Co., St. Louis.

Montana—Preston B. Moss, President First National Bank, Billings.

Nebraska—A. L. Clarke, President First National Bank, Hastings.

Nevada—John Henderson, President Henderson Banking Co., Elko.

New Hampshire—W. L. Mason, Cashier Keene National Bank, Keene.

New Jersey—Uzal H. McCarter, President Fidelity Trust Company, Newark.  
 New Mexico—Charles B. Eddy, Vice-President First National Bank, Alamogorda.  
 New York—Arthur J. Bissell, President People's Bank, Buffalo.  
 North Carolina—Wm. T. Old, Cashier First National Bank, Elizabeth City.  
 North Dakota—N. M. Young, Cashier Cass County National Bank, Casselton.  
 Ohio—George Guckenberger, President Atlas National Bank, Clucinnati.  
 Oklahoma—Wm. E. Hodges, Cashier First National Bank, Stillwater.  
 Oregon—H. L. Gilkey, Cashier First National Bank of South Oregon, Grant's Pass.  
 Pennsylvania—W. W. Ramsey, Cashier German National Bank, Pittsburgh.  
 Rhode Island—Horatio A. Hunt, Cashier American National Bank, Providence.  
 South Carolina—J. A. Law, President Central National Bank, Spartanburg.  
 South Dakota—R. W. Loomis, Vice-President Merchants' Bank, Faulkton.  
 Tennessee—C. A. Lyerly, President Chattanooga National Bank, Chattanooga.  
 Texas—W. H. Rivers, Banker, Elgin.  
 Utah—Frank Knox, President National Bank of Republic, Salt Lake City.  
 Vermont—F. G. Howland, Cashier National Bank of Barre, Barre.  
 Virginia—H. E. Jones, President Dominion National Bank, Bristol.  
 Washington—A. F. Albertson, Vice-President National Bank of Commerce, Tacoma.  
 West Virginia—L. J. Bayha, Cashier German Bank, Wheeling.  
 Wisconsin—George N. Fratt, Cashier First National Bank, Racine.  
 Wyoming—John D. Freeborn, Cashier Stock Growers' National Bank, Cheyenne.  
 Hawaii—Cecil Brown, President First National Bank, Honolulu.

Mr. J. J. Sullivan: Mr. Chairman and gentlemen of the Convention, the Nominating Committee, composed of the delegates from the State Associations throughout the country, desire to present the names of the following gentlemen for membership in the Executive Council of the American Bankers' Association:

T. J. Fletcher, Cashier First National Bank, Marshalltown, Iowa.  
 E. R. Fancher, Cashier Union National Bank, Cleveland, Ohio.  
 William George, President the Old Second National Bank, Aurora, Ill.  
 L. B. Farley, Cashier Merchants' & Planters' Farley National Bank, Montgomery, Ala.  
 F. E. Marshall, Vice-President National Bank of Commerce, St. Louis, Mo.

A motion was made that the Secretary cast a ballot for all present for the officers and members nominated.

The motion was seconded, and unanimously carried.

The Secretary: I take pleasure in casting the ballot for the names mentioned.

The President: The Secretary having cast the ballot, and so reported, the Chair declares these gentlemen named elected:

For President, E. F. Swinney; for First Vice-President, John L. Hamilton.

#### BETTERMENT OF CONSULAR SERVICE.

Colonel Lowry: I will read a little resolution that I would like to have passed upon:

*Be it Resolved*, by the American Bankers' Association, That we direct the Secretary to send copies to each of the Senators and Congressmen of the United States of the resolution passed at this session relative to the Lodge bill looking to better our consular service, and a copy of this resolution urging its passage.

The President: Gentleman of the Convention, you have heard the resolution. What is your pleasure?

On motion, duly seconded, the resolution was adopted.

The President: It is my pleasure, if you will allow me one moment, to announce that there is present with us to-day, although I think he has gone out of the hall now—I simply want to make a reference to the matter before you—that Mr. William G. Deshler, of Columbus, Ohio, who was one, and I think, perhaps, the only living charter member of this Association, is with us.

#### Report of Auditing Committee.

A Member: I wish to present the report of the Auditing Committee to the American Bankers' Association, as follows:

The Auditing Committee appointed by your President beg leave to report that they have compared the vouchers with the report of the Treasurer and found the same to correspond.

Respectfully submitted,

WM. GEORGE,  
 CHAS. B. MILLS.

On motion, duly seconded, said report was unanimously adopted.

#### FELICITIES BETWEEN OUTGOING AND INGOING OFFICIALS.

The President: The Chair would like to have President-Elect Swinney upon the stage.

Mr. Swinney and members of the Convention, it is a great privilege and great personal pleasure to me to have come to this chair, which I have tried to fill as best I could, a man to whose judgment, character and ability it is not improper for me before his face to testify. I wish you all the success and more that has ever come in the past to this Association. I wish that it may follow your administration, and it is with mingled feelings of pleasure and regret that I turn over the chair to you.

President Swinney: Mr. ex-President, ladies and gentlemen, becoming President of this Association brings with it a certain tinge of regret—regret that in another short year I will have to be classed with that ancient furniture, as Mr. Bigelow, Captain Lowry, and my hairless-headed friend, Mr. Hendricks, and others. To be chosen President of the American Bankers' Association is an honor that any man should be proud of, and I assure you that I appreciate greatly your consideration. I am especially pleased as it is a recognition of what was known a few years ago as the Far West, this being the first time the office has gone West of the Missouri River. As your President I will use my best efforts to in every way forward the interests of this Association, and in doing so I ask and will expect the support of all of its members. I thank you.

Ex-President Bigelow: As we have had hardly any conflicts in this Convention that were not soon ended, a little one between the President and its ex-President now will be avoided, and I have consented to it. I never want to assume a duty that belongs to another or to undertake the privilege that ought to be his, but Mr. Swinney, with his characteristic modesty, which you will have to deal with now for twelve months to come, has asked me to present—although I think it was his privilege—Mr. John L. Hamilton, the Vice-President of the association. I will ask Mr. Hamilton to come upon the platform and receive this indication of his office. Here is the Vice-President's button, a button I forgot to bring to the association for a couple of years, but which I feel I must now bring, under pain of arrest. I welcome you to the office of Vice-President.

Vice-President Hamilton: Mr. President and members of the association, I would be derelict of my duty if I did not state to you that I appreciate the fact that Mr. Bigelow brought the button. I appreciate the high honor that you have conferred upon me in selecting me as Vice-President of this greatest financial organization the world has ever known. It shall be my purpose to aid our worthy President in pushing forward the work of this organization along the line that has heretofore been pursued by the honorable gentlemen that have preceded me. I believe it is the duty of the American bankers to see to it that the finances and commercial interests of this nation are protected. This can only be done through an organization like this, and can only be done by the officers having the united support of the membership of this association. Gentleman, I am here to do what I can to further the interests of the American bankers, so long as they further the interests of the American pub-

lic. I want to again thank you for this high honor that you have conferred upon me.

Ex-President Bigelow: Mr. President, to make one little thing clear in my record, I announced a few minutes ago that in my opinion Deshler was the only living charter member of this Association. I find I am mistaken, and find it to my great surprise, because I must present to you now a gentleman so youthful in heart and mind that it did not seem to me he could be one of the charter members, and yet I have the honor to present Mr. Logan C. Murray, who is a living charter member.

(Before Mr. Murray spoke Mr. Walker Hill spoke.)

Mr. Walker Hill: Mr. President, and gentlemen of the Convention, we have a gentleman here from Milwaukee, and I would like to see him. Stand up.

(Mr. Bigelow stood up.)

Mr. Hill: Your Honor and gentlemen of the jury, I have a prisoner at the bar and I want to make my charge, and after I have made it I will leave it to you whether or not he is guilty or not guilty. On arriving here Monday night I went to him and said: "Mr. Bigelow, I want ten minutes of the American Bankers' Association's time." He says: "On what subject?" I said: "On education, and I want to be recognized after the Committee on Education has made its report." He says: "All right; I will see that you get that ten minutes." I did not get that ten minutes. I was told by him that there was a New York banker here who had been waiting for three hours to speak to you, and he refused to recognize me, but with true Missouri persistency I demanded recognition and got on this platform to tell you about the backbone of this country, Missouri, and the heart of the world, St. Louis, and was interrupted three times by this Tom Reed, Jr., and by that Secretary of yours, Colonel James Branch. He says: "Cut it short, cut it short, cut is short." You did not hear that, but I did. It knocked every idea out of my head, and I, gentlemen of the jury, am going to give you just about two minutes of that speech which would have been only ten minutes, because this prisoner at the bar is not the presiding officer. We have before you a presiding officer who has got a breadth of beam and baldness of head which shows that he is a broad man. A Missourian, born in Virginia and transplanted to Missouri—I tell you when you get that combination, as you see in the present speaker, they are hard to beat.

I wanted to tell you that at the World's Fair there is a building of about six acres of ground, the Building of Education, and in that building, the only one that any exposition in the world's history ever had separate and distinct for education, and of that group of juries I happened to serve on one, the one on banking and insurance. The United States only had four exhibits in that group. France had 213, Germany about 40, Belgium about 40, Italy about 40, and instead of sending men like your speaker there to judge of that they have sent in Leopold Marcella, one of the greatest artists that I ever came in contact with, a man who for twenty years has used the best of his heart and his brain to teach the workingman or the wage worker that he must provide in his youth for what might happen in his old age, preventing that man, he says, from being a tax on his Government, and preventing that man from being what we would term a Socialist. I stayed there for one week's time and with this great mind all stored with that which would build up mankind and make them better citizens, and also the great man from Germany who also has given twenty years of his life; those men both have written books on social economics, banking and insurance particularly, which I understand have a half million circulation. We also had the gifted Dr. Careto, of Italy, and Dr. Marcelle, of Belgium, and I will offer to say that if this Convention could get those four men before them and hear their talk along the line that they have made the study of their lives they would pronounce our prisoner at the bar a culprit, and you would pronounce the prisoner at the bar guilty for not permitting me to get up here and sound

their praises. But I am delaying you. I have no doubt that you have free lunches, free examinations and free everything here.

The object of my being here this minute is to present a bowl. I believe I was the first ex-President who ever received one of these, but whether or not, the secret I can not tell you. You must not think that we are spending your money every year in getting a new bowl, because I have not looked in my wife's jewelry to see whether mine is there or not, but I believe this is the same bowl. The prisoner at the bar had me the day before yesterday where the hair is short. I have got him to-day where the hair is long. But seriously, gentlemen, I am delaying the prisoner. He thinks I am going to pronounce him guilty. I will say that I have served with him three years on the Executive Council. There has never been a question that has come up there that if he expressed an opinion it did not have weight, for it seemed that he was a good thinker. As your presiding officer he has acted with dignity and with care. As your presiding Tom Reed he has acted with precision and judgment and without fear. I wish to present him this bowl in the name of the American Bankers' Association. I wish to say to him that 7300 bankers present it with all that feeling that comes from those who know him; and those who do not, I will say to them that he is a fine fellow, and I welcome him into that mystic circle of has beens.

Ex-President Bigelow: My old friend Mr. Hill—I am not referring to age, but to acquaintance—talk about Southern oratory, talk about an endeavor to get about two minutes' time to present the claims of the great Exposition at St. Louis, I tell you that while oratory is born and bred, and grace and flourishes are in Southern men, it is only when you get one born in Virginia and translated to Missouri that you get the real thing. It is a good deal easier sometimes to be bold than it is to be brave, but to-day, returning as I do 7300 thanks, and that is the thanks I wish to give to every member of the American Bankers' Association, I would almost rather try to be brave to-day than to be bold. I hope that many times this will serve as a sort of a solace and a hope in that large family circle that needs sometimes to be cheered, and as I hope it will often be filled, and I see creeping around the ages in mental visions the figures of Mr. Gage and Mr. Hill, and that young charter member, Mr. Murray, and George Russell, and all the other members, ex-presidents now, it will be a great delight and pleasure to me if in contemplating them and getting acquainted with the contents within the bowl, my eyes grow dim and I fail to recognize them, yet it will be, as Holmes so beautifully said, "That will be the fault of a stupid skull, not of my golden bowl." I shall ever praise it and the sentiment it betokens and carries with it as long as I shall live. I thank you again and again.

Colonel Branch: Before you go I want to put on your breast a little pin that shows you have joined the army of Ex's, and this is the sign.

A member: It has always been the custom of this society to honor those to whom honor belongs, and we have now only two surviving members who constituted the Association in 1875, and I have the pleasure of introducing Mr. Deshler, of Columbus, Ohio, and Mr. Logan C. Murray.

#### OLD CHARTER MEMBERS.

Mr. Deshler: Gentlemen of the convention, my friend Murray and myself, I believe, are the only two living members of the original fourteen who organized the American Bankers' Association thirty-odd years ago. In passing through New York I desired to come up and look on the faces—there are very few old faces; all young men, all modern men—and they demonstrate the growth of the banking business, as against what it was thirty years ago. I tried to think what was the earning capacity of the banks you gentlemen represent in thirty years. Just think of it! It is a big thing. I am not a speaker. My friend Murray is a Kentuckian, and he

was one of the "kids." We called him our kid when we organized, and if he walks up here he will tell you more about it.

Mr. Murray: I thank you very much indeed for the opportunity I have of having you look at so old a man as I am, and I want to say that I feel extremely comfortable in the company of such men as William G. Deshler. There were men of those days—all have gone, fallen wearily down, wearily down; but one man whom we delight to honor, Mr. William G. Deshler, of Columbus, Ohio, is here. I thank you very much for the privi-

lege the President has given me of looking into the face again after so many years. I thank you.

The Secretary: I suppose the Executive Council know it, but to make sure I will state that there will be a meeting of the Executive Council in what is known as the banquet hall, a room in the Thirty-third Street Hotel, immediately after the adjournment of this Convention.

President Swinney: Is there anything else before the convention? If not we will stand adjourned.

(Thereupon, at 1 o'clock p.m., Friday, September 16, 1904, the convention adjourned *sine die*.)

THE FOURTH NATIONAL  
BANK OF THE CITY OF  
NEW YORK OFFERS TO DE-  
POSITORS EVERY FACILITY  
WHICH THEIR BALANCES,  
BUSINESS AND RESPONSI-  
BILITY WARRANT.

# TRUST COMPANY SECTION

## AMERICAN BANKERS' ASSOCIATION,

Eighth Annual Meeting, Held in the City of New York, September 13, 1904

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### *Conservatism.*

By F. H. FRIES, President of the Wachovia Loan and Trust Company, Winston-Salem, N. C.

*Mr. Chairman and Members of the Trust Company Section of the American Bankers' Association:*

Your Executive Committee recently requested the members of the Trust Company Section to give their views as to the subjects that should be considered at this meeting, and the replies received revealed quite a desire on the part of many that there should be an earnest consideration of the proper field for the Trust Company and a consideration of the abuses that have been made of their extraordinary privileges. In obedience to this wish of the members the Executive Committee has requested me to present some thoughts on the subject of "Conservatism," and I have undertaken the task the more cheerfully because I find myself in thorough sympathy with the committee and believe it to be a subject that can well command the serious attention of this assembly.

I deem it unnecessary in this presence to discuss the question what a Trust Company is, or the fact that the Trust Company has become an integral and an abiding part of our body politic, but for special reasons I desire to refer to its origin and the ideas upon which it was formed.

The rapid and unprecedented accumulation of wealth, the great enlargement of business operations by the substitution of the corporation for the individual, and the demand for trustees and agents of responsibility equal to the handling of stupendous affairs led to the formation of the modern Trust Company. It is in contemplation of law a person, "an artificial being, invisible, intangible and existing only in contemplation of law," and yet is clothed with ample powers and all the authority necessary to do anything an individual can do in the positions of executor, administrator, guardian, trustee, assignee, committee or agent. In its conception the Trust Company was designed to stand in these relations and nothing more, and in point of fact it departs from its proper and fundamental sphere whenever it fails to perform or exceed these Trust relations. It is the creature of legislative enactment and its powers are confined to the express privileges granted in the charter. It can do only what the charter specifies, and for that reason Trust Company charters are made very broad and very liberal, and it is right that they should be so, for the company must be prepared to do any and all

things necessary for the conduct or winding up of any business or estate that may come to it for management or for settlement.

These corporate agents or trustees have filled their appointed places so well and so satisfactory that they are to-day recognized as necessities, and their marvelous growth in number and size is an unmistakable evidence of their usefulness and importance.

The underlying ideas upon which they rest, the sentiment that gives to them their marvelous growth, is the absolute integrity and the great financial responsibility with which they manage and protect the interests committed to them, and anything that in any way detracts from the one or subtracts from the other weakens their foundation and saps their strength.

It is an interesting study to see how the older and worthier institutions have won their honored positions in their respective communities on these lines, and to apply their standards to the many that are springing up all over the country. The revelation is not in all respects reassuring to the Trust Company as such, and exhibits the fact that not a few have wandered or fallen from the standard set up.

I have carefully studied the charter and the business as it is conducted of not a few and find that there are companies operating under the name that are not Trust Companies at all. From the character of the business they do they might with equal propriety be called Land Companies, Life or Fire Insurance Companies, Bonding Companies, Guarantee Companies, Building and Loan Associations, or, perhaps, in some cases, simply Promoters.

I have sought for the cause of this apparent change of business under the Trust Company name and find that in some cases it has been occasioned by circumstances, while in other cases it is the result of a deliberate purpose.

The growth of the Trust Company business is slow and sometimes very discouraging, and there comes to not a few the necessity for some means of support. This fact, and the temptations to obtain profits, cause the management to take up whatever presents the surest and quickest returns consistent with the charter. It may be, and it most frequently is, banking in its various forms, again the buying and selling of real estate, the

dealing in stocks and bonds, or the promotion of some enterprise, and thus the Trust Company becomes in reality a Bank of Discount, a Real Estate Company, a Broker's Office, or something else. The name of the company and the chartered privileges in some cases indicate that the company was designed for other lines of business and should never have been named a Trust Company at all. It is called a Real Estate and Trust Company and does a Land Company business, or an Insurance and Trust Company and does an insurance business, or a Banking and Trust Company and does a banking business, or a Fidelity and Trust Company and does a bonding business. Besides this we find that not a few State Banks have been chartered with Trust Company privileges, and that some are seeking to do a business peculiar to the Trust Company.

It is not necessary to argue to this body that this condition of affairs is not as it should be, and that it will, sooner or later, not only bring confusion, but may bring discredit upon the name of Trust Company and the business it represents.

I do not want to be understood as saying that it is not perfectly right for any one to engage in either or all of the different forms of business enterprise that have been in different ways combined with those of the Trust Company, nor that many of them cannot be successfully and properly conducted by the Trust Company in the capacity of agent, but I do desire to clearly present the anomalous position the Trust Company as such is getting into when other institutions are assuming to do its legitimate business and all kinds of business enterprises are being conducted under the Trust Company name, and this to such an extent that it has been derisively called the department store of finance.

The fact that the charters granted to Trust Companies must be very liberal and their terms expressed in language broad enough to cover all cases that may arise under the various positions they may be called upon to fill, the fact, also, that the Trust Company has grown rapidly and in all directions and under many varying and diverse conditions, and the further fact that the management in very many cases has been inexperienced, is no doubt an explanation why the business has become so general in its character and in some cases so foreign to its original purpose.

Without attempting to analyze any special case, or even consider the various conditions that may influence any particular business, allow me to present the Trust Company as an abstract proposition, created for a specific and special work and then see what it can and cannot with propriety undertake to do.

The Trust Company was conceived and organized to take the place of individuals in those fiduciary relations enumerated as executor, administrator, guardian, trustee, assignee, committee or agent; it will be observed that each and every one of these are positions of trust that are given or created either by an individual, a corporation or a court of equity; that the duties incident to these positions compel the Trust Company to labor for and on behalf of persons or corporations outside of the company itself; that the character of the position is such that the utmost good faith is required, and nothing inconsistent with the duties assumed or adverse to the interests involved would appear permissible. Broadly speaking, the Trust Company acts for others and not for itself. It serves the interests it represents, and gets its compensation for the services rendered. To engage, therefore, in a business incompatible with these relations would seem to be foreign to the purposes for which it was intended.

Allow me to illustrate this briefly by referring to the Insurance business that is sometimes found to be associated or combined with that of the Trust Company. The obligations assumed in their contracts by Life, Fire and Fidelity Insurance Companies subject them at all times to the certain payment of uncertain risks and

losses that may, or may not, be compensated for by the premiums charged and the careful administration of their affairs. This hazard exists in each line of Insurance. It carries the newer companies to destruction by scores, and the statement is being constantly made that the older and larger companies subsist by reason of their immense resources that help to carry them along. Be this as it may, the risk is there, the hazard must be met, and this is incompatible with the idea of a business that should, if possible, be free from all risk and all hazard. I met this question in a practical way when I became associated with the Wachovia Loan and Trust Company of Winston-Salem, North Carolina, of which I am president. At that time the charter contained a clause authorizing it to do all forms of Fidelity business; at the next session of the general assembly a special act was passed, at our instance, repealing this particular clause, and for the reason that it was thought to be improbable that anyone, upon serious reflection, would select as executor of his estate or guardian of his children a Trust Company that was known to be selling its endorsement to all classes of persons in official or clerical positions. The Trust Company can, however, with perfect propriety and profit, act as the agent of Insurance Companies, and as such write insurance for them; the difference being that in this case it maintains its position of agent, for which it was created, and does not assume the risks of a business foreign to its own.

This illustration has been purposely chosen to emphasize the gross impropriety of a Trust Company becoming a promoter, or entering the field of speculation in any way; for if it cannot properly enter the foreign field of a legitimate business like that of insurance, it certainly should not attempt to enter that of speculation in any form.

It is more difficult to specifically outline just how far the company can go on those lines that are manifestly within its sphere, in all of which it may go to extremes; and still more difficult to follow it along lines in which it can act as agent. As an illustration allow me to refer to the Banking Department, which is most intimately and correctly incorporated as a part of every Trust Company and in which the capital of the company, as well as the funds of its estates and customers, are managed and correctly accounted for; it is thoroughly equipped in its machinery and knowledge of financial affairs to admirably conduct this business, and it seems perfectly proper for this department to receive and solicit deposits, upon which a small rate of interest is paid, if in turn this money can be safely and profitably invested; but there is grave doubt in the minds of some as to whether the Trust Company, through its Banking Department, should go still farther and seek to enter the field of the regular Bank of Discount and compete for commercial business, thus putting itself in the position of a borrower, with the right of the customer to demand his money at any time and command a line of discounts at his convenience, without much regard to the interest or convenience of the institution. If the Trust Company can get along without doing a commercial banking business, it would be best for it to do so, and if it does this business, the same reserves that are required of National or State banks should be kept by them and the same system of supervision should be submitted to.

Or allow me to refer to the Loan and Bond Departments, which are important and necessary for the successful conduct of a large Trust Company business; the knowledge secured and carefully preserved by them is of the greatest value to the institution, to the estates it represents and to its customers, and yet an extension of these departments into the promiscuous buying and selling of other than safe and conservative investment securities would lead the company upon dangerous ground that they cannot afford to occupy.

Or again to the Real Estate Department, which occupies a prominent place in some Trust Companies that have much of this character of business to attend to. To buy lands for the account of the company, to improve them and sell them again on easy terms of payment is certainly not wrong, yet when imprudently pushed it has frequently brought discredit and disaster, especially when these mortgage notes are sold with the absolute guarantee of the Trust Company. It was a similar business to this that broke every Trust Company in Southwest Virginia in the years from 1893 to 1896.

If time permitted, the analysis of the other departments more or less common to Trust Companies would show the excellent work accomplished by each, and also show that in each of these departments the company may go to extremes and thus bring upon the business more or less just criticism; especially is this true in the various cases where the Trust Company is called upon to act as agent, and in which, even where it is acting with perfect propriety, it may suffer reproach on account of the character or the transactions of the principals.

A great deal of profit has of late years come to certain Trust Companies through the reorganization of railroads or of large business enterprises, or the consolidation of kindred industries, and the underwriting of some of the resulting securities. This kind of business can be done with perfect propriety and much profit; the Trust Company can act as a depository for the exchange of bonds, as well as the subscription payments on the stock as it is called in; it can attend to the issue of all stocks, for which it becomes the appointed registrar, and it can take for itself, or its customer, a certain part of the resulting securities. It can even join a syndicate and agree beforehand to take a fixed amount of such securities as may not be disposed of at a satisfactory price, and participate in the profits of such a syndicate transaction, provided such securities are backed by actual values and are of such a character as to rank as investment bonds.

Opportunities have been and will be thus offered where perfectly safe and desirable bonds can be secured at prices not otherwise obtainable; but gravest dangers lurk in this class of business, and without the greatest caution the institution may find itself associated in exploiting an enterprise of doubtful merit and questionable success. It would not be wise to eliminate this class of business entirely from the sphere of the Trust Company's activities because so many of the ventures presented to them are unworthy and some of those that have been handled by them have proved to be failures. A Trust Company should consider this class of business with the greatest care and some degree of suspicion. The utmost caution should be exercised, not only in ascertaining the true merit and sound policy of the plans proposed, but also in ascertaining the character of the men presenting the project and the associates that will underwrite it. If any one of these three

points is not entirely satisfactory and first class, the Trust Company should not give it consideration. It cannot, without risk and great danger to its best interests, become associated in any way with an unsuccessful undertaking, much less loan its fair name to anything that is not absolutely above reproach.

These illustrations do not cover the entire field of the Trust Company, but they illustrate how the expansion or the abuse of its extraordinary privileges may affect the business. Greater conservatism is certainly necessary to preserve the high character of the Trust Company, and some steps might be wisely taken by this Trust Company Section to restrict the business within certain lines and certain limitations. It might, through concerted effort on the part of its members, so influence legislation that no new Trust Company would be chartered with less than an adequate capitalization, commensurate with the size and character of the community in which it will operate, and that no outside or inconsistent powers or privileges are granted in these charters, and it can with propriety insist that greater care and conservatism be exercised by those now operating throughout the country.

The best way, perhaps, to accomplish this latter object would be to instill into the officers a proper realization of the high standard of rectitude that the nature of the business requires. They should realize that their institution cannot undertake to do what an individual, acting as a trustee, cannot do, and that any act or practice that would lessen the financial standing, or lower the reputation of the individual, will also and in like manner affect the Trust Company, no matter what its capital or earning capacity may be. They should realize that the business in which they are engaged is a noble and exalted one; that there is none more so, for what business relation can be conceived as higher or holier than that of controller and conservator of the funds that support the widow and the orphan, and the financial adviser of the most innocent and confiding as well as the most needy and dependent members of society? They should realize that the word "Trust," in its original and unperverted sense, means that confidential reliance which one person bestows upon another's integrity, veracity, justice and fair dealing, and that this beautiful word stands for the business in which they are engaged. It is inscribed, as it were, in golden letters upon the banner under which the members of this section of the American Bankers' Association are advancing.

It emblazons to the world the sentiments for which the business stands. It beckons its followers onward to worthier efforts and loftier aims. It leads away from the marshes that would entangle the business of the Trust Company with others of incompatible or of doubtful character, as well as away from the dangerous and rocky slopes of speculation and exploitation, toward the heights of unselfish and devoted service, upon which it will ever shine in its pristine simplicity and splendor.

## *The Protection of Trust Companies Acting as Transfer Agents and Registrars.*

By JORDAN J. ROLLINS, of Rollins & Rollins, Attorneys, New York.

The functions of transfer agent and registrar of corporate securities are not discharged to any great extent by corporations in the United States outside of the larger cities. Nevertheless, the subject of the obligations and liabilities incurred by corporations in the assumption of those duties is probably of interest to all representatives of Trust Companies wherever organized, and has, no doubt, been the subject of earnest thought on the part of each of those representatives. Therefore, it is to be hoped that a consideration of how the Trust Company may best be protected in the discharge of the important duties of those two offices will prove of common interest to you all, even though that consideration in large part dwells upon conditions as they obtain in the State where you have now met. What is true of the law of New York, or the lack of it, as regards authoritative adjudications, upon the subject which we propose to discuss, is likewise applicable to other parts of the country, subject only to slight changes or modifications; for, as will be seen, the necessity for the corporate transfer agent or registrar, and the special fitness of the Trust Company to act in those capacities, are natural consequences of general business methods, and not of mere local custom.

The New York Stock Exchange lays down the rule that "Corporations whose shares are admitted to dealings upon the Exchange will be required to maintain a Transfer Agency and a Registry office in the City of New York, Borough of Manhattan."\*

Both the Stock Exchange and the Legislature seem to have taken it for granted that the duties and liabilities of a transfer agent and of a registrar were so perfectly understood as to need no definition or regulation.

But a careful investigation of the subject leads to the conviction that those duties and liabilities have never been clearly fixed or determined, either by authority or custom.

While each particular instance of transfer agency is, like any other agency, created by the contract between principal and agent, that contract is generally in substance a mere resolution by the Board of Directors of the principal company that some other company act in that capacity, and the assumption of the work by the designated company, in pursuance of such resolution. The appointment of the registrar is effected in much the same way.

The contracts thus created are, therefore, peculiarly open to variation in judicial interpretation by the inclusion of implied provisions.

The result is that the Trust Companies find themselves to-day engaged in a large and growing branch of business, the conditions of which are not plainly defined and are to be determined only by a careful consideration of the elements which have combined to create independent transfer agency and registry and make them corporate functions.

While you all know and understand the obligations of a company to its stockholders regarding the transfer of the certificates of stock, it may not be amiss, in approaching the question before us—the due protection of a Trust Company in acting as transfer agent and registrar of another corporation—to direct your attention to a few cases in which the disastrous consequences that have befallen corporations through the improper transfer of their certificates are clearly set forth. These cases have been chosen with the purpose of showing that liability can arise equally through honest mistake, negligence or

fraud. In each instance, it is gratifying to note, they have had their origin not in the employment of a corporate transfer agent, but in the acts of officers of the issuing company.

A wrongful transfer may occur, for example, through a mistake of fact where the title to stock is affected by some law peculiar to a foreign State or country, or by some complicated contractual relation.

A case passed in review by the Court of Appeals of New York,\* in 1901, where title to stock was subject to questions arising both from peculiar foreign law and contractual complications, affords a striking illustration of the uncertainty which may attend the task of transferring stock of a foreign corporation.

The West India Improvement Company, which was a New York corporation, mortgaged all property then owned or thereafter acquired by it to the Central Trust Company, for the benefit of bondholders. Subsequently, the Improvement Company became the owner of the stock of the Jamaica Railway Company, a corporation organized under the laws of Jamaica, but instead of delivering the certificates so acquired to the Central Trust Company, pursuant to the terms of the mortgage, pledged them with the Manhattan Trust Company as security for loans evidenced by notes.

"Subsequently, as found by the Referee," \* \* \* "the legal title to the shares of stock was transferred to the defendant, the Manhattan Trust Company." (By this the Referee probably meant that the record of transfer was made on the railway company's books at Jamaica, or wherever they were kept.)

The Central Trust Company afterwards learned of the pledge of the stock to the Manhattan Trust Company, and immediately brought an action seeking to have the stock declared subject to the mortgage as a prior and superior lien, the certificates delivered to it, and the West India Improvement Company and the Manhattan Trust Company enjoined from making any sale or disposition of them. The Court said, in the course of its opinion:

"At the time the improvement company made the assignment to the Manhattan Trust Company it delivered to that company the certificates of stock (which then stood in its own name) with transfers and powers of attorney indorsed on the certificates and executed by the assignor. If the railway company had been a domestic corporation and the transfer of its stock subject to the law which prevails in this State, it is clear that by the delivery of such certificates and transfers the Manhattan Trust Company would have acquired the legal title to the stock, as against every one except the railway company, and being a purchaser in good faith for value to the amount of the notes which were discounted for cash, would have held it free from any lien or claim of the plaintiff."

The Court then proceeded to discuss the finding by the Referee that by the law of Jamaica the legal title to the capital stock of the railway company, as between the improvement company and the Manhattan Trust Company, could pass only by deed of transfer and did not pass by the delivery of certificates with transfers in blank duly indorsed thereon, and proceeded as follows:

"Certificates of stock are neither choses in action nor negotiable instruments; but both in England and in this country it has been sought to render dealings in stocks practicable and to secure the rights of purchasers by giving to stock certificates attributes of negotiability to a certain limited extent. So the rule is settled in Eng-

\* Constitution of the New York Stock Exchange, Article XXXIII, Sec. 1.

\* Central Trust Co. vs. West India Improvement Co. 169 N. Y., 314.

land that a purchaser in good faith, without notice, who succeeds in obtaining his transfer to be first registered holds his stock free from any equities of other persons.

"If the instruments which the Manhattan Trust Company obtained from the improvement company before the advance of the money on the notes, were sufficient to enable the Trust company by its own act, or at its own volition, to acquire a legal title to the stock, then, upon such transfer on the books of the railway company, the title of the Trust Company became indefeasible."

But the Court did not attempt to decide whether in fact the title was indefeasible, as a new trial was necessary in any event.

In a case in the United States Circuit Court\* it appeared that certain stock of an Arkansas corporation had been pledged in New York. Under the New York law the pledge would have been good, but under the Arkansas law its validity was doubtful.

The Court stated, quoting the United States Court of Appeals:

"Whatever the general principles of international law in relation to assignments of personal claims may be, the validity of a transfer of stock is governed by the law of the place where the corporation is created."

Although the liability of the issuing corporation was not in question in either of the cases just cited, it clearly follows from the rule laid down in each that ignorance or disregard of the law of a foreign State or country may result in wrongful or invalid transfer of stock there created. In such cases the issuing corporation would be liable for the consequences.

In a case decided by the Supreme Court of the United States in 1887 it appeared that stock standing in the name of A was transferred upon an assignment purporting to have been made by A through B, as her attorney. The corporation knew that B had theretofore acted as the representative of A, and did not require from him any clear proof that he was authorized to effect the particular transfer, honestly believing from his representations that he was so authorized. The proof not being sufficient to establish agency as a fact, the court was of the opinion that the issuing corporation was liable to reimburse the stockholders for the loss occasioned by its mistake in permitting the transaction.

As will be seen, this was a case where the negligence rendering the issuing corporation liable consisted merely in the failure on the part of some one of its officials to investigate beyond question the authority of the apparent agent of the stockholder to transfer stock for that stockholder.

Mistake and actual negligence, however, seem to have been rare in the transfer of stock, and most of the cases where the issuing company has been subject to liability in connection with the acts of its transfer agent have arisen from fraud on the part of persons so employed.

Of those cases the Schuyler frauds,† which took place in 1852 and 1854, are the most notable, not only because of the extent of their consequences, but because in the enormous litigation which followed, the liability of the issuing corporation for the acts of the transfer agent was fully discussed and definitely settled.

The New York & New Haven Railroad had \$3,000,000 capital represented by 30,000 shares of stock.

Schuyler, who was President of the company and its transfer agent, issued and disposed of additional certificates, falsely purporting to represent stock, to the amount of \$2,000,000, or twenty thousand shares.

The result was a protracted litigation, in which the holders of the over-issue, more than three hundred in number, were finally in a single action joined against the company. In the report of the proceedings in 1858,‡ be-

fore the Court of Appeals, their various claims are described as follows:

"They all claim rights against the company; some that they are stockholders; others that they are either stockholders or have a right of action against the company for their losses. Some claim damages to the full nominal par value of the certificates they hold; others for the money they have actually advanced; while all assert a claim upon the company in some form."

After some years the case reached the Court of Appeals again,\* where it was finally held in 1865, that a corporation is liable to the same extent and under the same circumstances as a natural person for the acts and for the negligence of its agent while engaged in the business of his agency, and that neither the fact that the agent was acting outside the terms of his actual authority, nor the fact that the stock so issued was void, nor that the company itself had no power to issue that amount of stock, was any defence to the claims of the holders, because the company had put its agent in a position to perpetrate the fraud while seeming to act within the scope of his authority.

The responsibility of the issuing company for the due registration and transfer of its own stock, as illustrated by the cases I have quoted, is briefly stated in the words of the United States Supreme Court, in another case, as follows:†

"The officers of the company are the custodians of its stock books, and it is their duty to see that all transfers of shares are properly made, either by the stockholders themselves or persons having authority from them. If, upon the presentation of a certificate for transfer, they are at all doubtful of the identity of the party offering it with its owner, or if not satisfied of the genuineness of a power of attorney produced, they can require the identity of the party in the one case, and the genuineness of the document in the other, to be satisfactorily established before allowing the transfer to be made. In either case they must act upon their own responsibility. In many instances they may be misled without any fault of their own, just as the most careful person may sometimes be induced to purchase property from one who has no title, and who may perhaps have acquired its possession by force or larceny. Neither the absence of blame on the part of the officers of the company in allowing unauthorized transfer of stock, nor the good faith of the purchaser of stolen property, will avail as an answer to the demand of the true owner."

The limit of the liability thus described by the United States Supreme Court is nicely determined in a decision of the Supreme Court of Massachusetts. In that case an executor pledged stock of the estate which he represented as collateral for a loan to another. The Old Colony Railroad, the corporation which issued the stock, after ascertaining that the executor had absolute power of sale, recorded the transfer and issued a new certificate in the name of the bank making the loan. On default in the payment of the note the bank sold the stock at auction.

In an action subsequently brought to compel the railroad company to issue a new certificate for the benefit of the estate it was held that, although the act of the executor in transferring the stock as he did was fraudulent, the corporation was not bound to look beyond the power of transfer in order to find out the purpose for which the transfer was made.

The Court said, in part:

"When a transfer of stock is presented to a corporation it is bound at its peril to see that it is a genuine transfer by one who has power of disposition over the stock."

And citing several Massachusetts cases on that point, continued:

"If it issues a certificate upon a forged or unauthorized transfer, the real owner retains his property in the

\* Masury vs. Arkansas, 87 Fed. Rep., 381, citing Hammond vs. Hastings, 134 U. S. 401, and other cases.

† Mechanics' Bank vs. New York & New Haven R. R. Co., 13 N. Y., 599; New York & New Haven R. R. Co. vs. Schuyler, Cross and 324 others, 17 N. Y., 592; New York & New Haven R. R. Co. vs. Schuyler *et al.*, 34 N. Y., 30.

‡ New York & New Haven R. R. Co. vs. Schuyler *et al.*, 17 N. Y., at p. 592.

\* New York & New Haven R. R. Co. vs. Schuyler *et al.*, 34 N. Y., 30.

† Telegraph Company vs. Davenport, 97 U. S., 369, at p. 371. Crocker vs. Old Colony R. R. Co., 137 Mass., 417.

stock and the corporation may be liable to a *bona fide* holder of the new certificate. But when a transfer by one who has full power to transfer is presented, the corporation has the right to act upon it, and it is not its duty to inquire into the purposes of the parties or to investigate the question whether the transfer is in good faith or is fraudulent."

On the ground that it was not material to the issue, the Court declined to discuss the question whether or not the corporation would have been liable had it possessed actual knowledge of the fraudulent purpose of the transfer, but from the other decisions which I have already cited there is little doubt that that fact would have rendered it responsible for the loss.

On the other hand, to quote again from the Massachusetts Supreme Court, in the same case\*:

"If a proper transfer is presented to a corporation it is its duty to issue a new certificate in accordance with it, and if it refuses, it is liable to the person to whom the transfer is made."

These cases serve to illustrate the liability of the issuing corporation.

For all loss occasioned, whether by fraud, negligence or unavoidable mistake, by it or its agents in the transfer of its stock, such corporation is absolutely liable, and no excuse can mitigate its liability.

How much of this responsibility attaches to the registrar and transfer agent when they are separate corporations?

While the officers of some companies which act as registrars undoubtedly believe that the responsibilities connected with the discharge of the office are not as great as are those of a transfer agent, that opinion is probably not generally held. According to the practice in New York, at least, a registrar seldom requires more than the exhibition of a cancelled certificate of stock for a given number of shares, and the presentation therewith, either by the issuing corporation or by its transfer agent, of a new certificate for the same number of shares in the name of the transferee of the cancelled certificate. Thereupon the registrar signs the new certificate without requiring other evidence of the correctness of the transfer. Now, if, as a fact, the transfer agent has been induced to cancel the old certificate and to issue the new by a forged or otherwise invalid transfer, the stock does not follow the new certificate. In other words, the new certificate represents no stock. The counter signature of the registrar, which, in effect, certifies to the public that the certificate upon which it appears does not represent an overissue, would, therefore, in such case be false and might be held to constitute grounds for a suit for damages.

This possibility is clearly brought out by an opinion dealing with the relation existing between a corporation and its transfer agent.† The plaintiff in the case made a loan secured by the pledge of a certificate of stock. It developed that the secretary of the defendant company, who was also its treasurer and transfer agent, had forged the president's name to the stock certificate, and in his own official capacities had signed and countersigned the certificate, and finally delivered it to his partner for the purpose of obtaining money for their firm. The issuing corporation refused to treat the certificate as valid, but was held liable therefor in an action for damages at the suit of an innocent holder for value.

The Court said:

"This result follows from the application of the fundamental rules which determine the obligations of a principal for the acts of his agent. They are embraced in the comprehensive statement of Story, in his work on Agency (9th Ed., § 452), that the principal is to be held liable to third persons in a civil suit for the frauds, deceits, concealments, misrepresentations, torts, negligences and other malfeasances or misfeasances and omissions of duty of his agent in the course of his employment."

Again:

"It is true that the secretary and transfer agent had

\* Crocker vs. Old Colony R. R., 137 Mass., 417.

† Fifth Ave. Bank vs. Forty-second Street and Grand Street Ferry Co., 137 N. Y., 231.

no authority to issue a certificate of stock except upon the surrender and cancellation of a previously existing valid certificate and the signature of the president and treasurer first obtained to the certificate to be issued; but these were facts necessarily and peculiarly within the knowledge of the secretary, and the issue of the certificate in due form was a misrepresentation by the secretary and transfer agent that these conditions had been complied with, and that the facts existed upon which his right to act depended. It was a certificate apparently made in the course of his employment as the agent of the company and within the scope of the general authority conferred upon him, and the defendant is under an implied obligation to make indemnity for the loss sustained by the negligent or wrongful exercise by its officers of the general powers conferred upon them."

The Court further said:

"The *in testimonium* clause asserted that the defendant had caused that particular certificate to be signed by its president and countersigned by its treasurer and transfer agent and sealed with its corporate seal February 6, 1885. It is very clear that under the regulations adopted by the defendant, and pursuing the mode of procedure which it prescribed, the final act in the issue of a certificate of stock was performed by its secretary and transfer agent, and that when he countersigned it and affixed the corporate seal and delivered it with the intent that it might be negotiated, it must be regarded, so long as it remained outstanding, as a continuing affirmation by the defendant that it had been lawfully issued, and that all the conditions precedent upon which the right to issue it depended had been duly observed. Such is the effect necessarily implied in the act of countersigning. This word has a well defined meaning both in law and the lexicon. To countersign an instrument is to sign what has already been signed by a superior to authenticate by an additional signature, and usually has reference to the signature of a subordinate in addition to that of his superior, by way of authentication of the execution of the writing to which it is affixed, and it denotes the complete execution of the papers." (Citing Worcester's Dictionary.) "When, therefore, the defendant's secretary and transfer agent countersigned and sealed this certificate and put it in circulation, he declared in the most formal manner that it had been properly executed by the defendant and that every essential requirement of law and of the by-laws had been performed to make it the binding act of the company."

In this case, it is true, the action was brought against the corporate principal, and the question before the Court was not that of the liability of the officer in countersigning.

While, therefore, the language of the decision cannot be taken as authority on the latter subject, it conveys a warning that in countersigning a certificate a registrar does rather more than certify the due formality of execution, and at least suggests that the registrar, in addition to the issuing company, would be liable for any damage that might be occasioned thereby.

Let us now proceed to consider the liability of a Trust Company acting as transfer agent.

In the first place, the position of the issuing corporation to the stockholder differs essentially from that of the agent to the principal.

The corporation, by its contract with its stockholders, grants them certain absolute rights which cannot be affected by the fraud, negligence or mistake of its agent.

The agent, on the other hand, promises the principal that it will do a certain thing, and this promise the general law of agency qualifies by confining it within the limits of ordinary human prudence and ability, unless express provisions to the contrary are contained in the contract itself.

The transfer agent must, of course, follow the instructions of its principal loyally, in good faith, and with reasonable care and diligence.

Loyalty and good faith need no definition, while the care and diligence required by law from an agent in the

discharge of his agency has been stated by the courts to be

"The same degree of care that men of ordinary prudence exercise in regard to their own affairs." and so it has been held, in a case just decided in the highest court of this State,\* with regard to directors of moneyed corporations in performing corporate business.

Under these general rules of agency, the responsibility from which the Trust Company, acting as registrar and transfer agent, relieves the issuing corporation is apparent.

The Trust Company assumes the task of providing and supervising men of integrity and ability to perform the duties of registration and transfer, and the liability for loss resulting from the actual negligence or dishonesty of its employees.

If Schuyler, for example, had been the officer of a Trust Company, acting as transfer agent, that Trust Company would in all probability have been held liable to the New York and New Haven Railroad for all the loss occasioned by his acts, and the railroad company would have lost nothing, had the assets of the Trust Company been sufficient to meet the liability.

Moreover, the chance is small that in such an event the loss would have occurred.

Transfer agency is a part of the regular business of the Trust Company—a specialty in which it has constant practice, and over the details of which, and the men engaged therein, it must exercise active and intelligent supervision.

In short, the Trust Company has skill, practice and system; its temptation to do right is greater than its temptation to do wrong; it is financially responsible and cannot escape the jurisdiction.

The law, too, has hedged it with safeguards in its own interest and in the interest of its clients.

It would seem that these conditions sufficiently meet the needs for which corporate transfer agents were required, but apparently a doubt has somehow arisen that their liability is bounded by the law of agency, and it has been suggested that they are saddled with the whole responsibility of the issuing company to its stockholders, involving the duty of absolute infallibility, and liability for the consequences of any mistake, however unavoidable, and in spite of the exercise of any degree of care and diligence.

On two occasions there have been read before this Section of the American Bankers' Association papers upon the duties and responsibilities of a Trust Company acting as registrar and transfer agent. The earlier of them argued that the liability involved in the discharge of the functions of the transfer agent was measured by its negligence, but that in the capacity of registrar the liability was not so limited. The later paper, avowedly prompted by the earlier article, urged that the measure of liability was the same in each of the two representative positions, and that the liability extended beyond that of the ordinary agent; in other words, that the contract between the Trust Company and the issuing company is, in effect, that the Trust Company will save the issuing company harmless from all improper issues and transfers, whether the exercise of the utmost care would have prevented the mistake or not. Whether this guarantee was confined to the company whose stock or bonds were the subject of transfer, or extended to the lawful owners of the securities, was not definitely stated by the author of the article, but it was evidently his opinion that should the courts be called upon to deal with the question, they might well hold a transfer agent liable to persons interested in the stock or bonds for any injury sustained through an improper transfer or registration. This opinion drew forth observations from representatives of Trust Companies indicating that their views of the responsibilities assumed by Trust Companies acting in either capacity had been correctly voiced in the article.

While every member of the bar, who has given to

these questions any consideration, must have definite views as to the principles of law applicable to the duties of the office and the measure of responsibility involved therein, any attempt by me to justify the conclusions reached in either of the papers referred to would be idle at this time. But reflections upon the method by which Trust Companies can be adequately protected in acting in either capacity, reflections suggested by the diversity of views entertained by the two able writers of those papers, may be of present value.

The object of the usual rule that stock "shall be transferable only upon the books of the corporation" was, and is, simply to settle the ownership of stock beyond dispute by putting in the hands of stockholders and the corporation, accurate and authoritative evidence of title, somewhat like that which the law has created in the case of land, the portable evidence being supplied by the stock certificates as by the deed, and the record by the stock books, as by the books of the Register of Deeds. Further, owing to the relation between the stockholders and the corporation involving the right to vote and receive dividends, it was deemed wise that stockholders should not be permitted to bind the corporation by independent transfer, however they might bind themselves.

From these causes arose the need of the formal transfer, the surrender to the corporation of the old certificate, the issue by the corporation of the new certificate, and the entry of the transaction upon the corporate books.

Originally these details of transfer were treated as mere incidents to the business of the corporation whose stock was to be transferred, and, as such, were performed by one or other of its officers or employees discharging other duties as well.

Now in many instances this portion of a company's business is entrusted to another corporation, though this is not in any case necessary, provided there by an independent registrar.

The old by-law of the Stock Exchange providing:

"The Stock Exchange will not call or deal in any active speculative stock of any company a registry of whose stock is not kept in some responsible bank, Trust Company, or other satisfactory agency."\*

While it suggests banks and Trust Companies as proper registrars, does not necessarily prohibit a corporation from keeping its own transfer agency, nor do the articles of the Constitution of the Stock Exchange by which the old provision is superseded, namely:

"Corporations whose shares are admitted to dealings upon the Exchange will be required to maintain a transfer agency and a registry office in the City of New York, Borough of Manhattan;"

and that

"Both the transfer agency and the registrar must be acceptable to the Committee on Stock List, and the registrar must file with the secretary of the Exchange an agreement to comply with the requirements of the Exchange in regard to registration."

It therefore seems fair to assume that the reason for the general adoption of independent corporate transfer agents is the purely natural one before suggested—namely, the additional security to the issuing corporation and its stockholders which comes from the services of a responsible agent making this most important function a recognized part of its regular business, over that afforded by the old system with its burden of detail and risk. Trust Companies are by the law of New York, and of other States as well, specifically authorized to act as transfer agents and registrars.

From this brief review of the situation of issuing companies as regards the transfer of their stock, the probable origin of the office of independent corporate transfer agency and registry, and the diverse theories of the obligations and liabilities assumed by a Trust Company in acting in each capacity, we are naturally led to consider the protection of the Trust Company from the viewpoint of those believing in the greatest measure of liability.

Assuming, then, for the purpose of our discussion, the

\* Hanna vs. Lyon, 179 N. Y., 107.

\* Old by-laws of N. Y. Stock Exchange, Article IV, superseded by present constitution, Article XXXIII.

twofold nature of the obligation imposed upon Trust Companies acting as transfer agents—namely, their liability as agents for negligence and fraud, and the great liability amounting to insurance—to appreciate more clearly what it involves, let us consider a specific instance of the obligation.

Take the case of the United States Steel Corporation, with its enormous capital stock of \$1,100,000,000, of which \$508,302,500 common stock and \$360,140,000 of preferred stock are outstanding.

The Hudson Trust Company was specifically organized to act as the transfer agent of all the stock, the New York Security & Trust Company was designated the registrar of its preferred stock, and the Guaranty Trust Company of its common stock. Now, if the real obligation assumed by these three Trust Companies is what we have assumed for the purpose of argument, there would be a contingent liability thereby created for no less an amount than \$868,442,500, the sum total of the outstanding stock, the validity of which the Hudson Trust Company, as transfer agent, and the New York Security & Trust Company and the Guaranty Trust Company, as registrars, have insured, subject, of course, to abatement through fluctuation in the market value of the securities, and, in the last analysis, a contingent liability not even limited by the stupendous sum represented by those securities. There is no Trust Company that we know of which could legally assume such an enormous liability on a single risk. As is well known, depositors and beneficiaries whose funds are entrusted to Trust Companies are jealously protected by statutory safeguards. Only approved investments are authorized, and the legal reserve must be faithfully maintained. To incur, therefore, in a single transaction such an insurance liability is obviously a clear violation of every principle of business and legal prudence which we have persistently aimed at—the largest security for the public, consistent with sound banking methods. By the law of New York there is only one class of corporations authorized to assume an insurance risk—namely, insurance companies.

Casualty Insurance Companies may guarantee "the performance of contracts other than insurance policies," and may guarantee "the validity and legality of bonds issued by" \* \* \* "any private or public corporation." \*

Moreover, along with the authority so conferred the insurance law imposes stringent limitations quite distinct from those to which Trust Companies are subjected. For the protection of the insured and the general public it is provided that no single risk shall be taken by an insurance company in an amount exceeding one-tenth of its capital stock and surplus, except where it is secured by collateral, which, of course, by so much lessens the actual risk." †

It would seem, therefore, that, reverting to our illustration and proceeding on our assumption of the theory of insurance or guarantee, the Hudson Trust Company, the New York Security & Trust Company, and the Guaranty Trust Company, in undertaking to act as transfer agent and registrars, respectively, of the United States Steel Corporation, violated the letter of the spirit of the insurance law, for the capital and surplus of the Hudson Trust Company (a corporation organized under the laws of New Jersey, where there is a similar statute limiting the amount of authorized insurance) is only \$1,440,075.71; of the New York Security & Trust Company, only \$12,239,945.70, and of the Guaranty Trust Company, only \$7,125,844.99, making in the aggregate \$20,805,877.40, or about one forty-second of the amount of the par value of the securities of the Steel Corporation. If to the ordinary liability as agents proper, for negligence and misconduct, Trust Companies so acting have assumed the extraordinary liability of insurance or guaranty, the possible beneficiaries thereof are substantially the issuing corporations or the general investing public, as represented by the Stock Exchange. Now, it cannot be conceived that

either the investigating public, the Stock Exchange, or the issuing corporations can be well protected, if at all, by the assumption by Trust Companies of this extraordinary liability of guaranty, which, in the case of every large issuing corporation, not only violates the insurance law, but, by subjecting the entire capital of the company to the hazard of a single risk, runs counter to all principles of ordinary business prudence as well.

The interest of the issuing company remains to be considered. It is, of course, liable, in any event, to those interested in its stock who may be injured by its own acts or those of its corporate transfer agent or registrar.

The Trust Company is appointed by, and receives its compensation from, the issuing corporation. It would be appropriate, therefore, in a proper case, for the issuing corporation to insure itself in a responsible company in a manner provided by law, against claims to be made against it on the ground of the invalidity of the stock, bonds or other securities it assumes to issue. Whether we consider the proper functions of a Trust Company, which is not that of insurance, or the measure of the compensation received for acting as transfer agent or registrar, which bears no relation to the insurance risk, it results that an issuing corporation should seek such security not from the Trust Company, but from a company authorized and equipped to write insurance and properly paid therefor.

Having considered the possible results of an insurance obligation on the part of Trust Companies occupying such relations, and demonstrating, it is believed, the undesirability of such a status, the question that confronts us is whether the situation admits of remedy. An obvious but doubtful solution would be the separation of the responsibility, giving to Trust Companies ordinary liability for their own negligence or fraud, and to insurance companies the extraordinary hazard incident upon insurance. It is believed, however, that the Trust Companies have answered the purpose of registrars and transfer agents so well that there would be no disposition on the part of the issuing corporations to incur additional expense in procuring insurance from insurance companies. A solution based upon such a separation of functions would, therefore, probably prove impracticable.

When the ingenuity of business is unequal to the task of avoiding an oppressive liability imposed by law it is usual to find the solution where logically it belongs—in the change of the unsound law. If, then, this insurance liability attaches to the contract entered into between Trust Companies and the issuing corporations, for the benefit of the issuing corporations, or the public at large, and, in fact, is a responsibility which the Trust Companies are neither authorized by law to assume nor justified by business sagacity in incurring, and for which the Trust Company is not compensated, and, further, if this extraordinary liability of the Trust Company results in only illusory security to the issuing corporations and the public at large, it must surely follow that every interest involved should seek relief in changing the law, which is seemingly to the present advantage of nobody, and which is, therefore, unreasonable. It would seem that the necessary legislation could be readily obtained. Its sole purpose would be to clarify the legal relation of Trust Companies when acting as transfer agents or registrars, a relation that at present is confessedly and dangerously obscure. Not a single interest could possibly be injured thereby. The liability of the issuing company to all interested in its stock would remain as at present, while the Trust Company, in the capacity of transfer agent or registrar, would be relieved from any liability save for the negligence or wilfully wrongful acts of its officers, either in connection with the stock, bonds or other certificates of indebtedness of the principal corporation, or in the selection or continued employment of incompetent clerks. Such a law would not impose upon the issuing corporation any other or different liabilities or obligations from those to which it would be subject should it act as its own transfer agent or have as its registrars

\* General Laws of New York. Insurance, sec. 70.

† General Laws of New York. Insurance, sec. 24.

individual employees, but would, however, permit them to be relieved, as now, from a vast amount of clerical detail. Moreover, they would be assured that the transfers of their stock would rest in the hands of those peculiarly competent from large and continuous experience to throw every safeguard around the transfers, and would be relieved from the onerous responsibility of constant and active supervision.

By Section 156 of the Banking Laws of New York, Trust Companies are empowered to "act as the fiscal or transfer agent of any State, municipality, body politic or corporation; and in such capacity to receive and disburse money, to transfer, register and countersign certificates of stock, bonds or other evidences of indebtedness, and to act as agent of any corporation, foreign or domestic, for any lawful purpose."

I would propose as an amended statute, which I believe would achieve the desired result, a law of the following character:

"Section 156. *Powers of Corporations.* Upon the filing of any such certificate of authorization of a Trust Company the persons named therein and their successors shall thereupon and thereby become a corporation which, in addition to the powers conferred by the General and Stock Corporation Laws, shall have power,

"1. To transfer, register and countersign certificates of stock, bonds and other evidences of indebtedness of corporations, with liability to such corporations and to

the owners or holders of such certificates of stock, stock, bonds or other evidences of indebtedness of corporations, with liability to such corporations and to the owners or holders of such certificates of stock, stock, bonds or other evidences of indebtedness solely for the negligence or willful misconduct of its officers in reference to such certificates of stock, stock, bonds or other evidences of indebtedness, or in the appointment or employment of its agents, clerks or employees dealing therewith.

"2. To act as the fiscal or transfer agent of any State, municipality or body politic."

There should, in my opinion, also be an additional provision making the limitation of liability apply to existing Trust Companies, whether incorporated under general laws or special acts.

There seems no reason why a like modification of corporate transfer liability may not be accomplished in other States in much the same manner.

I am well aware how much time and thought have been devoted to the subject here under discussion by you, who are far more competent than I to determine what is appropriate protection for the Trust Company in the light of business methods and requirements. I have accordingly submitted these views with hesitation, feeling, however, that should I succeed in suggesting to you any new thought in connection with the subject I would not utterly fail of the result which you sought in honoring me with an invitation to address you.

## KIDDER, PEABODY & CO.

BOSTON

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Investment Securities

Foreign Exchange

Letters of Credit

## Statement of the Condition of Trust Companies of the United States as to Cash Reserves.

By EDWARD T. PERINE, General Manager of the Audit Company of New York.

*Mr. Chairman and Gentleman of the Trust Company Section of the American Bankers' Association:*

The figures I have the honor of presenting to your notice this morning are based upon a tabulation of statements of condition received from 983 Trust Companies, under date of June 30, this year. This tabulation shows reserves of cash on hand and in bank amounting to 622 millions of dollars, against combined deposits and balances due banks and bankers amounting to the sum of 2255 millions of dollars. This amount of cash on hand and in bank is equal to 27½ per cent. of the deposits.

Five cities reported deposits aggregating 1455 millions, which sum is practically two-thirds of the country's 2¼ billions of Trust Company deposits. These cities, in the order of volume of deposits in each, were:

	Companies.	Millions.
New York.....	46	876
(which includes the Borough of Kings)	9	78
Chicago .....	18	217
Philadelphia .....	42	168
Boston .....	18	118
Pittsburgh .....	35	76

In these cities the percentages of "on hand," "in bank," and of aggregate "on hand and in bank," hereinafter referred to as "Total Reserve," were found to be:

Borough of Manhattan, 3.2 per cent. on hand, 25.2 per cent. in bank, a total reserve of 28.4 per cent.  
 Borough of Kings, 8.8 per cent. on hand, 15.5 per cent. in bank, a total reserve of 24.3 per cent.  
 Average for Greater New York, 3.7 per cent. on hand, 24.3 per cent. in bank, a total reserve of 28 per cent.  
 Chicago, 14.2 per cent. on hand, 25.3 per cent. in bank, a total reserve of 39.5 per cent.  
 Philadelphia, 3.9 per cent. on hand, 18.5 per cent. in bank, a total reserve of 22.4 per cent.

In Boston, where under a recent Clearing House regulation reserves are required of 5 per cent. on hand and 10 per cent. in bank, the holdings on June 30 were approximately:

5 per cent. on hand, 22 per cent. in bank, a total reserve of 27 per cent.  
 Pittsburgh having 3.4 per cent. on hand, 22.1 per cent. in bank, a total reserve of 25.5 per cent.

In reports received from other leading cities, cash on hand and in bank were not stated separately by certain of the companies, but the Total Reserve in ten other cities amounted in:

	Per cent.		Per cent.
Newark to.....	14.7	Washington .....	28.1
Cincinnati .....	14.8	San Francisco.....	34.2
Providence .....	16.1	St. Louis.....	34.5
Cleveland .....	18.1	New Orleans.....	36.3
Jersey City.....	25.3	Baltimore .....	36.8

The equivalent in dollars of certain of these percentages, particularly in the largest cities, comprise some imposing aggregates. Forty-six companies in New York City had 245 millions of Total Reserve; 18 companies in Chicago had 86 millions; 42 companies in Philadelphia had 37 millions; 18 companies in Boston had 32 millions.

In classifying the stronger companies throughout the country, according to the amounts of holdings of Total Reserve in each company, it appears that

147 companies hold between \$100,000 and \$200,000 of total reserve.  
 81 companies hold between \$200,000 and \$300,000.  
 59 companies hold between \$300,000 and \$500,000.  
 63 companies hold between \$500,000 and 1 million.  
 21 companies hold between 1 million and 1½ millions.  
 19 companies hold between 1½ and 2 millions.  
 16 companies hold between 2 and 3 millions.  
 14 companies hold between 3 and 4 millions.  
 15 companies hold between 4 and 6 millions.

9 companies hold between 6 and 8 millions.  
 3 companies hold between 8 and 10 millions.  
 5 companies hold between 10 and 15 millions.  
 2 companies hold between 15 and 20 millions.  
 There being 3 companies holding 22, 28 and 33 millions of dollars, respectively.

Next, referring to a tabulation made as of June, a year ago, it appears that 912 companies had 435 millions of Total Reserve as compared with 983 companies this year having 622 millions, an increase of 187 millions of dollars. The increase in the principal cities, over the Total Reserves of a year ago, are:

	Millions.		Millions.
New York.....	113	Philadelphia .....	11
Chicago .....	30	Boston .....	6

Pittsburgh, Cleveland and Providence four millions each, while in no important city has there been a falling off from the amount of Total Reserve carried a year ago.

The average of last year's Total Reserve for all the companies was 20 per cent. on 2175 millions of deposits, or 7½ per cent. less than this year's 27½ per cent. on 2255 millions of deposits. In compiling the statement received both last year and this, the prevailing proportions of cash on hand and cash in bank in the various cities have been used as a basis for separating combined balances of cash on hand and in bank, with the result of estimating fairly that in both years the average of cash on hand was fully 5 per cent. throughout the country, and in connection with this figure it would be interesting and fair to consider a calculation of the so-called "double reserve." If of, say, 22 per cent. of reserve deposited by the Trust Companies with the banks, one-fifth be taken into account as reserved by the banks themselves, it appears that the banks are holding, in behalf of the Trust Companies, upward of 4 per cent. of cash which is reserved indirectly on account of the indebtedness of the Trust Companies to their depositors. The holdings of cash by the Trust Companies and the holdings of their depository banks may thus be calculated together at a figure which is upward of 9 per cent. of total Trust Company deposits.

Without detaining you with any discussion of theories as to the relative reserve necessary for Trust Companies, as compared with commercial banks, I may nevertheless submit certain points of consideration. These are that 1,000 Trust Companies in the United States are carrying total deposits with other banks and Trust Companies amounting to practically half a billion dollars, and accordingly, in their measure of support to the commercial banks of the country, are exceeded by no other class of depositors; that there should be consideration of the fact that, as a rule, there are restrictions governing Trust Company investments; that these investments and a comparatively large volume of demand loans and other quick assets make the holdings of the Trust Companies more readily convertible than is realized by these taking a radical position in regard to Trust Company reserves; that some exemption from reserve should be granted on account of the large proportion of deposits held in trust or under other conditions of inactivity, it being a fact that many deposits held by Trust Companies are possible of withdrawal only at the will of the Trust Companies themselves; that clearings among the Trust Companies are inconsiderable, as compared with bank clearings, it being a fact in New York City that Trust Company exchanges, in comparison with the exchanges of the banks, are in the ratio of 1 to 25.

Without considering facts of this character in greater

detail, it would seem fair to claim that these percentages of reserve, as averaged by cities and for the entire United States, reflect credit upon the managements of the various Trust Companies and correspondingly answer a

question much discussed of late—namely, whether the Trust Companies of the United States are maintaining among themselves a substantial measure of reserve on deposits—answering that question clearly and affirmatively.

## *Trust Company Failures and Their Causes.*

By A. A. JACKSON, Vice-President Girard Trust Company, Philadelphia, Penn.

The fact that there is no central bureau for the filing of statistics relating to Trust Companies, such as exists for National banks that are under Federal control and subject to the duty of making periodical reports to the Government at Washington, renders it a matter of some difficulty to obtain reliable data as to Trust Companies throughout the United States. This is perhaps the more apparent in connection with any search for data relating to failures among these institutions, as while due diligence will collect a mass of figures relating to live corporations, those of Companies that have suffered insolvency and passed their present activity are to be gained in many instances only from persons who were identified with them in their management or liquidation.

It is only within comparatively recent years, as the assets of the class of corporations that we represent have assumed steadily increasing proportions of great magnitude, that the legislatures of the various States now having Banking Departments, enacted laws providing for officials whose duty it should be to examine periodically the condition of Trust Companies to ascertain that they were being managed in accordance with the existing statutes. Even now some States have no such provisions, and although for the purposes of preparing some figures for your consideration, I have approached the Executives of all the States in the Union, this fact has somewhat handicapped me and rendered it necessary that for the purposes of making the data as complete as possible I should in some instances have recourse to unofficial figures for my calculations. Indeed, I think that I have trespassed somewhat upon the good nature of my correspondents in this matter, but their uniform courtesy has possessed me of details of a scope beyond which I could not well go without becoming a nuisance to those to whom I have necessarily applied for information.

Trust Companies, of course, had their birth in the older States, New York granting the first charter to the Farmers Loan and Trust Company, then known as the Farmers Fire Insurance Company, in the year 1822, and in 1830 to the New York Life Insurance and Trust Company; while Pennsylvania in February of 1836 granted to the Pennsylvania Company for Insurances on Lives and Granting Annuities, the powers to transact a trust business, it having formerly from its charter in 1812 transacted solely the business indicated by its title. In the next month of the same year—that is, in March of 1836—the present Girard Trust Company was chartered under its then name of the Girard Life Insurance, Annuity and Trust Company of Philadelphia. These two States of New York and Pennsylvania practically monopolized the creation of Trust Companies until after the Civil War.

It may be proper before giving general figures to consider what failures have occurred in these States just mentioned which have over 60 per cent. of the aggregate resources of the Trust Companies of the country, New York with \$1,200,000,000, and Pennsylvania with \$1,069,000,000.

The Banking Department of the State of New York was established in the year 1851, and in 1874 Trust Companies were placed generally under the supervision of the Superintendent of Banks. Mr. Kilburn, the present incumbent of this office, has very kindly provided me with figures showing that from the date of this supervision in

1874, to December 31, 1903, seventy-five Trust Companies have been incorporated, of which only two have failed—one in 1877, as a result of fraudulent management, and one in 1891, because of imprudent conduct by its officers. In each case the capital involved was one million dollars. The figures with which I am provided do not include those of companies that may have been temporarily in trouble, nor the unfortunate necessary reorganization under a new name of a company in the city, whose short life was apparently devoted by its officers to the one end of the flotation of securities in a manner that betrayed a lamentable lack of conservatism.

It would seem, therefore, that in the last fifteen years no company in the State of New York has actually failed to the extent of not being able to resume business, and, although the company to whose failure I have referred as occurring in 1877 was a debtor to the total of seven per cent. of the aggregate assets of Trust Companies within the State of New York, we must remember that at that time, so closely following the depression of the panic of 1873, New York was possessed of very few Trust Companies, and a failure of the size of the corporation which then became insolvent, would naturally show a large percentage of the total assets then employed within the State. On the other hand, by the year 1891, when the second failure took place, the total assets of Trust Companies in the State had increased five and one-half times over the figure at which they were in 1877, and, although the total liabilities of the insolvent company of the later year were \$3,947,000, they form only one and four-tenths per cent. of the total assets of Trust Companies in the State. Since that time, too, that is in the last fifteen years, the aggregate assets of Trust Companies have increased above four and one-quarter times over the large totals of that day.

In Pennsylvania the Banking Department of the State was by law given supervision over Trust Companies in 1892. The records of this department show that there were deserved the laudatory phrases contained in the first report of the Superintendent of Banking upon the excellent condition in which he found the companies of the State. In 1892 a small concern that bore the word "Trust" in its title, but was in reality transacting none of the business for which a Trust Company is properly organized, failed for a comparatively small sum. In 1895 another company with total liabilities of \$105,000, made an assignment, the failure being 2-100 of 1 per cent. of the total assets in the Banking and Trust Department of the Pennsylvania companies in that year. In 1896 a company that dealt almost exclusively in Western mortgages, assigned, with total liabilities of \$1,420,000, or about 2-10 of 1 per cent. of the aggregate assets of the companies of the State.

In 1897 a receiver was appointed for another Trust Company which transacted materially the same kind of business, and found that its investments had so suffered by the bad years for farm lands in the West as to make it impossible for it to continue business. The failure of this company was also to an extent of only 2-10 of 1 per cent. of the aggregate resources of the companies in the State. In 1898 a Trust Company which was closely affiliated with a National bank for which a receiver had just been appointed, and to the president of which bank it had imprudently loaned money, found it necessary to make an assignment. This failure was a startling evi-

dence of the evils of using one borrower as an outlet for money, and of the domination of one man, or set of men, in the directorate, while the other members of the board were content to let the company be managed without devoting to its affairs the scrutiny that they should be bound to give. It is, however, a gratification to know, that although this company failed for over \$2,000,000, it finally paid its creditors and stockholders in full. In 1901 a company that had not been formerly under the examination of the State Department was placed in the hands of a receiver. Its total liabilities I do not know, but they were not of great aggregate.

There are no other failures of which I have knowledge within the State of Pennsylvania in the years during which the Banking Department has been in existence, save that of a very small company rejoicing in an illustrious and imposing name, and which developed liabilities of \$13,000, and another company, Pennsylvania in incorporation, but transacting no business other than that of having its annual meetings within the borders of the State, its dealings being entirely in Western mortgages.

From the foregoing it is gratifying to note that, taking as an example the two States which, by their customs are more definitely perhaps engaged in what is the established practice of a Trust Company business, the ratio of failures to general assets has in no case amounted in New York within the last twenty-five years to more than 1 4-10 per cent., and in Pennsylvania in the last fifteen years to 2-10 of 1 per cent.

I understand that in every instance the moneys and securities held by these corporations in fiduciary capacities, or in other words Trust Funds, in the more literal acceptation of the term, were unimpaired by the difficulties experienced by the companies themselves. I may say that under Pennsylvania statute, and the laws of many of the Eastern States, it is provided that Trust Funds shall be kept separate and apart from other assets of the company holding them.

Taking up now the broader field of Trust Companies throughout the country, I have arrived at the following results of my investigations.

In the New England States, the figures being official for all save Maine and Vermont, one company failed in 1891, three companies in 1893, one in 1896, one in 1897, and one in 1904. Those of 1896 and 1904 paid in full and resumed, and the others have paid their creditors from 38 per cent. to 55 per cent. The aggregate of all these is less than one-half of 1 per cent. of the present assets of the companies in these States. As I am not provided with the assets of the companies in the several years in which occurred the failures, I cannot give the smaller percentage applicable to those years.

In the Eastern States I have already read figures concerning New York and Pennsylvania. In New Jersey a company failed in 1890 with liabilities bearing a ratio of 1 1-10 per cent. to the total assets of the companies in the State in that year, and a company failed in 1903 whose nominal liabilities amount to 2 6-10 per cent. of the total assets of that year, but this was a corporation that had a life of but a few months before it was convicted of practices at variance with reputable Trust Company methods, and its charter was surrendered. In Delaware, likewise, a failure occurred in 1903 of a company holding a charter under the laws of that State, but which was virtually a Mexican corporation, with branches in different parts of the United States, and engaged in business which was foreign to a Trust Company in our acceptance of the term. We remember very well the failures of last year in Baltimore of two companies, and a third which was a branch of the Delaware corporation of which I have just spoken, and if we place the liabilities of these companies against the total assets in the State of Maryland we will find that they amount to 20 per cent. of them. Investments of large sums in one asset were the primary cause of these failures, but one of the companies came out of the hands of its receiver and resumed operations a little over two

months after its suspension, with capital unimpaired, and the other, a larger corporation, has disposed of the interest which had carried it to the wall, and I understand that there is every likelihood of a settlement in full with its depositors and creditors.

Even aggregating all failures in the Eastern States within the lives of the several Banking Departments, the total liabilities form but 1 per cent. of the present assets within these States.

Of the Southern States, Virginia, West Virginia, Mississippi and Louisiana are the only ones furnishing me with official figures; in fact, Georgia, Mississippi and Tennessee have no Banking Departments with supervision over Trust Companies. From none of these States, however, am I advised that there have been any failures, and the companies within their borders have between them assets of about \$82,000,000.

From the State Departments of the Middle States I have received official figures from all but Ohio, Wisconsin and Iowa. No failures are shown except one of this year in Indiana, where the company has paid its creditors in full, and one in Minnesota in 1903, with liabilities of \$412,000, forming less than 1-10 of 1 per cent. of the assets of the Middle States.

The Western States, because of the absence of laws governing Trust Companies, or the recent enactment of them, have been rather barren as to figures in connection with my investigations. North Dakota, Kansas, Wyoming and New Mexico report no failures, and I am not advised of any in the other States.

The Pacific States also, save California, either by reason of lack of records in their governments, or for other causes, have not furnished information as to any failures, and I am happy to say that I know of none.

The data at my command does not include the total assets of Trust Companies in the United States for the several years prior to 1903, but basing a calculation upon the figures of 1893, and averaging the growth of companies during the succeeding ten years, it would seem that the average ratio of the liabilities of failed companies throughout the country to the total average assets of all the companies has been approximately 9-100 of 1 per cent.

It is rather interesting to note that while one thousand Trust Companies in the United States have aggregate resources of \$3,600,000,000, and the above result is obtained as to failures, the average ratio of liabilities of failed National Banks to the total assets of National Banks in the country during the same period of the last ten years has been 28-100 of 1 per cent. From the last of the reports of the Comptroller of the Currency, from which I have compiled this result, I find that there are five thousand and forty-two National Banks, with total resources of \$6,300,000,000, or more than five times the number of Trust Companies, with less than double the assets.

Failures among us, therefore, seem to be reduced to a minimum. They would seem to have been brought about by imprudent management, depreciation of securities and excessive loans to clients; while in only one instance has there been assigned as a cause of insolvency the defalcation of an officer. The thing therefore that would be most hard to guard against is palpably absent from the list of misfortunes, and it is a tribute to the class of men that guide our companies. That the people realize their solidity is shown by the enormous bulk of their deposits, and that they are profitably managed for their stockholders is evidenced by the fact that from a compilation I have made of the dividends paid by six hundred and two companies that have been in existence for over two years, it would seem that their stockholders receive an average rate of 9 4-10 per cent. upon par of their shares. This exceeds the rate of 8 7-10 per cent. which is given in the Comptroller of the Currency's report, as the return to stockholders of National Banks in the country.

## *The Liability Incurred by Trust Companies by Reason of Representations in the Offering of Securities to the Public.*

By EDWARD W. HARRIS, of Pryor & Harris, Attorneys, New York.

It may be observed at the outset that the false representations referred to in the title of this paper may have been made by prospectuses, corporate reports or personal statements.

In legal aspect there is little difference between misstatements as effecting sales of securities and misstatements as effecting subscriptions therefor. Just what does amount to a fraudulent misrepresentation, which will give rise to an action for deceit to the purchaser, is difficult to state, each case standing upon its own facts.

In a leading English case Lord Herschell in a very learned opinion thus states the rules which should govern cases of this character:

"First, in order to sustain an action of deceit there must be proof of fraud, and nothing short of that will suffice. Secondly, fraud is proved when it is shown that a false representation has been made (1) knowingly, or (2) without belief in its truth, or (3) recklessly, careless whether it be true or false.

"The test which I propose employing is to inquire whether the defendants knowingly made a false statement in this respect (material facts in the prospectus), or whether, on the contrary, they honestly believed what they stated to be a true and fair representation of the facts."

When fraudulent representations are made it does not matter if they are not directed to the person who may have been injured by relying on them. If a prospectus, issued for the purpose of obtaining subscriptions or the sales of securities, comes into the hands of a stranger, and, relying upon it, he invests in the securities advertised, and is injured thereby, he has an action at law for damages against the wrongdoer.

The doctrine of the liability of corporate directors for fraudulent representations as to the conditions of the company, not made to a purchaser of stock personally, but to the public generally, was thus stated in *Cross vs. Sackett*, 2 Bosworth, 617:

"But when an instrument is made to deceive the public generally, and is adapted, as well as intended, to deceive some portion of the public, and as well one person as another, and is used as it was designed it should be, and fraudulently induces some one to act to his prejudice, by acting in the mode it was intended to influence them to act who might be deceived by it, the person who made the instrument and caused it to be thus fraudulently used is liable to the person who has been defrauded by it. In such a case the person injured has been subjected to damage by his fraudulent acts, and the fraudulent wrongdoer is liable for the consequences."

In *Morgan vs. Skiddy*, 62 N. Y., 319, the Court of Appeals said:

"If the plaintiff purchased the stock, relying upon the truth of the prospectus, he has a right of action for deceit against the persons who, with knowledge of the fraud and with intent to deceive, put it in circulation. The representation was made to each person comprehended within the class of persons who were designed to be influenced by the prospectus, and when a prospectus of this character has been issued, no other relation or privity between the parties need be shown, except that created by the wrongful and fraudulent act of the defendants in issuing or circulating the prospectus and the resulting injury to the plaintiff."

On the question of fraudulent intent the same court has held that where the failure to disclose a claim against a company in a statement purporting to contain its entire assets and liabilities was attributable to an honest belief upon reasonable grounds, the fraudulent intent was lacking and the charge of deceit failed.

It was formerly laid down that an action for deceit would not lie against the corporation itself, because the gist of the action is fraudulent intent, and a fraudulent intent is not imputable to an artificial body. The present doctrine, however, is otherwise, and in a recent case in this State against a Trust Company it was held that a corporation as well as an individual may be liable for false representations in a prospectus issued by it to sell stock of another company.

We now reach the interesting inquiry whether a director is liable for the fraudulent representations of his codirectors. The foundation of this action being fraudulent intent, it follows that an innocent director is not liable for the fraudulent representations of his codirectors. But a director who

stands by and allows a codirector to make the false representations is equally chargeable.

The Court of Appeals in this State has declared that the mere fact of being a director or stockholder is not *per se* sufficient to hold a party liable for the frauds or misrepresentations of the active managers of the corporation. Some knowledge and participation in the act claimed to be fraudulent must be brought home to the person sought to be charged.

In its relation to commercial enterprises there are three principal dangers to be avoided by a Trust Company:

- (a) Connection with the prospectus.
- (b) Responsibility to subscribers for satisfactory underwriting.
- (c) Responsibility for statements concerning the value of the securities.

The necessity of refraining from any connection with or responsibility for the prospectus is so obvious as to need no further discussion. The decisions of the courts are to the effect that responsibility for the statements therein contained does not require an actual signing of the prospectus, but such facts and circumstances as would lead a reasonable man to believe that the responsibility for the statements contained therein was assumed by the Trust Company are sufficient to hold it to a legal liability thereon.

In the case of a corporation organized a few years since none of these dangers were sufficiently guarded against. The trustee of the mortgage securing an issue of bonds, having agreed to loan moneys upon notes secured by underwriting of the bonds, allowed its name to be placed upon the prospectus and assumed the obligation of declaring the underwriting to be effective when subscribed in a certain amount by underwriters satisfactory to the Trust Company.

In this particular case the corporation had parted with all its securities to the promoters on the promoters' agreement to cause certain properties to be transferred to it, and to erect factories and to furnish a certain amount of working capital in cash and returned securities of the company. The corporation, having divested itself of all its securities, was without recourse, except to the financial responsibility of the promoters, which, in this case, was insufficient to enable the corporation to continue in its proposed plan of operation. A large percentage of the underwriters failed to respond to the calls and those who completed their payments under the contract claimed damages against the Trust Company for false representations of fact, first, in the prospectus, and, second, in its acceptance of the underwriters, and, third, for concealment of the failure of the underwriters to respond to the several calls for payment, further claiming that the connection of the Trust Company with the promoters of the enterprise was so close as to make it the agent of the promoters and responsible for the failure of the financial plan.

In an underwriting agreement the sole attitude of a Trust Company should be that of a lender of money, and it is desirable in all cases that the Trust Company avoid the responsibility of declaring the underwriting effective as between the underwriters themselves, based upon the amounts subscribed and the responsibility of the underwriters. The only safe method for the lender of money is to regard its own protection and contract to loan the money when the subscriptions, in amount and responsibility, are satisfactory to it as the security for its loan only. Any further extension of obligation on the part of the Trust Company raises the question of fact as to the due diligence and effort on the part of the lender in respect of the examination into the authenticity of the signatures and the responsibility of the several subscribers. While due diligence may have been used by the Trust Company in those particulars, nevertheless the company becomes open to an attack upon the question of fact, with the result that no certain opinion can be expressed as to the ultimate liability of the Trust Company, owing to the uncertainty of forecasting the verdict of juries on disputed questions of facts, and the impossibility of finding precedents on all fours with the case in hand.

Where disputes arise in a court of law upon questions of fact each case is necessarily decided upon the conditions arising in that particular case, and it is generally impossible to find decisions exactly covering the case in hand. The construction and interpretations by courts of the last resort of the contracts and instruments connected with the combination and congregations of industrial enterprises are at the present time comparatively few and are frequently widely differing in their processes of reasoning and their results announced, public sentiment and public policy of the various political subdivisions affecting, to a considerable extent, the rules promulgated by the courts so far as they have gone.

An examination of judicial decisions, however, covering a period of the last twenty years, exhibits a tendency on the part of the bench to hold to a stricter responsibility those connected with the formation of commercial enterprises, and, in recent cases, to pierce through the fiction of dummies and figure heads, and to place the responsibility upon those actually interested in enterprises, for the results of the acts done under their real supervision and control.

No more definite or safer rule, perhaps, can be stated than this: The Trust Company should remain a Trust Company, and should exercise the greatest caution in assuming relations involving responsibility for the value of securities.

## *Report of Special Committee on the Classification of Legal Decisions Relating to Safe Deposit Companies.*

*To the Executive Committee, Trust Company Section, American Bankers' Association:*

Your committee appointed at a meeting held April 26, 1904, charged with the duty of preparing a report on the "Classification of Legal Decisions Relating to Safe Deposit Companies; Duty and Liability to Box Holders and a Compilation of the Rules and Forms of Typical Companies," begs leave to report as follows:

Knowing it to be the purpose of the Executive Committee to render a practical service to the Section, it has been our endeavor, in the preparation of the following report, to give to the Trust Companies having safe deposit departments not only the advantages of the experience of others engaged in this business, but the benefit of the most thorough research, covering the enacted laws and legal decisions bearing on the subject of the report.

Your committee desires to express to Messrs. Rounds, Hatch, Dillingham and Debevoise, of New York, its appreciation of and thanks for their services generously rendered the Section in the able and comprehensive discussion of the legal side of the question.

At the request of your committee, rules, forms and other data have been received from Trust companies in different parts of the country doing a safe deposit business. Many of these were naturally duplications of method of operation, and it seemed wise to your committee to render a composite view of the systems in use, enabling the members of the Section to choose such rules and forms as would seem to improve their present systems, and enabling them to eliminate such features as might seem unnecessary or impractical because of local conditions.

In the execution of the work your committee has found that new laws and legal decisions are constantly appearing, affecting to a greater or less degree the Trust companies conducting the safe deposit business throughout the country. We have also found that constant improvements and changes in method of operation and of advertising are being introduced, which justifies the recommendation to the Executive Committee that the question should be submitted to the Section of the appointment of a standing committee whose duty it shall be to render an annual report continuing the line of work undertaken by this committee.

We take this opportunity to express our thanks to the many officers of Trust and Safe Deposit companies who have generously aided us in our work.

Respectfully submitted,

A. J. ENRIGHT,  
S. F. HASEROT,  
E. SHOBROCK,  
CLARK WILLIAMS.

September 13th 1904.

**The Legal Rights and Duties of Safe Deposit Companies.**

*To Members Trust Company Section American Bankers' Association:*

One of the features, in fact, the most impressive feature, of an investigation of the law relating to the business of receiving and safeguarding valuable property, is the scarcity of both statutes and legal decisions directly on the subject. The fact which is first suggested as an explanation of this lack of legal authority is that the development of the business itself is comparatively recent, but the true conclusion is that the nature of the relationship between box-holder and company requires of the latter such great care and such thorough precautions against loss that the necessity for legislation has never existed, nor have the innumerable complications of which such relationship is capable ever had an opportunity of presenting themselves before the courts of the country.

We have thought it wiser not to consider here the incorporation of safe deposit companies, as local counsel must be consulted in every instance, and as also in many of the States there are special laws under which they may be organized, while in others the statutes relating to general business corporations are broad enough to cover them, or Trust companies and Savings banks are permitted to use their vaults for a safe deposit business.

The object of this article then will be to touch on such law as has been actually settled by legislation or judicial decision, and to consider more fully the legal questions which are daily presenting themselves to the officers of safe deposit companies, and for which practical solutions have been found.

The law relating to bailments for hire is the backbone of the legal relationship between the box-holder, or bailor, and the company, or bailee, and this law has, in its general principles, been well settled. It is the questions which arise from the peculiar nature of this particular class of bailments for hire that have not been passed upon by the courts. We will consider these questions under the following titles, mentioning several points covered by statute in the proper places:

1. Duty of company to box-holders.
2. Liability of company to box-holders.
3. Rights of strangers to the company who claim property deposited with the company by box-holders.
4. Rights of the legal representatives of deceased box-holders.
5. Inheritance taxes.
6. Lien of company for its compensation on contents of boxes.
7. Unclaimed boxes and contents.

## 1. DUTY OF COMPANY TO BOX-HOLDERS.

The company does not, on renting one of its boxes, become an insurer of the property placed in it by the box-holder. The very nature of the property which it has agreed to safeguard requires, however, that every possible precaution for its safety shall be taken. For instance, the same legal situation arises when a traveler leaves his grip in the package office of a railroad station, or when one sends his furniture to a storage warehouse, as when a million dollars of bonds are placed in a safe deposit box. But the company or individual which controls the package office takes no precaution against fire, nor is each parcel of property deposited necessarily placed by itself. It may be tagged and thrown in a corner, or occasionally it is placed in an open compartment to be left with much similar property in other compartments until called for. It is, of course, necessary to adopt some safeguards against its loss through theft, burglary or confusion, but the supposed small value of the property left in such keeping makes it unnecessary to take the same physical precautions as in the case of deposits with a warehouse, where, in turn, the nature of the property does not require the same care as a safe deposit company must use. And yet, the rule of law which determines whether there has been negligence in guarding the property deposited—the subject of the bailment—is the same in each case: Has there been ordinary care used? Has the depositary or bailee used the precautions which an ordinarily intelligent man would use in the care of property of *the same character* belonging to him? As the best possible advertisement for any safe deposit company is its plant and its precautionary methods, it perhaps serves no useful purpose to do more here than add that the protection of the contents of the vaults of a safe deposit company cannot be too complete. Just what it is legally bound to do has not been judicially decided, but we consider that any decision on this point will undoubtedly be extreme in its requirements of the company.

Practical measures have been adopted in most, but not by any means all, companies that insure against the access to a box of anyone except a box-holder. It is plainly one of the first duties of the company not to allow admission to any stranger. It is for this reason that the company's knowledge of distinctive physical characteristics, of family names and other personal facts is so invaluable. A cross mark on the books of a company, made by an illiterate man (a new depositor) is no protection against loss occasioned by the admission to his box of a thief who has stolen the key, and yet boxes have been given with no other means of identification than such a cross mark and the possibility of an officer, who remembers the face of the box-holder, being on hand when admission to his box is later demanded. An interesting legal situation would present itself if the opportunity of a thief who entered a box came through the contributory negligence of the box-holder in leaving his keys, with perhaps a tag attached showing the agreed countersign, the location of the box, etc., where they might easily be stolen. These questions will probably never arise in court, for no company could afford to advertise the fact that such a mistake as the entry of a stranger had occurred, and most companies take great precautions against such contingencies.

It might also be well to mention under this head the necessity, if dealing with a corporation box-holder, of having documentary proof of some formal character, such as a certified copy of a resolution, showing the right of the accredited officer of such box-holder to have access to the box. So, too, when a box is let to a firm there should be some writing on the files of the company showing to which member access is to be granted. And if a box-holder gives his deputy the right to enter his box, the power of attorney under which such deputy acts should not be limited, but in its terms

should be absolute, as it is too much to ask that the company watch such deputy and see that he does not take from the box anything not called for by the power.

## 2. LIABILITY OF COMPANY TO BOX-HOLDERS.

Unavoidable accident and irresistible force have been said to relieve a company from liability for the loss of property left in its care. Fire is given as an example of the first, but the fire must not result from the negligence of the company or its employes. War and riot are instances of irresistible force. Such questions, however, cannot arise often and must be dealt with separately. But what is a company to do when a depositor rushes from the vaults to the office, vowing that he placed ten bonds or ten dollars—it matters not what—in his box last week, and has returned to-day to find it empty. The first statement of the company is: "We do not know what is or has been in your box, but we do know that no one has opened it except you." Proof of this assertion by the testimony of all of the company's employes, who have access to the vault in which the box is kept, raises an issue as to whether the lost property, if ever in the box, was actually taken out of it by anyone except the box-holder, and this the jury must decide. Now, granting that the jury find against the company on this point—that is, find that the property in question was actually placed in the box by the box-holder and never after taken away by him, the very important question arises: Must the box-holder besides proving loss prove that negligence on the part of the company occasioned such loss, or must the company, when the loss has once been proved, take the burden of showing that it is free from negligence and even be compelled to go so far as *to explain the loss*. Satisfactory decisions on these precise points are not to be found, and except in a few States the situation has evidently never been presented in court. But the analogies of the law seem to establish that the burden of proof is first on the box-holder (the plaintiff) to prove his loss, then it shifts to the company (the defendant) which, on showing itself free from negligence, must be relieved of liability, unless such evidence is met by positive proof on the box-holder's part of negligence. In other words, we think the box-holder should not have to prove negligence and the company should not have to explain the loss, though, of course, it may be able to do so, and even in such a way as to escape responsibility, as in case of fire, riot, etc. However the law may develop, the importance of taking every practical means of protecting a company from such claims is very clear, and yet, how often we find attendants taking out and replacing boxes, handling both keys, the box-holder at times being not even within sight. This extreme courtesy on the part of the attendants, or laziness on the part of the customers, should not be encouraged. As one precaution some companies have been in the habit, which seems an excellent one, of keeping a list of visits of box-holders and their deputies to their boxes. This is impracticable in some cases—for instance, in New York City during a Wall street panic, when hundreds of visits to boxes are made each day—but surely the boxes can be so guarded that the testimony of the company's attendants and officers will be invaluable in case of loss.

## 3. RIGHTS OF STRANGERS TO THE COMPANY WHO CLAIM PROPERTY DEPOSITED WITH THE COMPANY BY BOX-HOLDERS.

This question may arise either in the lifetime or after the death of a box-holder. It frequently happens that demand for access to a box is made by a sheriff, under a writ of replevin or attachment or in garnishee proceedings, by receivers or assignees for the benefit of creditors, and other officers appointed by courts throughout the country to take possession of property for the purpose of administration or to hold it pending decision in regard thereto. At times also the police authorities

break into a box under the protection of a search warrant. In no case should an officer of the court, more than any other claimant, be permitted to take property which the company knows does not belong to the person against whom a writ of attachment or other legal process has been issued, and in the case of a search warrant, no property except that called for by the warrant must be allowed to leave the box. While it is quite true that where a box is held by only one person, the company generally does not know to whom its contents do belong, and that this lack of knowledge or want of notice would be a complete protection if the process under which the contents of a box were taken was valid, an entirely different situation arises where a box is held by two or more people. As an example, let us suppose that A and B hold a box jointly and that an attachment against B is served on the company. The company owes a duty to A to keep and protect the property left by him in the box, and we consider that this duty exists independently of the duty to B. A sheriff, therefore, acting under a writ against B has no rights as against A, and it would seem, therefore, dangerous to allow him access to the box held by A and B jointly, unless, under peculiar circumstances, it became in some way possible to keep him from taking property which belonged to A. Such facts, as far as we know, have never been presented in court, but we suggest the following practical solution: Notify A at once and make, under the advice of counsel, an arrangement between the parties to have the box opened in the presence of all concerned, including the sheriff. A can then identify his property, and if the sheriff still insists on taking it as the property of B, he, of course, becomes a trespasser as against A. If A voluntarily joins in opening the box for the purpose in question, we do not see how he can later call on the safe deposit company to keep the sheriff from taking the property away. A sheriff does not levy, as a rule, on property which is claimed by others unless he is amply protected by bond or other security, and we believe, under the circumstances outlined above, A would often be allowed to take such property as he claimed. Collusion between A and B would in this way make it possible to embarrass the litigant who has put the process in the sheriff's hands, by having A remove all of the property for the benefit of both, but this does not affect the company, and the possibility of A, an innocent party, suffering by having his property taken under an attachment against B, is much more serious. No general rule can be given for such a case, and counsel must be consulted in each instance. This is also true when a search warrant is served, and it must always be borne in mind that if any process is invalid the officer acting under it is a trespasser, and while the company may have its claim against him, the box-holder may, on the other hand, have a good claim against the company for the loss of his property.

Another troublesome situation arises on the demand on the company of A, a stranger, that B, a box-holder, be not allowed to take property from his (B's) box, because of the fact that it belongs to A. This demand may be followed by an injunction restraining the company from allowing B to have access to the box, but when it is not so followed, the company find itself in the position of holding or controlling through the master key, or through the fact that it can shut its doors outside or inside, property which is claimed by two people. If the claim of the stranger seems to be made in good faith, it is wise not to let either claimant take the property in dispute, but to take legal action—by filing a bill of interpleader for example—as will bring both claimants before the court, where they may be left to fight the question out by themselves. The company must be careful to maintain always a neutral position, that is, to be a "mere stakeholder," and must act quickly, not allowing claims against it to arise through the fact that

it withholds the property from the true owner whether he be bailor or stranger.

#### 4. RIGHTS OF THE LEGAL REPRESENTATIVES OF DECEASED BOX-HOLDERS.

An executor or administrator of a deceased box-holder, after duly qualifying as such, has a right—it is, in fact, a duty—to take possession forthwith of the contents of the box. (See in this connection Article 5 post.)

When the will of a box-holder is in the box, it is generally necessary to procure authority from the Probate Court to gain admission to the box simply for the purpose of obtaining the will for filing. We think it unnecessary to go into the questions suggested by the above remarks, as the course of legal procedure is quite different in the various States, and such questions as arise should be promptly submitted to local counsel. We wish, however, to mention one or two situations which often confront a company's officers.

It is not an unusual thing for one member of a family to act as general custodian of valuables for the others, and for this and other reasons it happens that box-holders often keep in their boxes property which does not actually belong to them. In case of the death of such a box-holder, particularly when, by his will, he has appointed executors who are not favorably regarded by those for whom he has been acting as custodian, the safe deposit company is surprised at the demands made upon it by the various seemingly adverse interests. As in cases considered above under Title 3, the company must not allow the property involved to go to any except the owner. If a fight must come, let the company take the initiative and bring the rival claimants into court at once, stepping aside to allow them full opportunity for their dispute.

There was an interesting case some years ago in New York State, where the facts were substantially as follows: A and B were co-tenants of a box. They both died, and the executors of one and the administrators of the other each claimed the contents of the box. The company started a suit of interpleader, and on the evidence produced at the trial the property was awarded to the estate of one.

In case of the death of one co-tenant, the situation is not quite so complicated, but the same principles are almost invariably involved when the contents of a box are owned by more than one person, whether he is acting for himself or in a representative capacity.

#### 5. INHERITANCE TAXES.

In New York State it is provided by statute that no safe deposit company shall allow the property of a deceased box-holder to be taken away by an executor, administrator or trustee, unless notice of the time and place of the intended delivery thereof be served upon the State Comptroller at least ten days prior thereto, and in the case of a non-resident decedent it is necessary for the safe deposit company to retain a portion or amount of such property sufficient to pay the tax which may be assessed on the transfer thereof, unless the State Comptroller consents to the delivery of all of it. Failure to comply with these provisions makes the safe deposit company liable under the statute to the payment of three times the amount of the tax and penalty due, or thereafter to become due, on the property so delivered. This statute is considered by some of the companies to be unconstitutional, and it is said that their officers do not pretend to comply with it. Similar legislation has been enacted elsewhere than in New York, but such statutes are not general.

#### 6. LIEN OF COMPANY FOR ITS COMPENSATION ON CONTENTS OF BOXES.

We have been able to find very little authority on the question covered by this title. In New York State there is no such lien, and property contained in a box

must be delivered to the owner, no matter how far in default of payment of rental he may be. Where there is no lien, it is not safe to refuse to deliver until the charges have been satisfied, for large damages might result from keeping property back when it is urgently needed. The urgency, however, is usually worth the amount of the arrears, but one must be prepared in such a case for demands based on an urgency which never really exists until it is pictured to a jury. In one or two States the courts have allowed the lien, but we consider this another matter for local counsel, and we only wish to say that we believe the safe deposit companies will ultimately be permitted by statute to collect from the contents of a box the amount due for its rental.

#### 7. UNCLAIMED BOXES AND CONTENTS.

In New York and Massachusetts statutes have been enacted, providing that after the lapse of a specified period of time without payment for the use of a box, it may be opened and its contents, with certain formalities, placed in the general vaults of the company to await claimants. In Michigan and Wisconsin statutes provide for a sale of the contents of unclaimed boxes.

In leaving a subject of such broad interest, we feel that the few suggestions given above cannot be thoroughly satisfactory to a practical safe deposit man, but the law itself at present is not sufficiently developed for more positive statements. The growth of the business should ultimately bring with it decisions and statutes which will clear up many of the matters yet unsettled, and a careful watch should, for this reason, be kept on both courts and legislatures, for the final solution of some of the points now in doubt may affect materially the methods of conducting a safe deposit company's business.

Dated, New York, September, 1904.

THOMAS M. DEBEVOISE,  
Of Rounds, Hatch, Dillingham & Debevoise,  
62 Cedar Street, New York.

#### IDENTIFICATION.

The identification of a person desiring to rent a box in a Safe Deposit vault should be as thorough as circumstances will permit; should a person decline to give a reference their custom should be refused. Reasonable and desirable persons will always furnish references when asked, as they will understand that what applies to them will apply to others and act as a safeguard in excluding undesirable persons from the vicinity where their valuables are stored; again, a person may be thoroughly honest, and to all appearances a desirable customer, yet he or she may for reasons entirely personal attempt to rent a box under an assumed name. In the event of anything happening to the renter in such a case the Company might be put to a considerable amount of trouble and expense in establishing his or her identity should heirs appear under the rightful name of the renter.

It is also well to secure certain fixed data in regard to a Renter, such as when born, year, father's name and mother's maiden name, as this will be a help in establishing more surely the identity in case of claims by heirs after death.

Some companies in addition to the above require that a record be kept of the physical appearance of the renter, such as height, color of eyes and hair, weight and general appearance; this, however, is not an essential, as it is to be presumed that the renter will remain a customer for a number of years, during which time physical conditions may change, in which event instead of being an aid, the record would merely tend to confuse. The conditions mentioned first are fixed and cannot change, and are therefore as reliable twenty years hence as to-day.

#### IDENTIFICATION AFTER RENTAL.

While it is well for the Renter to have a pass-word, it should never be relied upon by vault attendants as a sure means of identification—pass-words may be repeated. When in doubt as to the identity of a Renter, always compare his signature with that on the original entry card. Pass-words should be as simple as possible; those who choose elaborate ones invariably forget them. In most cases, however, there should be no need to use either signature or pass-word, vault attendants should become familiar enough with the Renter's face to enable them to dispense with both, and all red tape consistent with safety should be abolished.

#### RENTAL RATES OF SAFE DEPOSIT BOXES.

The charge per annum for the rental of safe deposit boxes will vary with local conditions; in small towns the charge is sometimes as low as one dollar. The usual yearly charge in well established companies, in cities, is five dollars and upward. The five-dollar boxes are about 21 in. x 1½ in. x 4½ in. (inside dimensions). But

as stated before, the price will depend largely on local conditions, such as ground rent, competition, etc.

(See forms 4, 5 and 6 for Receipt and Billheads.)

In large companies, when the bookkeeping is in separate department, Form No. 7 is used in keeping the clerks advised of new safe rentals and Form No. 8 when Renter changes from one safe to another.

#### SAFES RENTED BY TWO PERSONS JOINTLY.

In case of two persons renting a safe jointly, they become what is called "joint tenants," and enjoy equal rights and privileges—either has the right to surrender the safe. If possible both tenants should be present when the safe is rented, but in case of the inability of one of them to be there Form No. 9 may be used. In case of surrender of rights in a safe by one of the joint tenants use Form No. 10, while in the case of a single tenant, or when both tenants surrender at the same time, Form No. 11.

#### OTHER FORMS IN LARGE COMPANIES WHERE BOOKKEEPING IS DONE IN SEPARATE DEPARTMENT.

Forms Nos. 12 to 16 will take care of all cases not previously mentioned, and they are simple enough to be self-explanatory.

#### OTHER RECORDS, BOOKS.

First in order is what is called the "Rental, Renewal and Surrender Book" (Form No. 17), which is practically a condensed history of each safe as rented, and will show at a glance the number of rentals, renewals or surrenders which have occurred during any month, also the total value of business done for any given period, and will be found very useful in comparing the growth of the company from time to time. Entries should be made in this book immediately after those are made on the Original Entry Card, after which comes the Safe Expiration Book (Form No. 18), which is indexed by years and months. If a safe is rented for six months from, say, September 15, 1904, turn to the month of March, 1905, and make your entries accordingly; this record makes it a very simple matter to keep track of when safe rentals expire and when bills are due for their renewal. As soon as a renewal bill is sent to a customer the entries should be carried ahead for the number of months which the safe has been rented for previously, otherwise it will be a very easy matter to lose track of what rentals have expired. Should the customer decide not to renew, the entry can be cancelled.

Regarding rentals, some companies before their expiration send out a rent-renewal notice, but as a general rule this is not done, the renewal bill (Form No. 5) being considered sufficient.

#### SAFE REGISTER.

The Safe Register completes the list of books necessary in the Safe Deposit business, excepting, of course, those connected with the ordinary bookkeeping, but which it is not the purpose of this report to take up. This book, as will be seen from Form No. 19, is very simple, and needs little explanation. To the uninitiated it might seem as though the three books we have shown had a tendency to repeat certain entries unnecessarily; this, however, is done with a purpose, as it lessens the chance of mistakes in records, and in case of one record being destroyed there will be found enough data in the others to supply the deficiency. Some companies use forms such as Nos. 17, 18 and 19, but instead of books, have a card system; there is much greater chance in that case, however, of records being lost, and therefore the book system is preferable, except in the case of the Original Entry Cards, where convenience in handling is desired.

#### DEPUTYSHIP.

A deputy has access to a safe only at the pleasure of the renter, who may revoke this privilege at any time. The powers of a deputy cease on the death of the renter if not revoked before. If the renter and deputy can appear together before an officer of the company, use Form No. 2A or No. 3A, according as to whether the renter is an individual, joint tenancy, firm or corporation. In case of inability of renter and deputy to appear in person, use Form No. 20, which must always be properly acknowledged before a notary or such other public officer as the laws of the State wherein it is to operate may require. In revoking a deputyship, when unable to appear before an officer of the company, use Form No. 21.

#### WHEN RENTED BY A CORPORATION.

Forms Nos. 22 and 23 should be used in addition to those already mentioned as an official list of the officers of the corporation at date of rental together with resolution of Board of Directors giving right of access should be kept on file.

#### LEGAL REQUIREMENTS.

In case of death, care should be taken to safeguard the interests of the Company as well as of the heirs of the deceased. As the legal requirements will vary in different States, both in this case and in others, such as bankruptcy, etc., we will not attempt in this report to take up this part of the subject in detail, but will merely caution the officers of a company to keep themselves well posted in regard to the laws pertaining thereto, and refer to counsel.

#### RETURN OF LOST KEYS.

To facilitate the return of lost keys use a metal key-tag (Form No. 30). As each person who takes one will be expected to assume responsibility for payment of the reward, their use naturally must be kept optional with the renter, because if keys are lost and not returned, he is already liable for cost of changing lock (See Rules, Form 2A.)

#### THE STORAGE DEPARTMENT.

All trunks, packages, etc., if called for by the company, should be sealed by its representative with the company's seal in presence of the owner or of his representative; or, if delivered at company's office, as soon as received. Discourage the owner from placing his own seal on a package, and even if he do so, still use the company

seal; the reason for this is obvious, as no matter how much care is exercised, seals may be broken in transit; the company's seal can be replaced while the owner's cannot, and if broken, almost sure to cause trouble, even if the contents are intact. As a general rule, it is better to place two seals on all articles. When the article is received, give the owner a storage receipt (Form No. 26), the lower end of which, when properly endorsed, acts as the company's release after delivery of articles. As probably 10 per cent of the customers lose their storage receipts, it is well to have another kind on hand to cover these cases.

#### ORIGINAL ENTRY CARD (STORAGE).

As in the case of the Safe Deposit, an original entry card is used in preference to a book for convenience in handling (Form No. 28). There is no occasion, however, for elaborate precautions in regard to identification as in the rental of a safe, as the company assumes a responsibility which is fixed and definite, the exercise of a little judgment is all that is necessary to exclude undesirable persons.

As will be seen by referring to the original entry card (Form No. 28), it covers the whole history of each case, and together with the stub of the storage receipt (Form No. 26) constitute the only records held, but they have always been found sufficient.

Form No. 29 shows a simple and convenient storage billhead.

#### SUGGESTIONS FOR RULES AND REGULATIONS OF THE SECTION SAFE DEPOSIT COMPANY.

The vaults will be open from 9 A. M. to 4.30 P. M. of each business day, excepting Saturday, when the hour of closing will be 1 P. M.

The use of a safe is in every instance granted by the Company, and accepted by the person using the same, upon the express understanding and agreement that the Company may terminate such use and require the vacation and surrender of the safe and the keys or combination thereof at any time upon the repayment, or tender of repayment, of the pro rata proportion for the unexpired time of the amount agreed to be paid for the use of the safe. This Company is not responsible for contents of safe unless by special contract. The contents of a safe must not be examined in the vault, but in the rooms provided for that purpose.

The Secretary or Manager must be immediately notified of change of address.

Deputies may be appointed only in person or by power of attorney properly acknowledged.

Safes must not be left unlocked at any time.

Should a key be lost, the Company must be notified without delay, and the remaining key returned to the Company, that the lock may be changed, the expense of which will be borne by the renter.

Payments for the use of safes, or for storage, are due and payable in advance.

The Company exercises the right to consider that the safe is not surrendered until the keys are returned, or the Company is notified in writing.

When a safe is rented to joint tenants, either person has the right to surrender the safe.

Boxes in the Security Vault will be rented for \$—— and upward per annum.

Trunks, boxes, packages of silver or other valuables will be stored at —— cents and upward per month, according to size and value.

Articles for storage will be called for if desired.

#### HINTS, SOME OF WHICH MAY BE FOUND USEFUL TO EMBODY IN THE RULES AND REGULATIONS.

Never retain a key to a Safe Deposit Box after rental.

Do not allow more than two persons in addition to attendants in the vault at the same time.

Vault when open should never be left without an attendant.

Vault should be opened and closed in presence of two persons, and where time-locks are used the hour should be confined by one other besides the person who attends to the winding.

Safe Deposit Boxes should always be replaced in the presence of the renter. Renters should not examine their boxes or papers in the vault, but in the rooms provided for that purpose.

In keeping records, different colored forms will be found helpful.

[The Committee's report contains copies of the various forms mentioned in the text above, and also "inserts" showing sample pages of the books to be used.]

## THE NATIONAL BANK OF COMMERCE

MINNEAPOLIS, MINN.,

With its Capital and Surplus of \$1,250,000.00  
and fully equipped in every department to  
give our customers the most acceptable service,

SOLICITS YOUR BUSINESS

in the Northwestern States.

# Detailed Report of Proceedings.

Eighth Annual Meeting TRUST COMPANY SECTION, Held at New York,  
Sept. 13, 1904.

GRAND BALL ROOM, WALDORF-ASTORIA.

In the absence of the Chairman (Mr. Breckinridge Jones) and the Vice-Chairman (Mr. E. A. Potter) the meeting was called to order by Mr. Clark Williams, member of the Executive Committee, at 10.30 o'clock a. m.

Prayer was said by the Rev. Dr. Tiffany.

The Chairman: It is a great regret to me to be compelled to announce to the members of the Section that our Chairman, Mr. Breckinridge Jones, is unable to attend this meeting because of the recent sad death of Mrs. Jones. Later in our proceedings we will doubtless take the opportunity to express the affectionate sympathy we all feel for him whom we regard as the founder of this Section.

In the absence of Mr. Jones, Mr. Potter, our Vice-Chairman, was prepared to preside at this meeting until an unfortunate accident occurring to Mrs. Potter detained him in Chicago.

The duty, therefore, falls upon the Chairman of the Executive Committee, and with a full appreciation of the disappointment it is to us all that neither Mr. Jones nor Mr. Potter is able to be present, I ask your patient indulgence in undertaking to preside over this meeting.

**Address of Welcome by Mr. George W. Young,  
President of the Trust Companies Association  
of the State of New York.**

*Mr. Chairman and Gentlemen:*

You are indeed welcome on this, your first, assembling in the City of New York as members of the Trust Company Section of the American Bankers' Association. And although there are, in gatherings like this, none of the outward manifestations which accompany those where men are brought together to celebrate some great feat of arms or accomplishment in statemanship, there is, nevertheless, to my mind, a peculiar and relatively quite as important a significance in your presence here to-day.

For I may, in justice and without exaggeration, say that this is a visit of distinguished guests, whose coming to our city, under the conditions which bring you here, is an event to be emphasized and chronicled as a recognition by us all of the benefits which must follow a frank and full interchange of views among those respectively charged in their several spheres of usefulness with duties having close relation to the security of the property of our citizens, and hence of the prosperity of the nation and the high regard to which our financial institutions are justly entitled, not only at home, but abroad.

To a discussion of this character, not alone those of this metropolis, but of all communities represented here can make equally valuable contribution.

New York may be said to be the counter over which money is exchanged; but the wealth of this city is not derived alone from its own environment. It relies for its prosperity upon the communities represented by you quite as much as it does upon the vested wealth of its own citizens.

Although some transactions here are on a larger scale than elsewhere, they are in all essentials dependent upon conditions quite similar to those which characterize successful banking in the communities from which you come. They are all founded upon confidence and credit, justified by methods which insure intelligent and faithful action of the trustee toward the beneficiaries.

When Henry W. Grady, of Atlanta, made his first visit to New York he was approached by a reporter and asked his opinion of this city. The reporter, instead of

seeing any exhibition of humility on the part of Mr. Grady, was met with the reply—that he thought New York was the "Atlanta of the North"; and so each of you, with equal facetiousness, I think, may substitute for Atlanta the name of the city which he represents. For the greatness of New York, its stability and security rest upon the same foundation upon which your several communities have builded, be they great or small—namely, the general prosperity of the country, which is to be attributed not alone to the products of the soil, to its mines, its manufactures and its commercial activities, but to the character of the financial institutions in which as depositaries the moneys and earnings of the rich and poor alike have been safeguarded.

In extending to you a hearty welcome to New York City I wish to congratulate the Trust Company Section upon the fact that it enjoys the honor of being a part of the American Bankers' Association. The functions of National and State banks and Trust companies are co-operative more than competitive. It is a pleasure to recognize that this convention represents another step in the progress of the mutual relations of friendship existing between these great institutions.

The growth of Trust companies in numbers and influence during the past few years has been rapid. Twenty years ago there were less than one hundred Trust companies in America. To-day there are more than a thousand, with resources amounting to over three billion dollars. You remember that Dr. Holmes once said: "Put not your trust in money, but put your money in trust." His advice, meant merely for a breakfast table epigram, has been followed to a marvelous extent. In New York State alone the Trust companies have deposits amounting to nearly one billion dollars; and this is but one instance of the sure and solid growth of the Trust Companies of America.

Trust Companies are peculiarly American institutions, organized to meet the demands of existing business conditions. They are a natural growth due to the progressive spirit of our times. The watchword for the banks and Trust Companies should be "Co-operation." While their functions are different, their interests are identical.

Naturally the rapid growth of the Trust Companies during the past few years has brought up many questions for consideration and discussion. These questions should be considered without antagonism and without hostility. It should be remembered that a large majority of the directors in National and State banks are also directors in Trust Companies, and that the capital employed comes from the same sources. The competition between the Banks and Trust Companies is competition between men in the same business working for the same ends and using the capital of the same employer.

The National and State banks are well organized. We must see that the State organizations of Trust Companies are completed and continued. The "Association of Trust Companies of the State of New York," which has made me its President—an honor I fully appreciate and of which I am justly proud—is now well under way. The perfection of the organization of Trust Companies in the various States is the best preventive of any differences between the Banks and Trust Companies that may affect the interests and convenience of the public. The natural outcome of such organizations will be co-operation between them and the adoption of general rules for the regulation of business, in the framing of which both institutions will have a voice. Strong Trust Company Associations in every State will result in these two classes

of financial institutions working more closely together than they have in the past, and will be of material assistance in promoting harmony of action and co-operation.

There should be no opposition nor ought but friendly rivalry between the two classes of financial institutions. They should work on lines which are parallel and not on lines which cross one another. There is no real antagonism between the two; and any assertion to the contrary is ill-founded, and will, I feel sure, disappear as time demonstrates that the functions of the two are strictly complementary.

Gentlemen, I thank you for your courteous attention. For you the latchstring is on the outside of the door of every financial institution in this city. I again bid you a most hearty and cordial welcome.

The Chairman: In the absence of our Chairman, Mr. Jones, Mr. Festus J. Wade, President of the Mercantile Trust Company of St. Louis, will make reply to Mr. Young's cordial welcome. (Applause.)

Reply to Address of Welcome, by Mr. Festus J. Wade.

Mr. Chairman: I rather agree with Henry W. Grady. After several visits to New York I am somewhat of the impression that New York compares very favorably with St. Louis.

In responding to the welcome so cordially extended to us by the gentleman who has just spoken, we are not a bit surprised. It is the welcome that we have been accustomed to whenever we have visited New York, the reason being that we come here as children to a mother. New York City and its Trust Companies are the mother of Trust Companies. Here precepts are defined, plans and principles laid out for the safe conduct of our financial institutions; here we come in times of distress, and here we come in times of tranquillity; here we come in times of adversity, and here we come in times of success. At all times when we strike the border of this great city with a reasonable, just, equitable, business proposition, that open hearted candor is always extended to us; and why should we be surprised at this cordial reception?

I fully concur in everything that the distinguished gentleman has said looking forward to the organization of State sections of the Trust Company Section of the American Bankers' Association, and in that is the strength of the future Trust Company. The Trust Company to-day is an institution second only in importance to the financial system of the National banks of the United States of America. The deliberations of this convention can make that system stronger, and in a very short time build it to the equal of the National Banking system.

As we act wisely, so will our future be governed, and if we show the same spirit of good will and friendship in all parts of the United States as is extended to us by the Bankers and Trust Companies of New York City, then our institution is an established fact in every part of this great land. Gentlemen, I thank you. (Applause.)

The Chairman: The report of the Secretary of the Section will now be listened to.

Report of the Secretary.

New York, September 1, 1904.

To the Members of the Trust Company Section:	
September 1, 1903, balance.....	\$2,519.92
Received from sale of two copies of Trust Company Forms .....	30.00
	<hr/>
	\$2,549.92
Expenses of San Francisco convention.....	\$336.50
Expenses of committee on subject of auditing.	304.80
Proceedings, 1903.....	169.52
Salary, assistant to secretary.....	537.50
Expenses of Executive Committee meeting, New York, April 26, 1904.....	247.50
Stationery, printing, etc.....	142.05
	<hr/>
	\$1,737.87
Balance August 31, 1904.....	812.05

Sept. 1, 1903, there were 453 members in the Trust Company Section; 113 members have been added to our rolls, making a total membership of 566.

Respectfully submitted,  
JAS. R. BRANCH,  
Secretary.

The Chairman: Gentlemen, you have heard the report.

Upon motion the report was adopted and placed on file.

The Chairman: As the Chairman of your Executive Committee, I will read the following report:

Report of Executive Committee by the Chairman, Mr. Clark Williams.

The Executive Committee of the Trust Company Section of the American Bankers' Association respectfully submits the following report:

The increase in the number of Trust Companies and their growth in strength has been so rapid during the recent past that few persons fully realize the relative importance of this class of institution in the financial fabric of our country. Twenty years ago there were less than one hundred Trust Companies in the United States. To-day there are more than a thousand of these companies, with resources exceeding \$3,000,000,000.

The constant introduction of new ideas and methods of operation in different localities in answer to the public demand renders the friendly co-operation among these companies almost essential. This co-operation is made possible through the development of the ideas and purposes of the founders of this Section of the American Bankers' Association. In 1896 this organization was effected with fifteen members. To-day the Section has a membership of 566, with aggregate resources in the neighborhood of \$2,500,000,000.

With the original purpose of the founders of the Section in view your committee has endeavored to offer advantages of practical value, and to this end its first endeavor was to secure from every Trust Company in the country suggestions as to the work of the Section and as to how the annual meeting might be made most interesting. The results of this inquiry were carefully considered at a meeting of your committee held in New York on the 26th of April, and the character of the programme of our proceedings to-day is largely the result.

At this meeting of the committee it was determined to publish in one volume the proceedings of the Section from the time of its organization. This volume is published in the interests of the Trust Companies of the United States, in the hope that the valuable addresses, papers and discussions contained therein may be permanently preserved for the use of the members of the Section, and that through a clearer knowledge of the character of the work of the organization those not members may better appreciate the advantages of such Association.

This book is now being sold to cover the cost to the Section of its publication, and the demand for it thus far has justified the opinion of your committee as to its value.

The members of the Section have previously been advised of an arrangement made by your committee with the Audit Company of New York by which that company offers to advise with members of the Section as to any detail of forms and systems of accounting, without charge. The constant growth of the business of Trust Companies along different lines would seem to render services of this character of special advantage, and it is hoped that these facilities will be generally availed of.

The Executive Committee has requested a number of typical Trust Companies in different parts of the country, members of the Section, to furnish blank forms of all characters used in their different departments. These blanks have been bound in convenient form and will be on exhibition in the registration room during the Convention, after which they will be lodged in the Secretary's office, at No. 11 Pine Street, for inspection of the officers or members of the Section at any time.

Advertising matter, pamphlets, etc., issued by many members of the Section are similarly exhibited, and will be lodged with the Secretary. These exhibits are interesting, and it is believed will be of practical value.

In response to the demand of many of the members, a committee has been appointed to render a report on the "Classification of Legal Decision Relating to Safe Deposit Companies," "Duty and Liability to Box-Holders," and a "Compilation of the Rules and Forms of Typical Trust Companies." This report is submitted in printed form. The Executive Committee takes this opportunity to express its thanks to the firm of Messrs. Rounds, Hatch, Dillingham & Debevoise, of New York, for their valuable contribution to

the report in their discussion of the law bearing on this subject.

The Executive Committee has accepted the suggestion of this committee and will recommend that a standing committee be appointed to render an annual report continuing this line of work.

The uncertain business done by many companies using the word "Trust" in their corporate titles, but being in no respect moneyed corporations nor doing a Trust Company business, and the frequent failure of these companies, tend to reflect discredit on those corporations doing a legitimate Trust Company business. It has seemed wise to your Executive Committee to recommend the appointment of a standing committee, to be known as the "Committee on Protective Laws," whose duty it shall be to endeavor to secure the enactment of laws in the several States prohibiting the use of the word "Trust" in the corporate title of any corporation not a moneyed corporation and chartered to do Trust Company business.

The committee recommends and will present for your consideration an amendment to the by-laws of the Section providing for the designation of the executive officers of the Section as President and First Vice-President, that the number of members of the Executive Committee be increased from nine to fifteen, and for the election of a Vice-President of the Section from each State having a membership in the American Bankers' Association of ten or more Trust Companies. The purpose of this amendment is to widen the interests in the work of the Section and to secure more adequate representation of the Trust Companies in different parts of the country.

The Executive Committee takes this opportunity unreservedly to declare its adherence to the original purpose of the founders of the Section, who, in their wise judgment, formed the Trust Company Section as subordinate and supplemental to the American Bankers' Association.

Representing co-ordinate branches of the moneyed institutions, we are part of the warp and woof of the financial fabric of the country, and it is to our interest to stand as an integral part of the American Bankers' Association, which aims to bring within its folds the financial powers of the United States.

Upon motion, duly seconded, the report of the Executive Committee was accepted and placed on file.

The Chairman: You will notice the report of the Committee on the Classification of Legal Decisions Relating to Safe Deposit Companies, the Duty and Liabilities of Box Holders, and the Compilation of the Rules and Forms of Typical Companies. I trust this report will be found of great value to the members of the Section, as it represents considerable labor, and if you approve the action suggested by your Executive Committee, that a committee be appointed to continue this line of work, we shall have an annual report similar to this, along the lines of this report submitted.

#### Report of the Committee on the Classification of Legal Decisions Relating to Safe Deposit Companies.

[This report, in full, will be found on pages 1190 to 1194 of this publication.]

We will now listen to an address on the subject of "Conservatism," by Mr. F. H. Fries, the President of the Wachovia Loan and Trust Company, of Winston-Salem, N. C. Colonel Fries is also President of the North Carolina Bankers' Association, and a member of the Executive Council of the American Bankers' Association, and eminently qualified to give us sound advice on this important subject.

#### Conservatism.

[Mr. Fries' address in full will be found on pages 1177 to 1179 of this publication.]

The Chairman: Gentlemen, at two previous meetings of this Section we have listened to articles on the subject of the duties and responsibilities of the transfer agent and the registrar. It will give us all a great deal of pleasure, I am sure, to hear an address by Mr. Jordan J. Rollins, of Rollins & Rollins, Attorneys, of New York, who will address us on the "Protection of Trust Companies Acting as Transfer Agents and Registrars."

#### The Protection of Trust Companies Acting as Transfer Agents and Registrars.

[Mr. Rollins' address in full will be found on pages 1180 to 1185 of this publication.]

Mr. Brewster, of Rochester, N. Y.: Mr. Chairman, if it is in order, I would like to move that a copy of the paper we have just heard be sent to every Trust Company in the United States. It appears to me it is a very important paper. The subject is one which I think most of us are not well posted on, and I believe it would prove very valuable if it were placed in the hands of the officers of the Trust Companies throughout the United States.

Several members: I second the motion.

The question was taken and the motion was agreed to.

Mr. Shorrock: Mr. Chairman, I would further suggest that the Executive Committee be instructed to take this matter under consideration, to see if anything can be provided along the lines recommended by Mr. Rollins.

The motion was seconded, and agreed to.

Mr. Powers, of Louisville, Ky.: Mr. Chairman, I would like to make a suggestion, with the permission of the Section, and I will undertake to present it without having the Chairman intervene, if there is no objection.

Gentlemen, we know, some of us, what the arduous labors of the Chairman of the Executive Committee have been, not only with reference to this particular meeting, but throughout the year. The Executive Board of this Section has recommended that Mr. Clark Williams, who is Chairman of the Executive Committee, shall be presented to the American Bankers' Association for membership on the Executive Council of the Association. I move that we emphasize that suggestion, and that we indorse as a body the gentleman who has been our executive officer during the past year, for the position as our member of the Executive Council, and I desire to make that motion and present it myself, and ask you if you are in favor of it to please manifest it by a rising vote.

The motion of Mr. Powers was unanimously agreed to.

The Chairman (Mr. Clark Williams): Gentlemen, this is a surprise to me, but I assure you it is exceedingly gratifying. It has been a great pleasure to serve as the Chairman of the Executive Committee of this Section. It has been pleasant to be associated with the gentlemen who have been my colleagues in the work of the Section during the year; but I cannot express to you how deeply I appreciate the recommendation which you see fit to make of my election to the position of member of the Executive Council of the American Bankers' Association. It is a great honor, gentlemen, and I thank you. (Applause.)

The question of Trust Company reserves at this time is of special interest to many sections of the country, and arguments on the subject must necessarily be of local coloring. It will be of great interest, however, to note the general condition of Trust Companies throughout the country in this respect. Mr. Edward T. Perine, General Manager of the Audit Company, of New York, has kindly consented to make a statement of the general condition of Trust Companies of the United States as to cash reserve.

#### General Condition of the Trust Companies of the United States as to Cash Reserves.

(Mr. Perine's paper in full will be found on pages 1186 and 1187 of this publication.)

The Chairman: In determining the character of this programme, your Executive Committee deemed it wise to provide for the discussion of a number of subjects of practical interest, and we now come to that part of our programme. We take this opportunity to thank those who have specially prepared themselves to discuss these questions.

We trust the members will speak as briefly and as much to the point as possible, in order that we may complete our programme within the time allotted.

It is particularly requested that those addressing the meeting should state their names, title, and the institu-

tions they represent, in order that our report of the proceedings may be accurate and complete.

The Chairman: Mr. Edward W. Harris, of the firm of Pryor & Harris, Attorneys, New York, has kindly consented to say a few words on the subject of "The Liability Incurred by Trust Companies by Reason of Representations in Offering Securities to the Public."

**The Liability Incurred by Trust Companies by Reason of Representations in Offering Securities to the Public.**

[Mr. Harris' address in full will be found on pages 1189 and 1190 of this publication.]

Mr. Hart of Wheeling, W. Va.: Mr. Chairman, I move that the paper last read be printed for distribution. I regard it as a paper of great merit and great value.

Mr. Wade: Mr. Chairman, as I understand it, all these papers will be printed in the proceedings of the convention, and personally I question very much the wisdom of printing them and sending them broadcast to Trust Companies that are not members of this Association. They can acquire their information as to the transactions of this Association through the public press, and I do not believe that those who regard this Association as useless, and who do not become members of it, should receive the benefits of the Association at our expense. We all know that in times past the financial papers have published the addresses and papers that are read here, and they can be purchased at from ten to twenty-five cents, and I do not believe we should go to the expense suggested, except for the benefit of our own members.

Mr. Hart: The criticism is obviously so well founded that I beg to withdraw my motion.

Mr. Shorrock: Mr. Chairman, I would like to ask the reader of the paper if he can state briefly what is the difference between the responsibility of a Trust Company, whose name may appear on the prospectus, and the responsibility of the directors. I presume there is a well marked difference, but we are more concerned with the position of the Trust Company whose name may appear as the intermediary in the sale of stocks or bonds, than we are in the position of the directors. Is a Trust Company, for instance, obliged to ascertain for itself whether the statements in the prospectus are correct?

Mr. Harris: I assume the law is this: That where the Trust Company is so clearly identified with the enterprise as to make itself responsible for these statements, then the company may be held liable for the statements thereon contained. I might say, gentlemen, that suits are now pending involving that very question, growing out of the United States Ship Building Company, and it is perhaps improper to anticipate the decisions of the courts in those particular cases. But that is the exact point involved in these cases. The Trust Company appears in the prospectus, and the question is whether it thereby becomes responsible for the truth of the statements contained in the prospectus.

Mr. McNair, of Buffalo: Mr. Chairman, it is quite usual in issuing prospectuses to put in something like the following:

The statements herein made are based on official reports, which we believe reliable, but for which we do not assume any responsibility.

If clauses of that kind were put in the prospectus I would like to ask the gentleman if the company making them would not be relieved of liability?

The Chairman: Can you give us your legal opinion on that, Mr. Harris?

Mr. Harris: I think it would be, sir.

The Chairman: We will now proceed to the subject of "Trust Company Failures and Their Causes." Mr. Jackson, Vice-President of the Girard Trust Company, of Philadelphia, has made an investigation of this interesting subject, and we shall be glad to hear from him.

**Trust Company Failures and Their Causes.**

[Mr. Jackson's address in full will be found on pages 1187 and 1188 of this publication.]

The Chairman: We have as our next topic for discussion, "Proper Supervision of Trust Companies by State Officials." This Section is highly honored by having with us to-day the Honorable William Barrett Ridgely, the Comptroller of the Currency, and I will ask Mr. Ridgely to give us a few minutes in an address. (Applause.)

**Remarks of Hon. William B. Ridgely, Comptroller of the Currency.**

Mr. Chairman and Gentlemen of the Trust Company Section: It is a very great pleasure for me to have been here this morning and to have listened to the various interesting papers which have been read on topics not only of great interest to officers and managers of Trust Companies, but to any one engaged in banking of any kind, or in similar operations. I had expected that I would be here this morning entirely as a spectator, being a little off the reservation in the Trust Company Section, and in fact I do not expect to make remarks enough to be considered much more than a spectator. I was particularly interested, and very greatly pleased by the able paper I heard by Mr. Fries, with regard to conservatism, especially as applied to Trust Company management.

Conservatism is really the foundation of all good banking, and it is more especially so in Trust Company operations than in anything else. The purely trust functions of the old-fashioned Trust Company are undoubtedly the highest development of the principle of credit and of confidence. They are the highest application of that principle to the relation of man to man in business. And, as Mr. Fries has so well told us, it is more necessary for this class of business to be conducted conservatively than any other; so much so, that I feel that we are treading on dangerous ground when we allow, under our laws, institutions which are organized to exercise particular trust functions to engage in so many other kinds of business. I think the warning of Mr. Fries in this respect is one that we ought to take very seriously under consideration.

A concern that has entrusted to it money, funds of estates, widows and orphans, and all the relationships that exist in that sort of business, ought to be very limited in the other classes of business in which they engage, and it is questionable as to whether we are not going a little too far in the extension of the class of business in which Trust Companies engage.

The figures just given us by Mr. Jackson are very interesting indeed, very instructive; but we should bear in mind that the record of the Trust Companies, which has been most excellent—the good record—is very much due to the fact that until comparatively recently these Trust Companies stuck to a legitimate Trust Company business, and as a matter of fact, there can be hardly any excuse for the failure of a company that does stick to its Trust Company business, that is not brought about by the actual fraud and dishonesty of its officers. A Trust Company, if it is honestly managed, can hardly fail, provided it sticks to the old fashioned, legitimate Trust Company business. But when, as we all know, they begin to branch into a great variety of other classes of business, the danger increases rapidly. The first tendency was for the Trust Companies to go into Savings bank business. That, perhaps, was a natural alliance, a natural extension. With proper restrictions—and there need not be many—I see no reason why a Trust Company should not do that class of business; but they certainly ought not to be allowed to do a great variety of business as described by Mr. Fries—land business, insurance business, fidelity insurance business, and all that class of outside work—and I question whether a company with Trust Company powers ought to be allowed to do a general commercial banking business, and if it does that banking business ought to be safeguarded by more than the usual number of restrictions, instead of being allowed to be carried on with less restrictions than the usual number, and I see no reason why, if a National bank or a State bank that is doing a general commercial business is compelled by law to keep a minimum cash reserve, and limited to the ex-

tent of its maximum loans, why the same restrictions should not apply to the commercial business of a Trust Company, or of any other bank, no matter under what name it may be run.

I was asked by Mr. Williams to say a few words in regard to the inspection and examination of banks. I do not want to trespass too much on your time, but in regard to that I feel that the forty years of experience that has been had in the examination of the National banks has accumulated the largest amount of data on that subject that probably ever has been gathered together. There is no other country anywhere in the world that has as carefully and thoroughly examined the banks, and while some of our State departments have very good examinations of certain classes of banks, particularly the Savings banks, of course it is not so widespread or general as the examination of the National banks. Of course the National banks examination is far from perfect; but, as a rule, it is pretty well done, very well done. The National Bank Examiners are hired on the wrong principle, I think. They are given fees instead of salaries, and the natural tendency is that in some of the smaller banks they do not give the time and attention required. But considering the circumstances, I think the men are proof as far as possible against this temptation, and that as a rule we get pretty good reports.

When a National bank fails there is of course—especially in the country communities—a great deal of bitterness; the examiner is at once blamed, and it is considered all his fault that the money of the depositors has been lost. In rare cases, perhaps, it is true, but you must remember that a bank examiner cannot in one or two days every six months check up everything that has been done in 365 days in the year, and a smart scoundrel in a bank who wants to deceive the bank examiner is very apt to be able to do so; things are very much in his favor. In many instances, however, it is quite surprising to see the slight clues on which a bank examiner will discover a fraud, a fraud which has perhaps been concealed for a long time. Of course one of the most important things that is brought about by the examination of the bank is the calling to the attention of the Comptroller's Bureau the condition of a bank which is still solvent, perhaps, but in a dangerous condition. Few realize how many banks which are found in that condition are straightened up by us and saved.

These things are naturally concealed. Secrecy is a necessary element to success, and nothing is said about it if it can be avoided. But there is hardly a day in which we do not get in our office the case of a bank which is in pretty bad shape, and several times every month we find a bank in such a condition that we have to bring pressure on the officers who have made loans, or the officers that have large lines out, to bring in some more security and straighten up the bank and put it in condition to go on. And in this the personal element of the bank examiner is of very great importance. He has to take a great deal of responsibility. The information that comes to the department is entirely through him, and very often it is his good judgment and courage and sense that save the situation. We recently had a case where a bank of that kind was in trouble, and the bank examiner was in telegraphic communication with our office. He made such a report one night that he was ordered to close the bank. After that was done, some additional money was raised and the situation changed, perhaps very materially, as the bank examiner on his own responsibility started it up the next morning. And that bank is going to-day, and is in very good shape.

Mr. Jackson makes some comparisons in regard to the failures of National banks and failures of Trust Companies which show that comparing the number of Trust Companies to the number of National banks, the failure in proportion is very much more. I think, perhaps, that is generally true, and it ought to be true. The Trust Company ought to be the most careful and conservative institution in the way it is conducted and managed, the most so of all banking corporations, and instead of hav-

ing any feeling of rivalry or resentment against that, knowing that the record in the National banks is so very good, and that the percentage of failures and the percentage of amounts of deposits lost is so small, I congratulate Mr. Jackson and you, and all members of the Trust Company Section, on the excellent work you have done in that direction. (Applause.)

The Chairman: I am very sure we are all indebted to the Comptroller for his words.

#### Proper Supervision of Trust Companies.

The next subject which is on our programme—

Mr. Breidenthal, of Kansas City, Kan.: Mr. Chairman, before you proceed, it occurs to me before we proceed, if we are to secure anything practical in a meeting of this character we should express ourselves on some of these important subjects. The question of supervision of the Trust Company by the several States, it occurs to me, is a very important matter. The Banking and Trust Company business is based largely on confidence, and just in proportion as financial institutions enjoy the confidence of the people will their business grow and prosper, if they are entitled to that confidence. I believe it can be truly said the success of the National banking system has been due to the, at least, supposed strict supervision of those institutions, and it can also be said that in every State where we have a stringent State law providing for supervision of banks that the business of the State banks has grown and prospered as a result of that supervision. In my own State it caused the wiping out of over a hundred banks, but those remaining were strengthened, and two or three hundred have been recently organized, and they have prospered and are enjoying the confidence of the people to a marked degree, as evidenced by the fact that the State banks have a larger aggregate deposit than the National banks.

So I move you, Mr. Chairman, that it is the sense of this meeting that the Trust Companies in the different States should be under the supervision of the Banking Departments of those States.

Mr. Wade: Mr. Chairman, I second the motion; but I would suggest that it read "Proper Supervision of Trust Companies by Officials," and I would include the trust company officials.

I would include, secondly, the national officials of this Government, and, thirdly, the State officials.

It is true that Mr. Jackson has presented to us the fact that the percentage of failures in the Trust Companies has been exceedingly small, but it is also true that the Trust Company, as a financial institution of this country, is practically in its swaddling clothes to-day, and unless supervision, first by the officials of the institutions themselves, be properly conducted, and, secondly, by the examination of the officials of the Government of this country, the record of failures, if Trust Companies continue to do in the future as they have done in the past, will be far more numerous in the next five years.

Very many important questions have been debated on this floor to-day, or, rather, presented on this floor. Two of them are fundamental principles, which are of vital interest. No Trust Company can run and do an active business as a Trust Company unless they increase their cash reserve. I was one of those who had the fallacious notion that ten or twenty per cent. cash in bank was just as good as it was in your vaults. I had practical experience and in one hour—yea, in half an hour—was disillusionized of that notion. In half an hour there were 500 people at the doors of the institution that I have the honor to represent demanding their money, and in another hour there were 5000. And that reserve which we have all been shooting at, which was a thousand miles away, was mighty poor satisfaction to the fellow who had his money in our institution. Fortunately we—and by "we" I mean the city of St. Louis' Trust Companies—were able to meet the situation; but if that run had kept up three days, gentlemen, it would have brought ruin and devastation to half a dozen centers in the United States. There is not a national banker, there is not a thinking Trust Company official, that does not remember the 27th of October, 1903, and who did not then immediately start to look at his fences as to where his cash reserve was. Of course, if you are doing nothing but a fiduciary business, if you have no deposits in your savings accounts, if you

have no deposits in your banking department, if you are simply acting as a trustee and as an executor, then that principle does not follow; but if you are doing a banking business, plain, pure and simple, whether that banking business be secured by collateral or on commercial paper, then

I tell you, gentlemen, that every one of you that carries in your vaults less than ten or fifteen per cent. of your reserve in real, genuine cash is walking on thin ice, and if you go through the experience that was had in St. Louis and Baltimore and Pittsburgh you will be convinced of it in a very short time. Just pause for a moment. The National Banking system has behind it the power, the influence and the weight of the greatest Government on God's green earth. In forty years they have gathered together about \$1,300,000,000 behind the National Banking system in its capital and surplus. In deposits it has in round figures more than \$5,000,000,000. With the weight of the Government, with the best banking system on the face of the earth, that has been accomplished in forty years' time. The Trust Company, as we understand it to-day, is practically ten years old. Of course, we all understand that the Trust Company is two or three hundred years old, but the Trust Company as we understand it to-day is an institution that has come into life and activity in the last ten or fifteen years. What have they invested? In capital and surplus, practically \$1,000,000,000, and in deposits over \$3,000,000,000. They are second in importance to the National Banking system.

The progress of this country, if you would eliminate the Trust Company as a financial institution, would be retarded unless you substituted something better. Therefore those of us who are devoting our lives to the upbuilding of this institution ought to go back from this meeting and first look at our own books; then not only ask but beg the State Examiner to do it, and if by the blessing of God we could get the National Congress of the United States to create a supervision the equal of that of the National Banking system, there would be in the course of the next two or three decades an institution, a system of financiering, in this country as great as the National Banking system itself.

The Chairman: Do I understand that your first remarks were an amendment to the resolution which was presented, or a second to that resolution?

Mr. Wade: I seconded the motion, but let it go.

The Chairman: The motion before us is that we express the sense of this meeting to be that the Trust Companies in the different States should be under the supervision of the banking departments of those States. Are there any further remarks?

Arthur Heurtley, Secretary Northern Trust Company, Chicago: Mr. Chairman, if it is in order in connection with this I would move that a committee be appointed to draft a uniform law in the several States governing the particular matter of the examination of Trust Companies.

The Chairman: Do you offer that as an amendment?

Mr. Heurtley: Yes.

The Chairman: Has the amendment a second?

Mr. Phillips, of Delaware: I would second the motion.

A Member: What is the motion?

The Chairman: The amendment is that a committee be appointed to take this matter in charge and to draft a law which shall be used in carrying out the terms of this motion, the law to be submitted to the several States. It might be advisable to state that in a number of States Trust Companies are not subject to examination or amenable to the State Banking Department, and I presumed it was Mr. Heurtley's desire to cover that situation. Is the amendment accepted by the proposer of the motion?

A Member: What is the proposition?

The Chairman: To appoint a committee to draft a law, and that committee I presume is to endeavor to secure the passage of such a law where it is necessary, putting the Trust Companies under State supervision.

Mr. Breidenthal: Mr. Chairman, just a word. This is a pretty wide country and different conditions exist on the Pacific Coast from the conditions on the Atlantic Coast, and different conditions exist in Kansas. We have a strict supervision in Kansas. I scarcely think it wise at this time to suggest a uniform law. After we have once secured supervision in every State, even although the laws seem defective, then it seems to me it would be a better time to secure uniformity. But let us declare in favor of State supervision, leaving it to the wise judgment of each particular State as the local conditions may suggest to form that law. It occurs to me that would be a better proposition.

Mr. Jaster, State Savings and Trust Company of Cleve-

land: Mr. Chairman, do I understand that the original motion was that it is the sense of the meeting here that we favor supervision of the Trust Companies?

The Chairman: By the State banking departments of the several States, yes sir.

Mr. Jaster: Why would it not be better, then, to pass upon that motion, and then have a separate motion to the effect that a committee be appointed to do what it can to bring about a uniform law.

The Chairman: The Chair thinks that course of procedure would be the proper one.

Mr. Wade: The question is on the original motion, Mr. Chairman.

The Chairman: Are you ready for the question?

Cries of "Question! Question!"

The Chairman: It has been moved and seconded that it is the sense of this meeting that the Trust Companies of the country should be under the supervision of the State banking departments—

Mr. Heurtley: I move now that a committee be appointed to draft a suitable law to be presented to the different legislatures where such a law is necessary. In Illinois we already have a law now. The Trust Companies of the State are under very strict supervision.

Mr. Phillips, of Delaware: I second the motion.

The question was taken, and the motion was agreed to.

Mr. Fries: Mr. Chairman, it seems to me we would do well to make that general. If we are going to make it general over those States where there is no supervision now, would it not be well to try and have every State make a law in regard to Trust Companies which would be uniform. So I would amend it by saying that this committee try to draft a law that would be uniform.

Mr. Williams, of Virginia: Mr. Chairman, it does not seem to me that it would be practicable to have uniform laws in all the States alike. The laws that would be appropriate to New York State would be very different from those applicable to Southern or Western States, and the same way with the laws governing savings banks, they are different in New England and New York from those in the West and South; so I do not think we can hope at this time, owing to the different conditions in different parts of the country, to have a uniform law governing the operation of Trust Companies. It seems to me it would be well to call the attention of the banking departments of the different States to the resolution passed here, that we deem it important that the Trust Companies should be under the supervision of the banking departments of the States, and then the banking departments will take such methods and measures as may seem best to each particular case. (Applause.)

Mr. McCulloch, Merchants' Loan and Trust Company, Chicago: Mr. Chairman, it seems to me we should leave to the Legislatures of the various States the question of making necessary variations in the control of Trust Companies, but this organization may very well establish a uniform model for recommendation to the various States. There is, of course, a great amount of ignorance on the part of legislators and others of proper requirements for examination and control of Trust Companies, and if we adopt a model it will be a model of education for the various legislators, and they may be left to make the necessary variations to meet the local conditions. (Applause.)

Mr. Phillips: As the seconder of the motion, I would like to say, Mr. Chairman, that I think it very important that we should make some effort to secure uniformity throughout the different States, and if we do not make an effort in that direction obstacles will be thrown in the way of development of the Trust Companies.

Mr. Wade: I agree with what the gentleman has just said, and I move as a substitute motion that we refer it to the Executive Committee, with the suggestion that they take it up and do something in the meantime.

The Chairman: Is the original motion withdrawn?

Mr. Heurtley: Yes.

The second was also withdrawn.

The Chairman: Then we will consider Mr. Wade's motion, to the effect that this be referred to the Executive Committee with the recommendation of this meeting that they shall take the matter under advisement and act upon it.

The motion was agreed to.

Mr. Young: I do not want to take the time of the Section, but I think in justice to the Trust Companies Association of New York there should be some notice taken of the statement that there were two failures in the Association within the last thirty years—I think it was. I think it

should be stated in this connection that there is no record whatever in the Department of Banking that in either instance referred to there was the slightest loss to a depositor in either of those institutions. In the case of the American Loan and Trust Company that is an absolute fact, and as far as the other Trust Company is concerned, the one that failed in 1891, that we all know paid its depositors in full, and that has now been reorganized and stands as one of the strong companies of the State, with a capital of \$2,500,000 and a surplus of \$2,500,000.

Mr. E. D. Fisher, Secretary of the Flatbush Trust Company: Mr. Chairman, it strikes me that, in view of the difference of opinion in different sections of the country on this question of supervision, the meeting is drifting into an error. I think there should be uniformity so far as examination is concerned, but possibly not uniformity so far as the laws governing their powers are concerned. Am I correct?

The Chairman: I do not understand it so. I think it has been generally understood that the motion recommended, suggested as the sense of this meeting—

Mr. Fisher: An examination?

The Chairman: No; that the Trust Companies of the different States be under the direct supervision of the Banking Department, not entirely as a supervision periodically of the condition of the company, but also laws relative to the operations of the company. If I misunderstood the scope of that motion I suggest that I should be corrected.

Mr. Williams: I understood two resolutions had been passed. One was that all Trust Companies should be under the Banking Department of the respective States. That was the first resolution. The second resolution referred to the Executive Committee the question of recommending to the Legislatures of the different States the enactment of laws to govern such companies, leaving it to the Executive Committee to take such action in the matter as the Executive Committee might think best. That is the way I understood the motions, and as I voted upon them.

The Chairman: I think Mr. Williams' explanation clears it.

Mr. Heurtley: The idea I had in mind myself was to cover principally the examination of Trust Companies by the banking departments of the various States.

The Chairman: And that point has been covered in the motion which has been passed by the meeting.

#### STATE TRUST COMPANIES ASSOCIATIONS.

Unless there is some further discussion of this question we will pass to the next subject on our programme, "Trust Companies' Associations in different States; their possible relation to the Section." In view of the possible action of this Section in the election of vice-presidents from different States, this subject is most interesting. Unfortunately one who intended to discuss it is not present. It is the purpose of the resolution, the election of these vice-presidents, to form a connecting link between the Section and existing State associations, or will lead to the formation of such State associations. I am informed that there were two States having associations devoted entirely to Trust Company work—Pennsylvania and New York. In Pennsylvania that association is a section of the local bankers' association.

If any one has any remarks to make on the subject I hope we will hear from such gentlemen, but rather briefly, as we will not be able to finish our programme before we shall have to take a recess for luncheon. As you know, luncheon has been provided by the New York Trust Companies.

#### FUNCTIONS OF THE TRUST COMPANY.

(After a pause): If there is no discussion of this question we will pass to the next, "How can the public best be taught the functions of the Trust Company?"

Mr. O. C. Fuller, President of the Wisconsin Trust and Security Company of Milwaukee, will give us a few suggestions.

Mr. Chairman and Members of the Trust Company Section:

Having been honored with an invitation to say a few words on the subject, "How can the public best be taught the functions of the Trust Company," I wish I could lay before you some unique and simple plan by which every Trust Company, wherever located, could, with little effort, gather around it a throng of eager clients willing and anxious to deposit in its strong boxes all their surplus wealth, all their hard earned savings, and to hand over their estates for its sagacious management during the remainder of their lives and for its wise administration and just distribution after their death.

I wish I knew of some such wonderful plan, but if any such has been discovered I have not found it.

It may be there are some among us who think they have, for I have received from several sources sundry offers to sell me certain ready written and neatly bound "follow up" systems, guaranteed to produce so many thousand customers within a given number of months, at prices varying all the way from five to fifty dollars per system.

Doubtless there is much of value in some of these systems and some merit, perhaps, in all, but the general proposition to sell us for a song an easy way to prosperity reminds me of the story of the butcher's lad who went to school for the first time.

The teacher was trying to initiate him into the mysteries of the multiplication table. She found him all right up to two times five are ten, but two times six was too deep for his youthful brain. He could not even guess the answer. Finally, remembering the business of his father, and appealing to his commercial instinct, she put this proposition to him: "Now, Johnnie, if a man should come into your father's shop and order two pounds of porterhouse steak at six cents per pound, what would it come to?" "Nothing," was the prompt answer. "Why, how do you make that out?" the teacher asked in astonishment. "Because you can't get no sich article for no sich price."

Many mediums are effectively employed not only to teach, but to induce the public to use the functions of the Trust Company.

Personal influence and solicitations, intelligent and attractive (if always dignified) advertising, circulars, letters, leaflets, "follow up" correspondence, if you will, and the much used and much abused booklet setting forth the function of Trust Companies and mailed to investors, known and unknown; to taxpayers, big and little; to club members, ministers, school teachers, handed out to savings depositors and safe deposit box renters, and distributed by any and every means known to the ingenious advertiser. All of these are good in their way and in their proper place, but not all are adapted to every Trust Company. Much depends upon the location and the conditions surrounding each particular company.

Looking out of my window the other day, while thinking of this very subject, I saw my youngest boy, a curly headed little chap, out in the yard enjoying the delights of his first hammer and nails. Between his little legs, stretched flat upon the ground, was a soft pine board; and the way he was hammering nails into that pine board from one end of it to the other, and the genuine joy he was getting out of the operation, warmed the very cockles of my heart and carried me back to the days of my boyhood.

As I looked the picture seemed to change. Instead of hammer and nails and a boy and a board I seemed to see a Trust Company and all the elements of the business represented in that picture. Instead of a plain pine board I seemed to see the city in which that Trust Company lives, the public that it serves.

Instead of the *nails* I seemed to see the functions of that Trust Company—there were many of them.

The *hammer* seemed to represent the Board of Directors, a most important factor. Composed of the best material, the handle made of hickory, carefully selected from seasoned timber; a head of steel, hardened and tempered in the fire of experience.

The boy seemed to represent the working force of the institution, from the president down to the messenger.

Full of life and health and vigor, sound in every part, no shrivelling limbs or useless members, wholly absorbed in the work before him, determined to succeed and to let nothing turn his purpose, or stop his progress, until his work is done, he seemed to represent a complete and perfect organization, and, Mr. Chairman, in that boy and hammer I thought I saw more than half the answer to the question, "How can the public best be taught the functions of the Trust Company?"

Mr. Wade: Mr. Chairman, one of the ways of answering that question, I think, would be for all of us actively engaged in Trust Company business to go through the magazine known as "Trust Companies." I want to say in making that suggestion that I have absolutely no interest in that magazine. I support it because I think it is one of the best things I have seen in the way of a publication spreading the light on the Trust Company situation.

Mr. L. L. Gillespie, Vice-President of the Equitable Trust Company of New York, announced to the Section that cards to the Lawyers' Club would be given to all members.

He also announced that the Trust Companies of New York had arranged to furnish luncheon to those present, which was now ready.

Upon motion of Mr. Heurtley a vote of thanks was extended to the Trust Companies of New York.

Thereupon at 1.45 the Section took a recess for one-half hour to enable the members to partake of the luncheon provided through the courtesy of the New York Trust Companies.

At the expiration of the recess the Section reassembled.

#### THE RELATION OF THE LEGAL PROFESSION TO THE TRUST COMPANY.

The Chairman: The next subject for discussion, gentlemen, is "The Relation of the Legal Profession to the Trust Company: How Best to Secure Co-operation." We shall be glad to hear from any of the members on this subject.

Mr. L. M. Dinkins, Vice-President Interstate Trust Company, New Orleans: Mr. Chairman, we have been trying in a number of ways to interest lawyers in Trust Companies, but we find that when they have occasion to call upon some one in the administration of estates and so on that they are disposed to bestow such favors on their business associates or personal friends. However, we have done something in the way of educating them by distributing pamphlets and by advertising in the public press that when a lawyer brought business to us he could rely on his being retained as our counsel in the administration of that particular affair. We have thought some progress has been made even in Louisiana, where Trust Companies are comparatively new, and where their relations to the public are not so well understood as they are in the North and East.

I would be very glad to hear from some representative of this Section as to the success he has met with or expects to meet with along similar lines. (Applause.)

The Chairman: Are there any other remarks on this subject?

Mr. Shorrock: I would suggest that Mr. Heurtley, of Chicago, represents the Northern Trust Company, and might tell us something on that subject.

Mr. Heurtley: I am not a member of the legal profession myself, but I think there is a good deal of misunderstanding on the part of lawyers on the one hand and the Trust Companies on the other that the feeling is the Trust Companies are encroaching upon the domain of the legal fraternity. Our practice has been, and I think it is followed by every Trust Company in Chicago, that we use the attorney who brings the business to the corporation. It is true that we have our own legal advisers, but we use the attorney who brings us business where the estate itself has not had an attorney connected with it, and we have found that plan to work very well, indeed. The average lawyer's office is not equipped as a rule either with clerical force or in other ways to handle what sometimes is a complicated business, and I think that the lawyers are finding out that their best interests lie in joining with the Trust Companies rather than in antagonizing them.

Mr. McCarthy: Mr. Chairman, I would like to ask the gentleman if he ever has any difficulty arising from the fact that there are a number of counsel, and if he requires supervision of the affairs of the different estates by his own counsel?

Mr. Heurtley: We have had that situation very rarely; occasionally we have had it; on two occasions we have had arbitrarily to set aside the attorney for the estate and employ our own by reason of practices that would not be countenanced by any self-respecting company.

Mr. Gibson, of Denver: I would like to ask if it is the practice also to employ counsel of bondholders in the case of a foreclosure, or does the Trust Company reserve the right to employ its own counsel? That question has come up with us in several cases.

Mr. Heurtley: The Trust Company has a right, reserves the right, to have its own counsel in foreclosure proceedings. If there are outside attorneys it is usually of such importance that we deem it wise for our own protection to have our own chief counsel associated in the case.

The Chairman: The next subject for discussion is discount and commercial banking. We were fortunate this morning to hear the views of the Comptroller of the Currency on this question, and they were quite satisfying in their scope. However, if any one cares to discuss the matter further we will be very glad to hear from him.

The next subject is practicability of Trust Companies in small towns. We trust Mr. Mord Carter, President of the

Danville Trust Company of Danville, Ind., will give us a few words on the subject.

(Mr. Carter was not present.)

Are there any others who can speak on the subject?

(After a pause): You might infer that you are all from large cities.

A Member: What is a small town?

The Chairman: Mr. Carter operates a Trust Company in a town of about 2000 inhabitants, I think. I think that will bring him to his feet if I have not stated it correctly.

If there is no discussion on the subject we will proceed to the next: "Institutions and Practices Within the Trust Companies in the Interests of Employees."

I regret that Mr. Tillotson, Vice-President of the Cleveland Trust Company, is not here to tell us about the "Eagle Eye." You are probably familiar with that publication. I should be glad to hear from any one else who has something to speak of along those lines. Perhaps Mr. Wade can enlighten us.

#### EMPLOYEES' ASSOCIATIONS.

Mr. Wade: We have such an organization in our company. We tried in the organization to eliminate the pension feature or the charity feature, and put it as we thought all business institutions should be run, on purely a business basis. We organized an employees' association, the Employees' Investment Company, which was the name of the corporation. No employee can take less than five per cent. of his monthly salary in stock, nor can he take more than five per cent. The officers are barred from entering into the employees' association. The theory is based on five years' duration. At the end of five years they can divide the fund just as they choose. If for any reason during the five years an employee, whether it be for bettering his condition, or doing some dishonorable act, or through resigning through ill health or a change of condition, should leave, he can within sixty days thereafter withdraw his money. The fund that is thus created is invested in securities which the employees select, but which they are not permitted to buy or sell without the approbation of the executive officer, whoever he may happen to be at that particular time. Our company, as you can doubtless tell from my remarks, is new, and we have only been running that employees' association about four years. They have added to their fund a profit of about thirty per cent. Semi-annually we contribute as a gift—I say "we," I mean the Trust Company—a sum of money to that fund which is practically equivalent to five per cent. of the salaries per annum of the employees of the establishment. The idea was that it would not do to let the son of a rich man who might be working in a bank or a Trust Company be able to take more stock than the man or boy supporting his mother or father. There is no compulsion on an employee. They understand that it is entirely optional. I think they have found it to be so profitable that I am proud to say that all our employees are stockholders in the association.

Mr. Studley, of Providence: How many employees have you in your corporation?

Mr. Wade: One hundred and forty-five.

Mr. Wade (answering a question which could not be heard from the platform): The employees buy stock just as you or I would if we bought it on a five per cent. margin. They pay five dollars per share. If their salary would only justify them in buying half a share they would pay two dollars and a half, and so on. The amount contributed by the Trust Company is entirely voluntary, and there is no inducement held out that that contribution will be kept on. It is usual at the end of every six months for the officers to recommend to the Executive Committee that out of the profits of the past six months so much shall be contributed as a gift to the Employees' Investment Association.

A Member: There is no other gratuity, then?

Mr. Wade: No, sir, no pension; they are under no obligation to us, and we are not under any to them.

Mr. McNair, of Buffalo: We have in Buffalo an institute of bank clerks. It has been in existence about five years. During the fall and winter they have monthly meetings, and the clerks of all the banks of the city, savings banks, national banks, Trust Companies and all, are eligible to membership. The members of this association prepare very able papers. They commence at the bottom of the bank and present papers in series so as to cover the entire workings of the national bank, the Trust Company and the savings bank. They show a surprising amount of interest in this subject, and it is constantly growing. I do not think

that there is any feature connected with it along the line that Mr. Wade has suggested.

The Chairman: A praiseworthy feature of the work of the American Bankers' Association is the establishment of those associations—I think they are called associations. There are twenty-eight chapters, the Secretary advises me, throughout the country. The results, as you will hear tomorrow from the record of the chairman of that committee, are exceedingly satisfactory.

Mr. Shorrock: Mr. Chairman, I suggest that this question of commercial and discount banking is one of the most important. Mr. Ridgely went into it pretty thoroughly, and I as a country member would like to learn what the members think on the subject. I would like to hear what such men as Mr. Heurtley or Mr. Wade have to say on the subject.

The Chairman: Mr. Shorrock would like to return to the subject of commercial and discount banking. If that is your pleasure we would be very glad to do so. Does any one offer any suggestion on the subject? If not, we will pass it. The next subject is fees charged for different services. We would like to hear brief statements of the fees customarily charged for the registration of and transfer of stock, the trusteeship of bonds, and so forth. We would like to hear from Mr. Pierre Jay, Vice-President of the Old Colony Trust Company, of Boston.

#### FEES FOR TRUST COMPANY WORK.

Mr. Jay, Old Colony Trust Company, Boston: Mr. Chairman, in regard to transferring the stock and registering, there is no scale of charges. In every case it is a question of making the best bargain with the company whose stock we transfer. As a rule we have found it somewhat unsatisfactory to make bargains in advance, and we have tried to persuade the companies to allow us to transfer their stock or register it for a year, and at the expiration of the year, after we have had some experience, then to decide on a fee. In regard to charging for fiduciary work, acting as trustee especially, the charge in Boston is five per cent. of the income. Trust Companies in Boston have not made much progress in getting fiduciary work. It is mostly in the hand of individuals. Where more than one trustee is appointed in the case of an estate then five per cent. is divided between them.

Mr. H. C. Harvey, Huntington, W. Va.: Mr. Chairman, I would like to ask the question as to what is customary in charging for acting as trustees in a bond issue.

The Chairman: I would be glad to hear from Mr. Babcock, the Trust Officer of the Colonial Trust Company of New York. He has had much experience in such matters.

Mr. Babcock: What is the question?

The Chairman: The question is what fees are usually charged for acting as trustee for the issues of corporate bonds.

Mr. Babcock: The charge is usually fifty cents a bond.

Mr. McCarthy: I would like to ask whether there is a counsel fee usually charged in addition to the fifty cents.

Mr. Babcock: Sometimes, yes; but as a rule there is no extra charge. I might say in addition that where they charge fifty cents a bond simply for the certification of the local bonds, that if you expect to pay the coupons the money should be deposited at least ten days ahead. If it is not deposited until the day the coupons are payable the Trust Companies usually make a charge of one-eighth or one-quarter of a per cent. It is usual also to charge \$50 a year for registering. But, generally speaking, the charge, if you get \$100, covers everything.

Mr. Powers: What about the charge on sinking funds?

Mr. Babcock: If you have a sinking fund established you have the use of the money, and that is considered sufficient compensation. Of course there might be circumstances arise where there would be considerable detail about a sinking fund and where it would be proper to make a charge, but I do not know of any fixed rate. It would depend a great deal on circumstances. It would depend, for one thing, on how long you had the money:

A Member: Mr. Chairman, I do not know whether to consider myself a country member or a city member. I come from Wilmington, and Wilmington is a city of nearly 100,000 population, and is in a very flourishing condition, with three most excellent Trust Companies. Running around the city here I am rather inclined to think that New York is only a greater Wilmington.

The subject now before the Convention is a very interesting one to me, and I feel inclined in behalf of Wilmington

to make a complaint against our brethren who have overestimated the liability of Trust Companies, in view of Mr. Rollin's able paper this morning. The Trust Company that assume the duties of registrar and transfer agent takes the risk of having its entire capital wiped out by some blunder on the part of its officers, or some mischance in the transaction of its duties in that respect. I have been very much embarrassed in the effort to adjust differences between my corporation and other companies in the matter of fees for acting in that capacity, and just now I have under negotiation the question of the proper charge for acting as trustee under a mortgage for a bond issue of \$1,500,000. I have been confronted with the statement, somewhat similar to the one made a moment ago, that it is only a nominal charge after all that a Trust Company should make for assuming great responsibility and acting as trustee under a mortgage.

I would suggest that the New York members especially get themselves straightened out on this question in the light of Mr. Rollin's suggestion, and set an example and be of decided assistance to Trust Companies in the smaller cities. Certainly the responsibility assumed is very, very great. The corporation issuing the bonds or stocks gets the advantage of the reputation and the name of the Trust Company that acts in its behalf. For that, first of all, there should be a very handsome consideration. Then for the actual work of transfer. The mere clerical part is very small, but it requires a great deal of skill and care. And so it seems to me that the fee ought to be a very handsome one, and that a hundred dollars is suggestive of a want of appreciation of the responsibility resting upon the Trust Companies.

In a bond issue of \$1,500,000 I am bold enough to suggest to my New York friends that the preliminary fee ought not to be less than \$1500, that there should be an annual fee in accord with the preliminary fee, and that might be made to cover the clerical and any other duties that might incidentally fall upon the Trust Company, the trustees and the payment of the coupons. I would certainly make the basis \$1500 for a bond issue of \$1,500,000.

Mr. Borne, of the Colonial Trust Company, of New York: Mr. Chairman, I have listened to the remarks of the gentleman who has just spoken with a great deal of interest, and it would give me much pleasure to profit by them if possible. Unfortunately, there is competition. If we could be certain that the competition would be eliminated I should not only charge \$1500 but \$15,000. The gentleman has rather confounded two functions. He speaks indiscriminately of a bond issue and of transfers. The transfer of stock is one function of a Trust Company; the acting as trustee for an issue of bonds is an entirely different function, in that the Trust Company runs very little risk; indeed, if a mortgage is properly drawn the risk of a Trust Company is nil. Its functions are purely clerical, we may say, in such case. It simply acts as a registrar, if you so like to call it, of a certain issue of bonds. There is no risk; there is no responsibility. The company does not place itself behind a particular issue for which it certifies; but it acts quite as much for those who take the bond as it does in the interest of the issuing party.

We are very glad to receive our 50 cents a bond; we are very glad where there is an issue of, say, \$1,500,000 to take our 50 cents a bond, and ask nothing for counsel fee. We are glad to have the money deposited with us ten days prior to the time of paying the coupons, and glad to pay them without any fee for it. We are glad to have the sinking fund deposited with us ten days before it is necessary to use it, and we figure the use of the money for ten days will indemnify us for any trouble we undergo. If we did not do it our neighbor around the corner would be glad to do it.

Now, if the gentleman from Wilmington will find for us a way under which we, and every one of us, can eliminate the competition of our neighbors we would be glad to raise our rates to the point he would like us to charge.

A Member: From what the gentleman says I do not think he has quite the same idea of what Mr. Rollin's paper means as I have. I may be mistaken, but I think it was said that the good name of your company stands for the bond issue.

Mr. Borne: It does nothing of the kind, sir.

A Member: I respectfully submit that you certify the bonds and the name of your company is printed on them, and that while the mortgage relieves you of the responsibility, still your reputation is to a certain extent a guarantee for the bond. Many persons may come to you and say, "I took the bonds because I saw your company's name on them."

The legal and technical objection would remain all right, you can get out of that all right; but if I am wrong as to Mr. Rollin's position on the question, I trust that he or some one else will correct me, for I do not want to go back home with an erroneous impression as to the responsibility of every company that takes the responsibility of trustee under a mortgage.

Coming to the point of rivalry, which seems to be as acute in New York as elsewhere, I will relate a simple, commonplace incident that will meet the point of the gentleman and convey a lesson. Some time ago the company I have the honor to represent was asked to become the trustee and registrar and transfer agent of a company about to issue \$25,000 of bonds. I went over the ground very carefully and I concluded that a proper preliminary fee would be \$125, that a proper annual fee would be \$50, and that the annual fee should cover all the incidental services, including the payment of the coupons. The president of the company was a personal friend of mine and a patron of our company, and was exceedingly anxious to give us the business. Now, here is the point. He came back and said a Trust Company in Pennsylvania was willing to do the preliminary work for \$5 and charge nothing for its annual services. I said, "Don't go to them, because probably a third company may offer you something for the privilege of doing the work." So, if I was in New York I would fix the compensation fairly and stand there.

Mr. Borne: Mr. Chairman, it would be simply a question of agreeing. The gentleman does not understand that the price we now charge is one that has been fixed honestly and fairly; it is the result of competition, but it is a fair price and we are all satisfied with it. I am perfectly satisfied with 50 cents a bond. Now, when it comes to a moral question, every well regulated Trust Company, every Trust Company of repute in New York, will carefully look into the *bona fide* and moral side of anything that may be presented to it before it will act as trustee for any particular issue of bonds. I have no doubt we have refused hundreds of bonds where we could have gotten our fee. We could have certified to the correctness of the bond issue; we could not have been liable; but we would have been regarded with suspicion after that if the bonds were not all right. I know I am voicing the sentiments of every one of my fellow Trust officers in New York in making this statement.

Some of our most apparently prosperous institutions have come to grief at different times. Therefore the Trust Company, after it has satisfied itself of the thoroughly proper moral side and the proper business side and the honest side and the reputable side of the undertaking, is thoroughly justified in acting as trustee, and it incurs no further risks.

I can say that the gentleman speaks of the registration and transfer of bonds. There is no such thing as the registration and transfer of bonds. Mr. Rollin's paper treated of companies acting as transfer agents for stock. In other words, transferring a certain amount of given property. That is a different question from that of certifying bonds. (Applause.)

Mr. Lackey, of the Mississippi Valley Trust Company of St. Louis: Mr. Chairman, this question of fees for services is an extremely interesting one. Very frequently we have had the question brought home to us in a way that we did not like. We fix our fees upon a basis that we think right after a careful and just investigation, that we think a Trust Company should give before acting as a trustee under a corporate mortgage, or as the transfer agent or registrar of stock. Of course the Trust Companies recognize that there is a moral responsibility resting upon them in any connection that they may have, and that whenever a Trust Company allows its name to be used in the furtherance of a corporate enterprise, whether its name be used as registrar and transfer agent of the stock of the corporation or as trustee under the mortgage securing its bond issue, there is a responsibility, and the failure of the enterprise will smirch that Trust Company's fair name. So that it has always occurred to us that in order to pay for the incidental and clerical services and for the extreme care and caution and discretion that is necessary in considering the advisability of entering into such a relationship, there should be a good fee charged for those services.

I agree with the gentleman from Wilmington that the spirit of competition that is abroad in the land is very detrimental. We cannot for 50 cents a bond, or 25 cents a bond, afford to do the things that are necessary to do. At least in the West, in acting as trustee under a bond issue, we cannot afford it.

Looking at it simply from the moral side of the question, I think that is true. But if the gentleman will read the case of Farmers' Loan and Trust Company in the United States reports (I forget the volume), he will find that the moral responsibility is not the only responsibility instead of buying bonds. In fact, in that case the language of the Court is so broad that one cannot fail to be impressed that his legal responsibility is as broad as his moral responsibility. So we, before acting as trustee under a bond issue, are very careful to investigate those bonds to the extent of knowing that there is not only actual value there, but that there is a value somewhat commensurate with the authorized issue. (Applause.)

As I say, the language of that case is very broad, and it is held through that that the trustee's duties are not simply to say that the company has been properly incorporated, and that the bonds have been properly issued, but that the trust Company does by its certificate convey to the investing public the idea that this enterprise has been investigated and that there is value back of the securities which are issued in connection with its name.

We in St. Louis have tried very hard to charge a fee of not less than \$1 a thousand for certifying bonds. Frequently we have lost trusteeship through our friends in New York. Of course, where they get million-dollar bond issues they can afford to charge a little less per bond. Sometimes we have failed to make connection by reason of competition locally, have lost an issue through our local friends. It has suggested itself to us frequently that there should be among Trust Companies, not only in localities, but Trust Companies generally throughout the country, some sort of a convention, some sort of an understanding, which would bring about the adjustment of fees for services upon a basis fair and commensurate with the value of those services, just the same as trying to persuade corporate representatives of the value of having their bonds certified, of the value of having the Trust Company act as transfer agent and registrar of its stocks. When we get to the question of fees and they find out, after our impressing upon them the extreme importance of their taking that safeguard, something about it, and when we tell them what the fee is, at times they will say: "Your fee is not commensurate with your expression of the importance of the undertaking; if it is so important, why do you charge so little for it?" And I think we lose some business by the cheapness of our fee.

But I should like very much to see some movement on the part of this Association to bring about a getting together upon the question of fees for various Trust services. (Applause.)

Mr. Powers: On the subject of fees, we are all interested, of course, because that is chiefly what we are working for. I believe the gentleman from Wilmington is about right in trying to convince this convention that neither he nor Wilmington people belong to the cheap skates party, and I think they ought to get all the fees they can. But it seems to me that there is in this misapprehension as to the real condition as to certifying bonds. What do you certify? Nothing with reference to the value of the property; nothing with reference to the reputation of the people who issue the bonds; you simply certify that this is one of the series of bonds named which you issue as trustee. And, therefore, you leave everybody to find out the facts. You simply say, "Go, look at the mortgage and find out what these bonds are." You simply certify that this is an issue of \$100,000 or a million dollars and that this bond is one of that series, and no more.

Now, then, the charge of 50 cents or \$1 on the thousand—of course, we all get the most we can—is all right. I say to a man I will charge him a dollar for an issue of a hundred thousand dollars. I do not allow him to talk to me about going to New York. New York is too far away. The truth of the matter is, gentlemen, that we ought to have some arrangement for fees independent of that fact, where we handle these bonds. You cannot undertake to handle bonds in small issues and make an investment unless you get paid for it.

In regard to receiving the interest on the money for ten days and that compensation, that may be a long time with the average New Yorker, but we fellows who live in Kentucky think that ten days is not worth a scratch. It is true we may kill half a dozen men in ten days, but that doesn't count.

So the truth of the matter is, we are working for too little. The competition is right and sharp, but we must meet the competition. If you have in Louisville fourteen

Trust Companies you must reduce them to five, which you have just done in a very systematic sort of way. In Wilmington if you have more than you can take care of, let these New York fellows know it, and they will take them in out of the wet, as they take in everything else out of the wet that comes their way. (Laughter and applause.)

Mr. Lackey: I will just add that I was so startled by the principles enunciated in the case that I have referred to that I have taken considerable pains to investigate that subject and to see whether that case was indicative of the real law on the subject or whether it was simply a passing fancy. I will say that while I have not been able to find any decisions that go as far in the statement of the principles as that case has gone, that the general trend of the decisions is that a trustee takes upon itself the duty of saying not only that the issue is regular, but that there is something behind that issue. A wild cat bond issue, for instance, certified to by a Trust Company and trustee, would render the trustee, under that decision, personally liable. That case is a very interesting one. If you will take the trouble that I took in writing for the briefs of the defendant and the plaintiff in the case—I have all the briefs that were filed in the Supreme Court—you will find it an extremely interesting compilation of the law, and it will leave nobody any reason to doubt what he will be up against if he goes into court on a wild cat bond issue.

Mr. Borne: Mr. Chairman, I quite agree with the gentleman. I have said that I speak for the New York Trust Companies, and I hope that none of them will certify the wild cat bond issue—we certainly will not; but given that there is property behind the issue, and that the people are honest, and that the entire corporation is reputable, then we are justified in certifying, and we have no further responsibility, as my friend from Kentucky indicates.

Mr. Williams: Mr. Borne, of the Colonial Trust Company, made the remark, I think, that there is no such thing as registration of bonds. Of course, he forgot for the moment that a large portion of bonds issued are registered, and registering them takes the same responsibility that the trustee takes in registering stock. The functions are separate and distinct; that of acting as trustee for the bond itself and acting as transfer agent for registered bonds.

Mr. Eitel, Union Trust Company of Indianapolis: Mr. Chairman, I want to say that I am disappointed in the statement of the gentlemen from New York as to their charges in the matter of services rendered by the Trust Companies. We have looked to New York for an example, and I will say as far as my company is concerned I would not think of the charges New York companies are making, and if their charges are seriously going into effect I am afraid it will ruin our business throughout the United States. We find in making our charges that the charges of the New York Trust Companies are referred to. It has been our policy in making a small issue of a trust mortgage to make a minimum charge of \$50. If the mortgage runs from \$100,000 to \$200,000 we charge a dollar a bond. If the bonds are issued in smaller denominations we charge twenty-five cents additional for each bond. For the larger mortgages we charge fifty cents a bond. We charge one per cent. in disbursing interest, and we do not forego that charge. We feel that that is enough. We do not feel that the use of money for ten days is a compensation for our service.

In the disbursement of sinking funds we charge one-fourth of one per cent., and we find very little trouble in getting that charge. We feel that our certificate is worth something. It may not cost very much to write your name; you can possibly afford to do that for twenty-five cents; but you cannot afford to put your signature to a bond and make it cheap. It is worth something to the community. It is worth something to the party issuing the mortgage, and we have taken the decided stand that when the Union Trust Company of Indianapolis goes on a bond it is worth something, and we want to be paid for it.

When it comes to the registration of stock, we have a charge (where it is less than \$1,000,000) of \$100. In some cases we charge a dollar for the registration of each certificate of stock. That is a special arrangement. But we do feel that this matter of charges is a very serious one and a very important one, and we do feel that the New York Trust Companies owe it to the Trust Companies of the United States to set us a good example. (Applause.)

Mr. Borne: Mr. Chairman, may I again call your attention for a moment? The gentleman who has just spoken speaks of the cutting of prices on the part of New York

Trust Companies, and then mentions his own schedule of prices. I may state that there has been no cutting of prices on the part of the New York Trust Companies to my certain knowledge for the past seven years. When I entered the business the price for small issues was one dollar a bond. That is what the company that the gentleman represents charges to-day. We still charge that. The price for large issues is fifty cents; that is the charge to-day, it was then, and is now. There has been no cutting of prices. The Indianapolis company which the gentleman represents charges that.

Why should New York companies be referred to as cutting prices and doing business for nothing when we are charging the same as other companies charge? Our fees are higher than those mentioned by the gentleman in many cases. I mention this with no particle of feeling whatever.

Mr. Thompson, Bankers' Trust Company, New York: Mr. Chairman, regarding the uses of the New York City Trust Companies, and in emphasis of what Mr. Borne has just said, the question of fees is purely a matter of discussion. The established rate is one dollar a bond, and all the Trust Companies in New York attempt to maintain that rate, and do maintain it on small issues. In the case of large issues, involving large amounts of money, of course the rates are necessarily reduced.

So in the matter of counsel fees. In a very large issue and a very simple proposition, a matter of local examination, the counsel fee may be waived. In case of a small issue I think it is universally charged.

Another thing that New York Trust Companies are careful about is the question of their moral responsibility. They realize it to the fullest extent and are constantly studying that very phase of the question. I think that every New York Trust Company realizes fully that its name attached to a bond as trustee adds a certain weight to that bond, and in no case will it lend its name to any bond unless it has investigated the character of the people issuing that bond, and unless it is entirely satisfied as to the good repute of the proposition. It realizes that its name may be used by people without character to aid in the flotation of their issue of bonds. And for that reason the utmost care is used that its name may not be improperly used, and that its name may be associated only with issues of the highest character.

I do not think there is any disposition on the part of the New York Trust Companies to cut rates or to take undue risks, or to minimize to themselves their responsibility. (Applause.)

Mr. McCulloch: What is the charge for the reinvestment of trust funds?

A Member: Two and a half per cent.

Mr. Hobson, Norristown Trust Company, Pennsylvania: Mr. Chairman, while it is very interesting to hear the prices that are charged by the Trust Companies in the different sections of the country, it would appear to me to be impossible to fix a set of fees which are applicable to all localities.

Now, we do not get the same price for the money we loan that you do in New York. We would starve, we in the country districts, if we had to loan money at the low rate it is loaned at in New York; and, perhaps, we would starve if we had to receive the same amount per piece for bonds that we certify—for the reason that we do a different class of business. A comparatively small company like my own, in a comparatively small town, necessarily gets comparatively small mortgages and bonds to certify, and we can get a larger fee than we could if we were certifying and acting in competition with the larger companies of the larger cities. They charge more for other things. We are glad to get, perhaps, a bond to certify that one of the large companies in New York would not care to bother with. Now, the compensation for bonds for them and for us cannot be the same. It is very much like attorneys' fees. When it comes to attorneys' fees, when we hear what they receive in New York it makes our mouths water, and we wish we were in New York to receive such fees. Even where we are we cannot receive the same fees from different people. As lawyers we charge different people different fees. I live near Philadelphia, and make it a rule that when a man comes from below Norristown I charge him twice as much as I charge a man who comes from above Norristown. (Laughter.) And they pay it more willingly, too, far more willingly. A man who comes from below Norristown would pay \$100 quicker than a man who comes from above Norristown will pay \$25. And so in the matter of Trust Companies, while we feel that there is a minimum fee that should

be charged which we cannot go below, yet there is a wide field in the other direction, and I do not think it is possible, nor advisable, that we should all charge the same. At least, I would not want New York to fix the charges I am to get in Norristown, Pa. And, on the other hand, I have no doubt that New York would not bother with the little things which we in Norristown think are very rich and juicy. (Laughter and applause.)

So I feel, Mr. Chairman, that while this is edifying, and while it is instructive to get these statements of the different fees that are charged, that it is impossible to fix on a definite fee that is to be charged universally for the same kind of service.

#### FORM OF REGISTRY CERTIFICATE.

Mr. Heurtley, Northern Trust Company, Chicago: Mr. Chairman, with the permission of the Section I would like to read a letter which I have asked our counsel to write me, stating the substance of a conversation I had with him about the registration of stock by Trust Companies:

*Arthur Heurtley, Esq., Secretary, The Northern Trust Company, City:*

Dear Sir:

Referring to our conversations about the registration of stock by Trust Companies, and answering your request that I make a brief written statement of my position, I send you the following:

1. The Trust Companies, yours included, are in the habit of placing upon certificates of stock the word "registered" with the Trust Company's name thereunder, followed by the words "Agent to register transfers."

2. What does such registration mean? And under what moral or legal responsibility or liability does the Trust Company labor with respect to the same?

(a) In my mind, the answer to the first question is that such registration means and intends more than simply that the Trust Company, as agent for the Company the stock of which is registered, has written some words on the certificate. It has been said in the past that the Trust Company simply acted as the agent for the other Company, from time to time, in registering the respective certificates; and it seems to have been assumed, sometimes at least, that the Trust Company was under no responsibility to the person taking the registered certificates; but the company whose stock is registered has, if its affairs are honestly administered, no need on its own part for such registration. Obviously the chief purpose is to give the purchaser of the stock to understand that a third and disinterested party is looking after the stock issues. I do not doubt that the courts of some of the States, at least, will so hold.

(b) As soon as it be admitted that the registration is procured for the purpose of influencing third parties, it is very necessary that their rights be considered, for in such case there will be, sooner or later, decisions holding the registrar to financial responsibility.

(c) But even if it were certain that the Trust Company sustains no such relation to the purchaser of the registered certificates as to make it liable to such purchaser, in case the stock registered should turn out to be fraudulent, or otherwise unlawful, still no well arranged Trust Company would wish to stand under even the moral obligation in this respect.

3. If you call to mind the difference between the situation in the case of certification of a well-arranged bond issue and the registration of stock, you will probably see what is in my mind more clearly.

(a) In case of the bond issue the bond itself provides that it shall not be valid until authenticated by the signature of the Trust Company to the trustee's certificate on its back, and every well drawn Trust deed contains a complete copy of the form of the bond and provides that no bond not bearing the trustee's certificate shall be entitled to any benefit of the Trust deed. And it is therefore absolutely clear that the holder of an uncertified bond can have no claim against the maker of the bond, the Trust Company, or against the property covered by the Trust deed. In other words, the record itself in the possession of the Trust Company is complete against any such claim.

(b) In case of the registration of stock the Trust Company ordinarily has not the records in its possession to show the facts upon which it acts, and if it did have the records there would still be questions of law and fact upon which their validity might be dependent; thus, ordinarily, you have not before you the charter of the company naming the original amount of the stock, or, if the stock has been increased by statutory proceedings, you, ordinarily, have not before you all authenticated records of the steps relating and leading up to such increase, and further, if you had such records in your possession there might still be questions concerning the validity of the steps made to create the corporation, or the steps taken to increase its capital stock.

4. This subject always occurs to me every time I see a short form of certificate of registration. What the Trust Companies ought to have is, by general agreement, a uniform set of words which would express that that certificate was made for the purpose, solely, of expressing that the certificate registered, together with all other certificates bearing the registration of the Trust Company, did not cover a greater number of shares than the number named in the charter or last certificate of increase of stock of the corporation. Those words could be so drawn as to relieve the Trust Company from any responsibility relating to the validity of the charter or as to the validity of the proceedings to increase.

I have been told that there has lately been some discussion about this matter in New York, and also some litigation of interest upon the subject. I have not yet been able to ascertain what the facts were. You probably can find that out as quickly as I can.

Yours very truly,

NOBLE B. JUDAH.

It seems to me, Mr. Chairman, that if the members of the convention take the view of the importance of it that our counsel does it might be well to have this question referred to the Executive Committee and have a uniform form of certificate to be placed on stock certificates, also to be used

on trustee certificates on bonds, that would obviate a great deal of trouble in the future.

Mr. Gibson: I would like to recommend that this letter be made a part of the proceedings of the meeting and that the Executive Committee be directed to take such action as is suggested.

The Chairman: Do you make that as a motion?

Mr. Gibson: Yes, sir.

The question was taken and the motion was agreed to.

Mr. Dinkins: I would like to inquire from the representative of the Old Colony Trust Company what action his company takes to protect itself in the case of a lost stock certificate.

Mr. Jay: Simply the filing of a bond of indemnity.

Mr. Dinkins: Do you mark the new certificate a duplicate of the old one?

Mr. Jay: I could not tell you that.

Mr. Dinkins: I wish Mr. Heurtley would state the custom of his company.

Mr. Heurtley: In the first place, we require a bond of indemnity. In the second place, across the face of the certificate issued in lieu of the one lost we have marked in red ink the fact that it has been issued in lieu of that certificate and that the original is void, and that the new certificate is void if the original turns up; and in case that certificate is lost we follow that up with another certificate in the same way.

Mr. Wade: Mr. Chairman, I think this question would be better settled by referring it individually rather than collectively. I have heard New York charged with a great many sins, but I have never heard them charged with cutting anything except watermelons. In different sections we have different prices. But what I arose to say is that the hour is getting late and it seems to me we had better refer this to the Executive Committee, after all of this very delightful discussion, for them to formulate some plan to take up at the next convention, and I would make that motion.

Mr. Hart, of West Virginia: If you will be kind enough to indulge me a few minutes, Mr. Chairmen and gentlemen, I would simply say that it is my understanding that we all go in to get what we can; in other words, we try to make the punishment fit the crime. I would like to know now what New York understands by large and small. What we in Wheeling, West Virginia might consider large would be small here. How large an issue does a fifty cent fee for bonds include?

A Member: A million dollars.

Mr. Hart: We charge one per cent. up to \$500,000. After \$500,000 it is made subject to a special contract. But in no case do we charge less than \$100.

A Member: I second Mr. Wade's motion.

The Chairman: It has been moved and seconded that this matter be referred to the Executive Committee for report at our next annual meeting.

The question was taken and the motion was agreed to.

#### AMENDMENT PROVIDING FOR ELECTION OF VICE-PRESIDENTS.

The Chairman: The next business to come before us is the consideration of the recommendations of the Executive Committee.

The Secretary read as follows: "The Executive Committee recommends the adoption of the following amendment to the by-laws of the Section:

Amend first and second paragraphs of Section 1 of the by-laws of the Trust Company Section so that the same shall read as follows:

Section 1 The administration of the affairs of the Section shall be vested in a President and a First Vice-President of the Section, and an Executive Committee. From each State from which there shall be, at the time of an annual meeting, ten Trust Companies which are members of the American Bankers' Association there shall be elected a Vice-President of the Section. The Vice-Presidents of the Section shall be invited to attend the meetings of the Executive Committee, and shall generally act in an advisory capacity to the Executive Committee, but shall not be entitled to vote. The Executive Committee shall consist of fifteen members in addition to the President and First Vice-President, who shall be ex officio members of such Executive Committee.

The President, Vice-Presidents and members of the Executive Committee shall serve until their successors shall be chosen or appointed, but shall not be eligible for re-election for the period of one year after the expiration of their respective terms of office.

The Chairman: What is your pleasure regarding the amendment proposed?

Mr. Horton: I would like to ask a question as to the number of States that will be entitled to a Vice-President.

The Chairman: The amendment provides for election of a

Vice-President from each State where there shall be at the time of an annual meeting ten or more Trust Companies members of the American Bankers' Association.

Mr. Horton: We have nine members in Alabama now. I think we ought to have a Vice-President there, and if we had I think we could increase the membership in the American Bankers' Association.

The Chairman: After consideration of the subject it seemed wise to the Executive Committee to place the number at ten. A letter was circulated some time ago asking about it, and the result has been that there has been a great deal of work done in the different States to qualify and be able to have a Vice-President. Now, Alabama will undoubtedly come in next year. Our list comprises twelve or fifteen States at present, and it seemed wise to put the limit at ten.

Mr. Harvey, of West Virginia: I would just like to make a suggestion to my friend from Alabama. I come from the little State of West Virginia. The gentleman says that Alabama has only nine members, and I would suggest that he had better get to work with his other eight members and get him more members. The little State of West Virginia has a dozen members.

A Member: Mr. Chairman, this seems to resolve itself into a question of representation largely, and while I do not for a moment intend to suggest anything that will interfere with the purposes of the Executive Committee, yet you will have under that amendment of the by-laws fifteen Vice-Presidents. You will have one from the great State of New York; you will have one from West Virginia; you will have none from Virginia, the mother of Presidents, and none from Alabama, heading the list of States—

The Chairman: May I ask the speaker to pardon me? The list from which the speaker was reading was made up three weeks ago, and since then the activity which has been referred to has occurred and many of the States have qualified and are entitled to Vice-Presidents.

(Cries of "Question! Question!")

A Member: I would like to ask if North Carolina has qualified?

The Chairman: Yes, it has.

Upon motion, duly seconded, the amendment as read was adopted.

#### STANDING COMMITTEE ON CLASSIFICATION OF LEGAL DECISIONS AFFECTING SAFE DEPOSIT COMPANIES.

The Secretary read as follows:

"The Executive Committee calls the attention of the Section to the following recommendations of the Committee on Classification of Legal Decisions Relating to Safe Deposit Companies, etc.:

"In the execution of the work your committee has found that new laws and legal decisions are constantly appearing affecting to a greater or less degree the Trust Companies conducting the safe deposit business throughout the country. We have also found that constant improvement and changes of methods of operation and of advertising are being introduced which justify the recommendation to the Executive Committee that the question should be submitted to the Section of the appointment of a standing committee whose duty it shall be to render an annual report continuing the line of work undertaken by this committee."

The Executive Committee reports favorably on this recommendation.

Mr. Powers: I move that the recommendation be concurred in.

Mr. Jay: And that the standing committee be composed of five members.

Mr. Powers: Yes.

The question was taken and the motion was agreed to.

Mr. McNair: In accordance with the recommendation of the Executive Committee I move that a committee of three be appointed by the Chair whose duty it shall be to endeavor to secure the enactment of laws in the several States prohibiting the use of the word "trust" in the corporate title of any corporation not a moneyed corporation and chartered to do a Trust Company business.

Several Members: I second the motion.

The question was taken and the motion was agreed to.

#### SYMPATHY WITH MR. BRECKINRIDGE JONES.

The Chairman: Gentlemen, I have a letter which I desire to read to you from your Chairman, Mr. Breckinridge Jones:

MY DEAR MR. WILLIAMS:

As much as I regret it, I will have to tell you that I cannot attend the approaching meeting of the Trust Company Section. You know the deep interest I have in the success of the Section and my especial desire to attend this meeting and participate in the splendid work that the Section has in hand. Yet I am sure that you and my good friends who will be at the meeting will appreciate that I am not now so situated that I would be an acceptable companion on an occasion that has so many festive incidents.

The immediate duties to my children and the fact that the meeting is to be held just about the time when I will be arranging for the beginning of their school year render it necessary that I should be with them.

I beg that you will express to the members of the Section who may be present at the meeting my disappointment at not being with them.

With assurances of my cordial consideration, believe me, my dear Mr. Williams, your friend,

BRECKINRIDGE JONES.

ST. LOUIS, Mo., September 2, 1904.

It was decided by the Executive Committee to present at this time to Mr. Breckinridge Jones, the founder and retiring Chairman of the Section, a loving cup, which is inscribed as follows:

To Breckinridge Jones, father of the Trust Company Section of the American Bankers' Association, in affectionate recognition of his devotion to the interests of the Section. September 22, 1896. September 13, 1904.

His cup of sorrow is filled to overflowing, but we shall send this cup to him filled with the love and affection of his many friends here present, that its contents may mingle with that of the other to lessen its bitterness in some slight degree.

Mr. Wade: Mr. Chairman and gentlemen, as you all know, Mr. Jones has met with a misfortune that seldom comes to the lot of man, in the sudden death of his beloved wife at a time in the heyday of life. I think it would be very fitting that proper resolutions of sympathy should be adopted by this Convention, through a committee to be appointed for that purpose, properly engrossed and entered, and to that purpose I move a committee of three be appointed, with the acting President of the Convention as the chairman of such committee.

The motion was seconded by Mr. Powers, of Kentucky, and a number of other members.

The question was taken and the motion was unanimously adopted.

The Chairman: I wish to ask Mr. Wade and Mr. John Skelton Williams to join me in this expression of your sympathy.

#### NOMINATIONS AND ELECTIONS.

The nominations and elections of officers are now in order.

Mr. Wade: Mr. Chairman, in accordance with the custom that has prevailed, I rise to nominate a man who unfortunately, through an accident to his wife, was prevented from attending this Convention. I refer to Mr. Potter, of the American Trust and Savings Bank of Chicago. I wish to nominate him for President.

The motion was seconded.

Mr. Young: Mr. Chairman, I move that the Secretary be instructed to cast the ballot of the Section for Mr. Potter as the President of the Section for the coming year.

It was so ordered, and the Secretary cast the ballot accordingly.

The Chairman: Mr. Potter is elected President.

Nominations for First Vice-President are now in order.

Mr. Enright: Mr. Chairman, it has been customary to move up our officers one step. We have been served as Chairman of the Executive Committee by a gentleman of ability, who has been a tireless worker and most intelligent in his efforts. I wish to nominate that gentleman for First Vice-President—Mr. Clark Williams. (Applause.)

A Member: I move the Secretary cast the ballot.

The motion was numerously seconded.

The question was taken and the motion was unanimously agreed to.

The Secretary: Mr. Clark Williams is elected Vice-President.

The Chairman (Mr. Clark Williams): I much appreciate this honor, gentlemen. It has been a great pleasure to have associated in the work of the Section with the members of the Executive Committee; it is a great regret to me that they are now retiring. I feel, too, that no one should accept office in this Section of the American Bankers' Association unless he feel a keen desire for the success of the Section and is willing to contribute as much as is necessary of his effort

and time to accomplish the end for which we are all working. Gentlemen, I thank you. (Applause.)

I will read the names of States which, under the amendment to our articles of association or our by-laws, are entitled to the election of a Vice-President. I will also give the number of members that each State has.

California, 14; Connecticut, 11; Illinois, 30; Indiana, 15; Kentucky, 10; Maine, 10; Maryland, 13; Massachusetts, 21; Missouri, 12; New Jersey, 41; New York, 71; North Carolina, 10; Ohio, 29; Pennsylvania, 109; Rhode Island, 11; Tennessee, 12; Virginia, 10; West Virginia, 11.

In order that we may save time I suggest that Vice-Presidents be nominated. I hope the gentlemen from the different States have caucused on this subject, as was suggested the other day, and that the nomination be made from different States and acted upon at one time. Of course, if more than one nomination is made from a State it will be necessary to resort to the ballot.

An informal recess of five minutes was taken at this point to enable the States to get together on the nomination of Vice-Presidents.

At the conclusion of the recess, the Section reassembled.

The Chairman: We will hear nominations from the State of California.

The following gentlemen were elected:

California—J. Dalzell Brown, Vice-President and Manager California Safe Deposit & Trust Co., San Francisco. Connecticut—F. W. Marsh, President Bridgeport Trust Co. of Bridgeport. Illinois—E. J. Parker, Cashier State Savings, Loan & Trust Co., Quincy. Indiana—J. H. Holliday, President Union Trust Co., Indianapolis. Kentucky—Col. J. D. Powers, President United States Trust Co., Louisville. Maine—No nomination. Maryland—No nomination. Massachusetts—N. W. Jordan, President American Loan & Trust Co., Boston. Missouri—William G. Lackey, Assistant Trust Officer Mississippi Valley Trust Co., St. Louis. New Jersey—William C. Heppenheimer, President Trust Co. of New Jersey, Hoboken. New York—George W. Young, President New York State Trust Companies Association. North Carolina—W. E. Allen, Secretary and Treasurer Greensboro Loan & Trust Co., Greensboro. Ohio—H. P. Mackintosh, President Guardian Trust Co., Cleveland. Pennsylvania—F. G. Hobson, Treasurer Norristown Trust Co., Norristown. Rhode Island—J. Edward Studley, President Manufacturers' Trust Company, Providence. Tennessee—T. R. Preston, President Hamilton Trust & Savings Bank, Chattanooga. Virginia—Isaac T. Mann, President Radford Trust Company, Radford. West Virginia—H. C. Harvey, Cashier American Bank & Trust Co., Huntington.

A Member: Mr. Chairman, I move that the Executive Committee when elected have authority to fill the position of Vice-President from those States from which no nominations have been received, upon recommendation from the States, if they can obtain that recommendation.

The motion was seconded and adopted.

The Chairman: The next is the election of two members of the Executive Committee.

Mr. Borne: I move a committee of three or five be appointed by you to bring in the names of gentlemen who are placed in nomination.

The motion was seconded and adopted.

The Chairman: I would appreciate it very much if you, Mr. Southard, would act on the committee, and you, Mr. Williams, and Mr. Gubleman; Mr. Vance and Mr. Adams, of the Union Trust Company, of Albany. Now, if you gentlemen will kindly retire. Gentlemen, while this committee is out if there are any more remarks to be made on

the questions of our discussion if we can limit those remarks to the time of the return of the committee we shall be very glad to use the intervening time.

THANKS TO NEW YORK BANKERS FOR THEIR HOSPITALITY.

Mr. Studley: I move that the many thanks of the Trust Company Section of the American Bankers' Association be and hereby are extended to the New York bankers of this Section for their very generous hospitality to the Section up to date.

The motion was seconded, and unanimously adopted.

The Chairman: We are now ready to receive the report of the committee.

Mr. Williams, of Virginia: I have been asked to make the following nominations:

1907—A. A. Jackson, Vice-President of the Girard Trust Company of Philadelphia; Philip S. Babcock, Trust Officer Colonial Trust Company, New York; William W. Mackall, President Savannah Trust Company, Savannah, Georgia; F. B. Gibson, Vice-President International Trust Company, Denver, Colorado; Pierre Jay, Vice-President Old Colony Trust Company, Boston, Massachusetts. 1906—F. H. Fries, President Wachovia Trust Company, Winston-Salem, North Carolina; G. W. Bright, President Ohio Trust Company, Columbus, Ohio. 1905—P. C. Kauffman, Second Vice-President Fidelity Trust Company, Tacoma, Washington; C. B. Hart, President Security Trust Company, Wheeling, West Virginia.

Upon motion the Secretary was directed to cast the ballot of the Section for the gentlemen named.

RESOLUTION REGARDING VOUCHER CHECKS.

Mr. Enright: Mr. Chairman, I will submit a paper here which is very short:

Whereas, there appears to be an increasing tendency toward the use of what are known as "Voucher Checks." These checks are complicated in form, irregular in size, inconvenient to handle, and contain a mass of details that should not be merged into a bank check. A bank check should be simple in form, definite in its instruction of payment, and absolutely unconditional. Delay in handling, costing time, increased chance for errors and possible loss are objections alone sufficient to cause bankers to protest against the use of this new form of check. To the depositor, however, they present some attractive features, therefore it is not surprising that the imitators, expert accountants and those who incline to detail take up this combined check, receipt and voucher, each one adding some detail to suit his fancied need and individual idea until the check of the future may resemble a combined warehouse receipt, bill of lading, bill for merchandise and counter-signed order on the U. S. Treasurer.

There are so many features contained in these vouchers that the tellers and clerks handling them have not sufficient time to properly determine their negotiability or non-negotiability or other necessary points to be passed upon, in safely handling the items that pass through the banking houses.

Therefore, Mr. Chairman, I move that a committee of five be appointed by the chair to prepare a standard form of bank check and to define the limitations as to the matter that may appear on the face of the check. Also the limit of its size to insure convenience in handling, and when this has been done the entire subject to be submitted to the main body of this Association for its consideration and action.

Mr. Wade: I move to refer this to the Executive Committee with power to take this into consideration and take such action as they may deem best.

A member: I second the motion.

The question was taken and the motion was agreed to.

Thereupon, at 4.50 p.m., the Trust Company Section adjourned.

# SAVINGS BANK SECTION

## AMERICAN BANKERS' ASSOCIATION

Second Annual Meeting, Held in the City of New York, September 13, 1904

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### *Postal Savings Banks.*

By Hon. WILLIS S. PAINE, Ex-Superintendent of Banking of the State of New York.

That a proposal for establishing Postal Savings Banks for the people should find favor in many quarters is no occasion for surprise. It would be remarkable if it were otherwise. As in the minds of some the remedy for all the troubles that perplex mankind is a statute—as if all conditions could be met by legislative enactment—so in the view of many whenever anything savoring of the character of a public benefit, or supposed to promote the public convenience is proposed, at once the proposition is hailed with favor; interest is aroused, and the cry goes forth “By all means let us have it and let the government establish it.” This, too, is seen in a Republican form of government, and strikingly so when it is proposed to establish Postal Savings Banks. And yet the proposition is nothing but paternalism pure and simple.

Paternalism is the road that leads to socialism. And this paternalism is the product of absolutism, not of a Democracy or a Republic. It is what autocracy not only offers, but upon which it insists. Russia, Germany, Austria—these are autocratic, paternal governments—these are the governments which, if they could, would take charge of the general affairs of the people, constituting them its wards, just as this country has taken charge of the Indian, and with what results the unhappy history of the Redmen in this country forcibly illustrates.

It is less than a century ago that one of the greatest men who ever sat in the President's chair in Washington declared that government to be the best which governed the least, a statement which, outside the discredited Federalists, received the approbation of the country.

To-day, however, there are not wanting evidences that the old Federal spirit still exists, although repudiated by the people, when Jefferson and Madison and Monroe were potent forces in American life, and declared themselves against governmental supremacy. In various ways what we denominate “The Government” is troubling itself concerning matters which should be handled by the people, and in their own way. A proposal to establish Postal Savings Banks is part and parcel of the theory that a Federal Government should regulate the affairs of the people, reducing the powers of the State and limiting the expression and activities of the indi-

vidual to the smallest possible compass. It is true, we have banks that are called “National”; but these were established to meet the conditions resulting from the stress of war. These banks are managed as they should be, by their officers, and not by bureau officials in Washington. It is proposed, nevertheless, to differentiate Savings Banks from all others, and put their management in the hands of untried government officials. Yet when we look at the matter in Bacon's “White Light” we fail to see that any necessity or proper demand exists for such peculiar institutions. Certain it is, that where Savings Banks are needed, they can be readily supplied; demand always creates supply, and to this rule, when normal conditions prevail, there is no exception. Savings Banks are needed in this Commonwealth of New York, and we have a result. It is not easy to see that New York requires the establishment of rival Postal Savings Banks controlled by an innumerable army of office holders appointed from Washington. The people familiar with the business of banking can best establish and manage their own banks as they do now—National, State, Savings. Those who are friends of the paternal system are fond of pointing to the post-offices of the country as so many illustrations of successful governmental control. They ignore the fact that our postal service is far from being ideally conducted. Apart from the unsatisfactory postal rates prevailing at the present time, the suggestion is offered that if government officials were good postal managers perhaps we should not see the postal business of a Commonwealth—well populated and its people concentrated—conducted every year at a loss, as it is.

But passing this phase of the subject, let us notice some matters more directly bearing upon the question of Postal Savings Banks. And first it is alleged, as a reason for their creation, that the government would be providing, through the various postoffices of the country at a small expense, places easily accessible for the safe accumulation of the surplus earnings of the thrifty. At one time a theory was advanced in this connection that the government would thereby be put in possession of funds at a low rate of interest; but this view is not now the dominant one. In point of fact, the plan proposed would make the average postmaster a financial agent of the government. It would involve considerable expense

such as other banks are subject to; and we know that these expenses are not light. If savings institutions have not been created in many localities, it is because the money is needed in various local enterprises, such as trolley lines, mills, commercial and building enterprises, where small as well as large sums are invested, bringing seven and eight per cent., and sometimes even more. Local banks, carrying the local spirit, are a far greater benefit to a locality than Postal Savings Banks appealing to the people outside of all local interests.

The plea that because Postal Savings Banks have met with success in England they should therefore be introduced here, is scarcely entitled to serious consideration. England is a "garden spot" of 50,000 square miles, whereas the United States contains an area of over 3,000,000 square miles, and is territorially more than sixty times larger. The two cases are not parallel.

In the House of Commons Burke once declared that the only way of judging the future was by the past; if we should apply this rule to the establishment of Postal Savings Banks in this country the inference would not be wholly satisfactory.

The "Freedman's Savings and Trust Company" was created by Federal law, March 3, 1865, with authority to establish branches. The following May the headquarters were located in New York, and numerous auxiliaries, most of which were presided over by commissioned and uniformed officers, were instituted, more especially throughout the Southern States. The passbooks of this Freedman's Savings and Trust Company contained the following statement: "The Government of the United States has made this book perfectly safe."

The liabilities of the concern at the time of its failure were \$3,037,560, payable to sixty-two thousand two hundred and forty-two claimants. The Government, by purchasing the building owned by the bank at a high price, and in other ways, has aided in increasing the assets. The last and final dividend declared makes the total payment to its creditors only sixty-two per cent.

Undoubtedly Congress was derelict in not exercising proper supervision over its affairs during its existence of nine years. The report of the Commissioners appointed by Congress to make an investigation contains, among other statements, the following: "A more perverted arrangement could scarcely have been devised by human ingenuity if the design had been specially directed to obscure the transactions of the institutions." Comptrollers of the Currency have repeatedly recommended that Congress should make provision for the payment of the thirty-eight per cent. still due depositors, but no payment is yet forthcoming. Such results may not follow the establishment of Postal Savings Banks. The effect, however, of putting deposits in the keeping of a body of officeholders would be hazardous at best, and would not promote the efficiency of public service.

It has been said that the people must be taught to save. It has yet to be shown that they must or can acquire this habit by the establishment of a peculiarly governmental institution, any more than they can acquire their religion in this way. The people are to be taught to save, not by establishing official depositories, but by cultivating those habits, the practice of which conduce to thrift. It was not in Postal Savings, but in their stockings, that the French people had their savings deposited when the Franco-German war occurred; needless to say, if the habit of frugality had not already existed and was not inwrought in the very fibre of the French people their savings would not have been available at the critical time, as they were.

In this country, to a greater extent than elsewhere, the laborer builds his own house, acquires land that he may write "landowner" after his name, and is ready to invest in small business enterprises. Indeed, it is this opening up and development of our country, still new, which is going on all the time, causing it to bud and blossom as the rose, that employs the money of men

throughout the land. These men do not put their money into Savings Banks, but into remunerative local projects and into houses, which are made more beautiful every year. Perhaps such a use of money is as stimulating and beneficent as investing it in deposits in Postal Savings Banks, returning the investor two cents on the dollar per annum. Take, if you will, an illustration from extremes: Between the man employing his money in these and other enterprises, and the mere hoarder, most people will prefer the former. In this relation one plea put forth in behalf of the establishment of Postal Savings Banks may be noticed. An advocate of their creation recently declared the people of the States and Territories farther West to be not less industrious and productive than those of New England. The country was newer, its soil richer, its mineral resources infinitely greater; why, then, are there so few Savings Banks in those localities? His reply is, that "it has been too much a matter of easy come and easy go." If there is such a thing as "begging the question" we have an example of it here. It is true that no people are busier, more self-reliant than the people of the newly settled West. It is these very activities that keep money trolling along with labor, with opportunity, and prevents it from being placed in Savings Banks. Nevertheless, the Savings Bank deposits are increasing at the rate of \$200,000,000 annually, and now aggregate over three thousand millions of dollars. When the conditions of the West and South parallel those of the East and North savings institutions will come as a necessary consequence; it is conditions that create a demand for them. They cannot be successfully established from the outside when not required. When they are needed they will be supplied, as now, by individual enterprise and without the help of the government.

A strong objection to the establishment of Postal Savings Banks is that it invades the banking field with the argument that you cannot trust the people to care for their own. "Trust the people," said Jefferson; "Trust the people," said Lincoln. We cannot trust the people, say these advocates of a government Savings Bank; and they say this notwithstanding the fact that the people manage their more than five thousand National Banks with entire success. It was on this very principle of trusting the people that the National Banking Law, the outgrowth of years of trial of different systems of banking, was perfected; and the fact that 314,967 of our people own stock in National Banks, the average holding being 27 shares approximately, attests the confidence they have in the existing system. In addition to National Banks and the existing Savings Banks, there are State banks, private banks, trust companies, omitting the insurance companies, which gives one of these institutions to every 4,410 people, the per capita of capital being \$18.30, and of deposits \$126.90, the latter figure including about \$37.50 in the Savings Banks.

It is perhaps not irrelevant in this connection to state that should the proportionate rate of increase in the banking power of our country continue during the next ten years at the same rate as it has during the past ten years, the result will be that in the year 1914 the banking power of this country will exceed by over one thousand million dollars that of all the other nations of the world combined.

One of the arguments used by the advocates of the Postal Savings Banks is that in time of panic the small savings depositor, from his very ignorance, is the one first to take alarm and withdraw his funds from a banking institution which a better educated man knows to be safe. Therefore, we must have Postal Savings Banks where the ignorant depositor feels that his money is secure. Passing by the question whether a sound argument can be based upon the exceptional and unusual, the question arises whether it is desirable to establish Postal Savings Banks to the discrediting of

other financial institutions which the well educated man knows to be safe? What is such a position but an argument addressed to ignorance? The same argument, carried to its logical conclusion, would substitute a great Federal Bank at Washington with branches all over the country, and as a consequence the retirement of the existing National and State Banks. The people will be as slow to assume the one position as the other.

It is remarked by a distinguished gentleman, who is an officer of a large Fiduciary Institution, that the "saving habit" is, of necessity, rapidly increasing the working capital of the country, giving impetus to business enterprise, and making a fair and profitable return to the laboring classes for their small "investments." This is all true enough, but what the statement needs, as an argument for Postal Savings Banks, is a bridge connecting the "savings habit" with Postal Savings Banks and with these only. No such bridge has yet been constructed. It is emphatically a "pons asinorum" which may return to plague its inventor. Intended as an argument for the Postal Savings Banks, it is really a powerful plea for banks as they are, where savings are held—some of them National Banks, some State, some Trust Companies, and some Savings Banks. Assuredly it is a far cry from "the saving habit" to Postal Savings Banks—so far, indeed, that it falls upon an almost echoless shore.

And now, in conclusion, consider a phase of the question which has been only lightly touched upon here, and which merits more serious consideration than it has received from the public at large—I refer to the constitutional view of the subject, and by that I mean the view which has regard to the fundamental principle underlying our Government, and which makes that Government subject to the people, and not dominant over them. That principle, often violated in the past, cannot be too frequently disregarded but that serious results will follow. In the earlier history of the country the tendency was against the Government assuming any form of paternalism; and the principle is the same whether you create Postal Savings Banks, run Government railroads, as in Continental Europe, or establish Government gas and electric plants. It is the basic principle that determines the character of a measure, nor ought we for a moment to allow ourselves to be diverted from this position because a proposed enterprise claims to embody a beneficence which is more seeming than real. The American and his government ideals are separate and distinct types from those supplied by any other country. The American asserts his right to individuality of action; he wants his Government to do just as little for him as possible; and to be his agent,

not his master. He ever reserves the right of self-development, and realizes his ability to eradicate any evil that may imperil his political, social or industrial system. In fine, he rigidly adheres to the fundamental principle that the Government stands for progress in the individual, and that the evolution, resultant from the Titanic struggles of his pioneer ancestors and the statesmanship of his legislators, is not a system that dictates or restricts free action, but a Government "of the people, by the people and for the people." It has been well said that if a government owes anything to its citizens it is the fostering of self-reliance. If there is any one quality that characterizes the American people any more than any other people it is this characteristic quality, which has given us a "humble rail splitter" for President.

It is this spirit that needs to be fostered in every department of public service. We need not less but more self-reliance. We need not less but more trust of the people by the people. We need not less but more development of the individual. He needs opportunity to work out his own salvation, and not to be taught to look for it to others, least of all to the bureaus of officials, the servants whom we miscall the Government. We need not more but less paternalism. Adopting this principle as our guide of action we shall leave people, as now, familiar with banking, to conduct a banking business, amenable, of course, to proper safeguards. If the people need Savings Banks we will not go to governments of Europe for our exemplars, but we will go to the people who have settled many problems in their national life of one hundred and twenty-eight years, and who have shown the autocratic paternal governments of Europe how much better they can govern themselves than put themselves under the dominion of men no better than others of our body, and who do not possess a monopoly of wisdom for governing the world. When States and cities and towns need railways the people build them. When water is required for public utility the people speak, and the fountains flow. When Savings Banks are needed in the geographical limits not now having them the people will provide them, and, let us hope, without going to postmasters or to other Government officials for them.

In a word: the American people are not yet prepared to confess their inability to manage their financial enterprises, nor will they, as I believe, allow their chosen representatives to impose upon the country a series of Postal Savings Banks for the alleged better public safety. Such action, if it may not be termed a reflection upon their integrity, would be a confession of their own inability.

## *Publicity for Savings Banks.*

By P. LE ROY HARWOOD, Treasurer Mariners' Savings Bank, New London, Conn.

Of the four classes of savings institutions, which are the Trust Company, the National or State Bank with a savings department, the Stock Savings Bank and the Mutual or Trustee Savings Bank—the latter comprises a large proportion of the whole number, and has more than 75 per cent. of the aggregate deposits. It is the original and only true Savings Bank, and occupies a unique position in the banking world. It is of a quasi-benevolent nature, and only in late years has it begun to receive the credit which is its due. McKinley, in his famous Buffalo speech, said, "We are furnishing profitable employment to the millions of workingmen throughout the United States, bringing comfort and happiness to their homes, and making it possible to lay by the savings for old age and disability. That all the people are participating in this great prosperity is seen in every American community and shown by the enormous and unpre-

cedented deposits in our Savings Banks. Our duty in the care and security of these deposits and their safe investment demands the highest integrity and the best business capacity of those in the charge of the people's earnings." The operations of the Mutual Bank are practically confined to New England, New York, Pennsylvania, Delaware, Maryland and New Jersey, though there are occasional examples scattered through the middle West and a number in California. Probably less than 10 per cent. of these institutions spend any money whatever upon advertising or publicity in any form. Up to late years the Trustee Bank, which is a more correct title than Mutual Bank, has been content to take such moneys as have come its way—making no great effort to stimulate deposits—though showing a moderate growth from year to year. Within a comparatively short time competition has sprung up and Savings Bank officers have had the

fact forced upon their attention that Savings Banks are losing their hereditary rights through the ambition and modern methods of other banking institutions. They have had opportunity to observe the trust company and the National Bank rolling up in an incredibly short space of time savings deposits of surprising amounts, and, strange to say, during this period of rapid growth on the part of the competitor their own deposits have continued to increase. The logical conclusion of thought upon this subject is that as nothing has been taken away from the Savings Bank the competitor has found a way, mysterious or magic though it be, to create deposits. Lawson, in "Frezied Finance," discriminates between "real" and "made" dollars. Here, however, is an example of "made" dollars which are "real." In short, the competitor has assumed the duties of the Savings Bank—not from a philanthropic motive, but for the purpose of earning dividends for stockholders.

The Mutual or Trustee Bank is chartered by the State as a practical philanthropic enterprise, and as a rule its business is carried on by a body of the best men of the community, who receive no pecuniary reward for their services, and need not necessarily be depositors in the bank. The mission of the bank from its beginning in 1816 has been to promote thrift and frugality among the working classes, by educating the workingman to save a part of his earnings and deposit it in a safe place, where it will be increased by reasonable dividends. The duty of the bank is to educate, and while it is at all times an excellent object lesson to those who know of it, its beneficent purpose, conservative conduct, and practically absolute safety are unknown to thousands. Further, it has done comparatively little to stimulate systematic saving, which is the basis of many a fortune, and which, aside from the money accumulated, develops habits of inestimable value. We read of the thousands of foreign laborers who come to our shores and decry the fact that they do not rapidly assimilate our customs and become good citizens. A Savings Bank book has been the means of making a more conservative and desirable citizen of many such. Our excellent public school system lacks one fundamental: a thorough training in the management of resources. My friend, Mr. J. H. Thiry, is doing an excellent work along this line through his system of school savings funds. The competitors of the Savings Bank have been quick to seize upon this neglected duty and opportunity, and their growth has been the result of excellent work along the line of publicity.

One reason why the Mutual Banks have done so little is that there is a feeling on the part of a large proportion of officers that they have no right to spend money for any but strictly operating expenses. I maintain, however, that a reasonable expenditure for purposes of publicity is a necessary expense if the bank intends to do what is expected of it.

We hear occasionally of a little group of men who are advocating Postal Savings Banks on the ground that not all parts of the country are enjoying proper banking facilities. The only Postal Savings Bank which should ever be allowed to exist in these United States is the Savings Bank which makes use of our excellent postal facilities for a "banking by mail" business. None other

is needed. Let the Savings Banks do their duty and there will be no argument for adding to the government's trouble. The Bowery of this city is setting a good example, and its position in the matter is ably defended by its president.

How is the Savings Bank to regain its partially lost prestige? By abandoning the threadbare argument, "we cannot advertise," which does not mean that it is to abandon conservatism and prudence, but rather the possession of these fundamentals to place itself before the citizen in its true light; something designed for him and for his sole benefit.

The method of conducting an educational campaign, if we may so term it, must of course be fitted to local conditions. It should not only impress upon one the value of saving money, but it should emphasize the value of doing it regularly, systematically. After the value of saving has been well inoculated, the safety of savings accumulations should be taken up. The danger from the "old stocking" method and unsafe investments should be brought out. When this has been well done let the advertising bring out the salutary points of the Savings Bank system in general, and an emphasis be given by applying the particular point brought into relief to the institution in question. Publish the stability of the bank in such ways as alluding to its growth in a given period; by showing how many dollars of surplus there are to each depositor; by a reference to the amount of real estate loans in the community, and the strength of local investment; by pointing out the safe securities held; by rigid State laws. Let the names of the directors or trustees be presented at intervals, but with some leading comment, and not as a mere list of names. Specify interest dates just before they are at hand. Do it in such a way that it cannot fail to attract, and do nothing else at the time except to refer to the interest rate. If the rate is about to be reduced by necessity adopt a series of advertisements to point out the causes in the tersest manner possible. Let each advertisement take up a step in the reason, and at the same time be somewhat complete in itself. Put it in such a manner that a gain rather than a loss will be had in the face of such a reduction. Advertise the necessity of safety in savings. Show up the relation of safety to high interest rates. Explain that the security of the principal is more to be regarded than a high return.

Many bank men imagine that if an institution departs from the old way of advertising it loses dignity. This is not so where advertising is done properly. Of course, "smart" advertising is to be strictly avoided. An advertisement can be original and still be clean and terse. A Savings Bank advertisement should be a thorough gentleman in the advertising population; but it should be remembered that the thorough gentleman makes friends as well with the man of lowly rank as the one of higher station. The tone of publicity should always appeal to him for whom the Savings Bank was founded. Education is a more permanent basis for thrift. Let us do what we can to elevate the standard of saving and safety—and in just such measure as we succeed do we render harmless the "get rich quick" schemes which are held out on all sides to the uninformed.

## *The Law of Trust Accounts.*

By THOMAS B. PATON, Editor Banking Law Journal, New York City.

Trust accounts from the banker's standpoint was made the subject of an able paper by your worthy secretary, Mr. Hanhart, at the Convention at San Francisco a year ago, which led to some discussion. This year I have been honored with an invitation to address you upon the law governing these accounts.

The opening of two-name accounts in the various trusts and joint forms, with which savings banks officers are familiar, has been a fruitful source of litigation over the ownership of the deposit, where the depositor has died and the money is claimed by the representatives of the deceased on the one hand and by the named beneficiary or survivor on the other. The question to be determined in the great number of disputed cases is the ultimate right to the money as between two rival sets of claimants. The banks, as a rule, are not involved in these lawsuits except in so far as they may hold the deposit for payment to the party held entitled to it. Ordinarily the banks cannot know anything more than is to be implied from the form of the account. They are debtors for the deposit, and generally pay according to the form of the account, on presentation of the book, in the absence of notice, or knowledge of circumstances rendering it unsafe for them to do so, and leave the question of the ultimate right to the money to be litigated between the adverse claimants.

The decided case law on the subject of the ownership of these accounts is assuming large proportions. The Middle and New England States where, in the past, these accounts have been most numerous, have furnished the greater number of cases, and as their portion of the Nation's wealth, represented by savings deposits, has gradually extended westward, the courts of the Western States have been more recently called upon to wrestle with the same questions that at an earlier period confronted their Eastern brethren.

Knowledge of the rules of the law which the courts are laying down for the government and disposition of these deposits is essential for the banker, not only for his own safety in their payment, but also because he is the one to whom the average Savings Bank depositor, himself ignorant of the law, looks for advice as to the best thing to do to carry out his intentions with respect to money deposited.

When the banker, with his practical knowledge of human affairs and the needs and desires of his depositors, adds to this practical experience a knowledge of what the courts of his own and other States have held with respect to these deposits, and sees what it is concerning a particular account that has caused the litigation, which perhaps has resulted in frustrating the intention of the original owner of the money, he is in a better position to invent or simplify forms of accounts, with a view of lessening the occasion for future legal disputes. He is in a better position, also, to give good sound advice to his depositors, for many are the cases where, from misconception of the law, these earnings of a lifetime have gone astray into hands for whom they were not intended, often to the disappointment and misfortune of needy and worthy intended beneficiaries.

Why is money put in two names in a Savings Bank? The motives are various.

First.—A parent may decide to deposit money from time to time for a child, or a depositor may intend to put his money in trust for a relative or dear friend, the intention of the depositor being to immediately part with his individual ownership and control and to make a gift or create a trust for the named beneficiary.

Second.—More numerous are the cases, perhaps, where the depositor desires to make his bank account serve the

purpose of a will. It is only human nature to desire to keep the money as long as he lives; but then when he dies that it shall go to the beneficiary or survivor named in the account. Numerous have been the decided cases in the past wherein a deposit under such circumstances has been adjusted to belong to the legal representative of the deceased depositor, and not to the beneficiary intended.

Third.—In a third class of cases, not present or future parting with ownership by the depositor is intended; he simply uses a trust or joint form of account, instead of an account in his individual name, to serve his own purposes—to evade payment of taxes, to conceal his true financial condition, to obtain a greater rate of interest than if the money were in his individual name where he is receiving interest at the maximum rate on an individual account, or to obtain interest where another account in his individual name is up to the limit. These accounts, also, often lead to litigation, after the death of the depositor, as the money is frequently claimed by the other party whose name has been used in the account. Banks, as I understand, as a rule, do not knowingly open accounts to serve these purposes.

There are certain broad principles of law underlying gifts and trusts of personal property which enter into the decision of nearly all the cases involving the ownership of Savings Bank deposits in trust and joint forms. A gift is executed by delivery; a trust by declaration. To constitute a completed gift, there must be delivery of the thing given. If there is a mere intention to give in the future, there is no gift. To constitute a trust in personal property there need be no actual delivery of the property, but something which corresponds with delivery, namely, a declaration of a trust with the intention that the legal title at once pass from the individual to the trustee, to be held according to the terms of the trust. Underlying nearly all the litigated cases of gift is the inquiry, Has there been a delivery, actual or constructive? If so, coupled with the intention to give, there has been a gift; and in cases of trust, the inquiry, has there been a declaration of trust? If so, then the individual ownership has passed from the depositor, and vested in him as trustee for the beneficiary, according to the forms of the trust.

Sometimes the question of ultimate ownership is determined from the form of the account alone, but in the greater number of cases additional legal evidence is produced which, on the one hand, shows that a gift or trust to the beneficiary was intended and executed, or, on the other hand, proves either that the depositor never intended to make a gift or create a trust, or, if that was his intention, that the intention was not legally consummated, and the ownership of the money is determined accordingly.

With the general principles I have stated in mind it will be of interest to consider, briefly, what the courts have decided with reference to particular forms of account.

### DEPOSITS IN TRUST FOR ANOTHER.

Probably the most common form of Savings Bank trust account is that where a depositor puts his own money on deposit in his own name in trust for another. In Massachusetts the Supreme Court has held that this form of account, standing alone, is not sufficient evidence of a prima facie or presumptive trust. As a consequence, where the depositor dies and no other evidence appears to establish a trust in favor of the beneficiary, the representatives of the depositor and not the benefi-

ciary, would be entitled to the money. This has been the judicial law of Massachusetts ever since Betsy Abbott deposited a sum of money in the Boston Five Cents Savings Bank as trustee for Ann Clark, her half sister, over a third of a century ago. Betsy always retained the pass book and Ann Clark did not know of the deposit until after Betsy died. The Supreme Court of Massachusetts held (*Clark v. Clark*, 108 Mass.) that nothing had been done to create even a prima facie trust, and that the administrator of Betsy, and not Ann Clark, was entitled to the money.

This same proposition has been held several times since in the State of Massachusetts. Of course, if the beneficiary can prove facts, in addition to the form of the account, which show that a gift or trust was intended and executed in his favor—either a delivery of the pass book or a declaration to be beneficiary or to some one else that the money was his—the case will be different and he can entitle himself to the deposit as against the estate of the depositor. A case which will illustrate this is where George V. Trumbull deposited \$1,000 in the North End Savings Bank as trustee for Achsie J. Wood, who was his housekeeper. Trumbull always retained his bank book, and it was found by his administrator among his papers after his death, but the evidence showed that Trumbull had said to Mrs. Wood: "I put \$1,000 in the North End Savings Bank; that money is yours." The Supreme Court of Massachusetts upheld Mrs. Wood's title to the money as against the administrator of Trumbull (*Alger v. North End Savings Bank*, 146 Mass.).

What has just been said relates to the ultimate right to the money. So far as the bank is concerned, it is protected in paying to the beneficiary named in the account, upon the depositor's death, in the absence of notice of an adverse claim. The Massachusetts statute provided that where a deposit is made by one person in trust for another, if no other notice of the existence and terms of a trust has been given in writing to the corporation, the deposit, with the interest thereon, may, in case of the death of the trustee, be paid to the person for whom such deposit was made, or his legal representative.

I have made mention of the law of Massachusetts first, because the courts of that State have stood almost alone in their construction of the legal effect of a deposit by one in his own name, in trust for another, nothing else appearing. While Massachusetts has held that the form of deposit "in trust for" is not sufficient to constitute a prima facie trust in the absence of other evidence, the courts of other States have held the contrary—that the deposit by one in trust for another, standing alone, is a prima facie or presumptive trust for the beneficiary, and unless the presumption is disproved or negated by evidence showing that the depositor had no intention of parting with his ownership, the beneficiary, on his death, will be entitled to the money as against his estate.

For instance, the Supreme Court of Maine, in one of the cases in that State (*Bath Sav. Inst. v. Hathorn*, 88 Me.), said: "The entry 'in trust for' is of clear and unmistakable import and sufficient to create a prima facie trust," and the Supreme Court of Pennsylvania in a recent case (*Merigan v. McGonigle*, 20 B. L. J., 448), where an aunt had deposited money in trust for her niece, held that the form of account prima facie entitled the niece to the fund on the death of the depositor, and that her claim to the fund would not be defeated because the evidence failed to show that the niece had knowledge of the creation of the trust before the death of the depositor. The Court said it was aware that the Massachusetts decisions were in conflict with the rule recognized in Pennsylvania as to the effect of retention of the pass book and failure to give notice of the trust to the beneficiary in cases of this character, but that it is sustained by the New York cases and the great weight of authority elsewhere in the country.

There have been a long line of cases in the State of New York involving this form of deposit. It was origi-

nally held in the case of *Martin v. Funck* (75 N. Y.) that the form of deposit "in trust for" alone, where its import was uncontradicted by other evidence, was a sufficient declaration of trust and transferred the title from the depositor individually to the depositor as trustee. Retention of the pass book was not inconsistent with this effect, notice to the beneficiary was not necessary, nor did the ignorance of the latter of the trust until after the death of the depositor affect its completeness.

This case was followed by a case (*Willis v. Smyth*, 91 N. Y.), in which the presumptive trust arising from the form of account "in trust for" was not upset because the depositor withdrew the interest, offered to loan the fund, and deposited money in the same account after the beneficiary's name had been changed by marriage, and the beneficiary was held entitled to the deposit as against the administrator of the depositor.

Then came a case (*Mabie v. Bailey*, 95 N. Y.), where a man named Bailey opened an account in 1864, "B. Bailey in trust for Ida Mabie." Afterward he showed Ida's mother the pass book and informed her that the deposit was large enough to amount to something for Ida when she grew up. In 1867 Bailey drew out the deposit. In 1869 he died. The Court of Appeals held that Bailey had established an irrevocable trust, the presumption imputed from the mere fact of deposit in this form having been confirmed by his independent statements, and that Bailey's estate must pay the full amount withdrawn and interest to the beneficiary.

But the increasing use of the "in trust for" form of deposit and the multiplication of cases where depositors put money in that form, without ever intending to create a trust or part with ownership, and the danger that depositors would be held guilty of breaches of trust with respect to their own money led the Court of Appeals, after a time, to adopt a more flexible doctrine with reference to the irrevocable establishment of a trust.

In the year 1881 John Cunningham, who had down to that time carried an account in bank in his own name, transferred the money to a new account, "John Cunningham, in trust for Patrick Cunningham, his brother." Patrick Cunningham died in 1890, and three days later John transferred the account to his own name. The controversy was between Patrick's administrator and John, involving the question whether John had created a trust for Patrick which he could not revoke. John's uncontradicted testimony was to the effect that he always retained the pass book, never informed Patrick of the deposit and never intended to give the money to or create a trust for Patrick. On this testimony the Court of Appeals held no trust had been created for Patrick. It summed up the doctrine of previous cases thus: "The act of a depositor in opening an account in a Savings Bank in trust for a third party, the depositor retaining possession of the bank book and failing to notify the beneficiary, creates a trust if the depositor dies before the beneficiary, leaving the trust account open and unexplained. If the intent can be strengthened by acts and declarations of the depositor in his lifetime amounting to publication of his intent, a more satisfactory case is made out, but it is not absolutely essential, in the absence of explanation, where he dies, leaving the trust account existing." (*Cunningham v. Davenport*, 147 N. Y.)

The most recent decision of the New York Court of Appeals upon the "in trust for" form an account was handed down last month, August 5. All the previous decisions are reviewed, and the decision is of the utmost importance, as the court declares a definite rule of law as to the legal effect of this form of deposit (once of Latten). The case was one where the depositor of her own money in trust for another had always retained the pass book, and had closed out the entire account and surrendered the pass book before her death. She never spoke to anyone about the account or stated her intention in opening it. After her death the named beneficiary learned of the account. The Court of Appeals held

that the administrator of the depositor, and not the alleged beneficiary, was entitled to the money. There was no evidence of the depositor's intention to create a trust, and the court proceeded to consider the question whether an irrevocable trust was established by the mere deposit in this form.

In the course of its opinion the court said: "When a deposit is made in trust and the depositor dies intestate, leaving it undisturbed, in the absence of other evidence, the presumption seems to arise that a trust was intended in order to avoid the trouble of making a will."

But in the case before it the case was disturbed; the money had all been drawn out. The court stated that it was necessary to settle the conflict between the opinions of the learned justices in the different appellate divisions upon the question, by laying down such a rule as will best promote the interests of all the people of the State; it had reflected much upon the subject, and finally, guided by the principles established by its former decisions, concluded to announce the following rule:

"A deposit by one person of his own money, in his own name as trustee for another, standing alone, does not establish an irrevocable trust during the lifetime of the depositor. It is a tentative trust merely, revocable at will, until the depositor dies or completes the act in his lifetime by some unequivocal act or declaration, such as delivery of the pass book or notice to the beneficiary.

"In case the depositor dies before the beneficiary without revocation or some decisive act or declaration of disaffirmance, the presumption arises that an absolute trust is created as to the balance on hand at the death of the depositor."

The law, as now developed in New York upon the "in trust for" form of account, amounts to this: Where a depositor puts his money in bank in his own name in trust for another, keeps the pass book in his own possession and makes no statement to anyone other than implied from the form of the account, that the money has been put in for the beneficiary, but keeps his intention locked up in his own breast, he may safely dispose of it during his life, or leave the whole, or whatever balance may remain to the beneficiary when he dies, as he may choose. He can virtually, therefore, make his bank account in this form serve the purpose of a will, retaining ownership and control during his own life, and when he dies, whatever balance remains will go to the beneficiary and not to his estate. The bank, of course, is always safe in paying the money to the beneficiary when the depositor dies in the absence of notice of an adverse claim, for the New York statute, which is similar to that of Massachusetts, permits this to be done; but concerning the ultimate disposition of the money, the object which the majority of depositors who put money in this form desire—to have it for themselves as long as they live and when they die that it shall go to the beneficiary—is virtually accomplished, without the trouble and expense of making wills and of the resultant probate proceedings.

This latest New York decision is virtually legislative and can hardly be reconciled with the principle that to constitute a valid trust for another it must be consummated at the time it is made.

As I have already said, there are many decided cases where the depositor's intention has been shown to keep the money during his life, and upon his death it should go to the beneficiary, wherein it has been held that the attempted disposition was not in accordance with law, for the depositor owning the money as long as he lived, he could not transfer it to another upon his death except in compliance with the statute of wills, and wherein the money has been held to belong to his estate. But now, under the judicial law of New York, where he puts money in this form, but makes no statement of his intention, it can be a trust or not, as he afterwards may choose; it is revocable at will; he is guilty of no breach of trust if he draws it all out, and if he finally decides

to leave the balance to the named beneficiary when he dies, the form of account will work the transfer on the theory of a presumptive absolute trust, no contrary facts appearing. This ruling seems to have been made on the score of expediency, best serving the ends of the great number of savings bank depositors, who find this form of bank account a convenient method of carrying their savings in their own hand during their lifetime, and making dispositions to a selected beneficiary when they die.

#### JOINT AND OTHER FORMS.

It would unduly extend the length of this address to go into any detail of the decisions upon other two-name forms of Savings Banks accounts. The cases are so numerous and the facts so varied that nothing of the kind will be attempted. Frequently an account will be opened in what may be styled an alternative joint form. John Smith will deposit his money in the joint names of "John Smith or Peter Jones" or "John Smith or Peter Jones or the survivor," sometimes with the addition "payable to the order of either." John Smith thinks and intends that when he dies, the money shall go to the survivor. But unless he delivers the book, or makes some surrender of possession during his life, the general rule is that upon his death the money belongs to his estate. Such a form of account creates no presumption of a gift or a trust to the alternate party named, except in the case of husband and wife. A deposit put in by John Smith in the names of "John Smith and Mary, his wife," will, upon his death, belong to his wife, as survivor. But no such presumption of survivorship exists even in the case of parent and child.

An interesting decision upon this point has recently been rendered by Judge Herrick, of the New York Supreme Court, at Albany. Kate V. Beers deposited a sum of money in the Home Savings Bank in the name of "Kate V. Beers or Sarah E. Kelly, her daughter, or the survivor of them." Mrs. Beers always retained possession of the book.

After her death, Mrs. Kelly, her daughter, demanded payment from the bank. She could not produce the book, as it was in the possession of Mrs. Beers' executors. The bank refused payment until the right to the deposit as between Mrs. Kelly and the executors of Mrs. Beers was judicially tested. The decision of Judge Herrick was in favor of the executors. He held there was neither a valid gift by Mrs. Beers to Mrs. Kelly nor the creation of a joint ownership in the deposit with right to survivorship.

The Court of Chancery of New Jersey has also very recently passed upon the following case: Richard B. Coriell deposited in the Provident Institution for Savings in Jersey City a sum of money and caused the account to be opened in the name of "Richard B. and Mary E. Coriell," who was his daughter. It remained in this form until his death. He had made deposits and withdrawals from the account, always retaining the pass book, which came to the possession of his administrators. The court held the money belonged to his estate and not to the daughter. The evidence was held insufficient to prove a gift by father to daughter during his life; it showed that the gift was limited to take effect after the father's death, and hence was void as not in compliance with the statute of wills.

It may be that where, in addition to this form of account, the depositor signs a contract in the bank's books, agreeing with the second party named, upon mutual consideration, that the money shall belong to both of them and the balance go to the survivor, that upon the death of the original owner of the money the survivor will be entitled to it.

A case of this kind was decided by the Court of Chancery of New Jersey in 1901 (Hoboken Bank of Savings v. Schwoon, 19 B. L. J., 108). A Mrs. Roche had a deposit in her own name in the Hoboken Bank for Savings. She took her grand-nephew with her to the bank and had the account changed to "Helena Roche or Henry

Schwoun, payable to either or survivor," and Mrs. Roche also signed a contract in the bank's book to the effect that she authorized the bank to place the account in the joint names, and that "we, the said Roche and Schwoun, hereby agree with each other to become and be co-partners in the ownership of said moneys and of all accrued and accruing interest thereon, and of all moneys hereafter to be deposited to said account; and it is agreed that each and either of said parties and the survivor may at any time draw and receive from said bank the whole or any part of said moneys," also authorizing each of the parties to receipt for deposits withdrawn. Mrs. Roche afterward drew out part of the money and then delivered the pass book to a friend, instructing the latter to keep it until her death and then to deliver it to Schwoun.

The court in this case overruled the objection that this mode of making a gift was testamentary, and therefore void under the statute of wills, and held that the signing of the contract constituted a complete declaration

of trusts in favor of Schwoun, according to the terms of which he was entitled to the remainder on deposit as against the executor of Mrs. Roche.

The law on this subject of joint accounts is not thoroughly settled, and there is more or less conflict between the courts of different States as to the effect to be given to accounts in the various joint forms. As there is no real objection to people putting their money in such form that it remains their own while they live, and goes to a selected beneficiary upon their death, it would certainly be a good thing if some statute could be enacted by the legislatures of the various States validating a method of making a testamentary disposition by means of a savings bank account. As the subject stands to-day, many of these intended gifts, upon the death of the depositor, are defeated because contrary to the statute of wills, and the number of litigated cases is much larger than it would be if the entire subject was regulated by legislation in conformity with the needs and desires of the great mass of savings bank depositors.

## *Savings Banks for Texas.*

By R. H. WESTER, President Wester Savings and Trust Company, San Antonio, Texas.

A singular anomaly confronts us in the fact that for the three decades which mark our unparalleled advance in everything that tends to national greatness Texas should have in effect prohibited the establishment of Savings Banks. The election of 1874 deposed the Carpet-bag régime and returned the Democratic party to power. One of the first acts of the new administration was to call a constitutional convention, in which was framed our present constitution, adopted in 1876. This document contained the following remarkable clause: "No corporate body shall hereafter be created, renewed or extended with banking or discounting privileges," and it remains therein unchanged until this good day.

The constitution preceding this one specially recognized Savings Banks, and a few concerns incorporated thereunder are still in existence, and have been quite successful; therefore, for this unreasonable inhibition is not known and can only be accounted for upon the ground of a general hostility to corporate organization, which existed for many years. This antipathy to corporations also accounts for the fact that until recent years it has been impossible for those favoring corporate organization for such institutions to urge the amending of this clause with any hope of success.

### THE PENDING CONSTITUTIONAL AMENDMENT.

A change in sentiment toward corporations, added to the necessity for increased banking facilities, and for giving to our trust companies the same discounting privileges held by their outside competitors, finally resulted in the passage of the following Joint Resolution by the Legislature of 1903:

Section 1. Be it resolved by the Legislature of the State of Texas:

That Section 16 of Article 16 of the Constitution of the State of Texas be, and the same is, hereby so amended that the same shall hereafter read as follows:

Section 16. The Legislature shall, by general laws, authorize the incorporation of corporate bodies with banking and discounting privileges, and shall provide for a system of State supervision, regulation and control of such bodies which will adequately protect and secure the depositors and creditors thereof. Each shareholder of such corporate body incorporated in this State, so long as he owns shares therein, and for twelve months after the date of any bona fide transfer thereof, shall be personally liable for all debts of such corporate body existing at the date of such transfers, to an amount additional to the par value of such shares so owned or transferred,

equal to the par value of such shares so owned or transferred. No such corporate body shall be chartered until all of the authorized capital stock has been subscribed and paid for in full in cash. Such body corporate shall not be authorized to engage in business at more than one place, which shall be designated in its charter.

No foreign corporation, other than the National Banks of the United States, shall be permitted to exercise banking or discounting privileges in this State.

This amendment has the endorsement of the Texas Bankers' Association, and is a platform demand of the dominant political party, which practically assures its passage. After adoption and the passage of an equitable banking law by the next Legislature, we can start a work in which you have had near a century of progress. The amendment is not what it should be, as thereunder we can never have the opportunity of building any great Mutual Savings Banks such as you have, but it at least provides for a corporate organization and State supervision, both of which we need in order to enable us to make any progress in the direction of this long needed and economic work.

### SAVING WITHOUT A SYSTEM.

Our experience in this direction has been varied, and the money wasted in building and loan propositions, bond investment contracts and fake insurance schemes if it could have been systematically placed in Savings Banks would to-day allow favorable comparison, and make a most creditable showing.

In our cities and larger towns we have usually had a good building and loan association confining loans to local properties. These have been successful, and have been of vast benefit in assisting our young people to save and in aiding others to become possessed of a home. In some places private banks have paid interest on small accounts, and in more recent years trust companies have been contracting for such funds under the fiduciary and depository clauses in their charters. Others have purchased real estate upon the instalment plan, taking their profits from the natural increase due to growing communities. All these methods have their good points, and have tended to stimulate the saving habit, but they could not take the place of the Savings Banks, and the lack of any form of State supervision naturally precluded any system in saving.

### SAVINGS BANK STATISTICS.

In 1900 Texas, standing sixth in population, with 3,048,710 people, had no Savings Bank, while Massa-

chusetts, seventh, with 2,805,346 population, has 1,660,814 Savings Bank depositors, owning \$586,937,084, averaging \$353.40 each, or \$205 for every man, woman and child in the State. New York has \$1,112,418,552 for 2,327,812 depositors, averaging \$477.88 each, or about \$153 per capita. At the beginning of this year your famed Bowery Savings Bank held \$85,993,712.80 of deposits, which was fourteen million dollars in excess of all deposits in the 369 National banks of Texas.

The entire banking capital and deposits of Texas make a per capita average of about \$50, while the per capita average in deposits alone for the United States is \$127, all of which but goes to show how the Lone Star State has been wasting her opportunities for thirty years while the Savings Bank States have been adding day by day to the credit balances which enable them to control the security markets of the world.

Texas, with an area of 265,780 square miles, possesses a territory more than 15,000 square miles greater than that of the Savings Bank States of Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Delaware, Maryland, District of Columbia, Ohio, West Virginia and Pennsylvania. The last census gave these fourteen States a population of 27,814,527, or near nine times that of Texas. One-fourth of this population keep savings accounts which average \$400 each, or near \$100 per capita, and hold in this way a wealth twice as great as that of all the banking capital and deposits of the State of Texas. Savings Banks hold deposits of \$2,512,468,458, which exceeds the paper and coin circulation of the United States by \$144,776,000, and is in excess of one-fourth of all the deposits in all the banking institutions in the United States. Of this vast army of Savings Bank depositors, 42 per cent. are women and children, and nearly all are from the laboring classes, which is of itself a striking testimonial of the economic value of Savings Banks.

#### THE LOST OPPORTUNITY.

Inexcusable as appears our position for thirty years barring the door to our own advance in the direction of what has been for one hundred years recognized as the greatest force and factor in economic progress, there should now be no further procrastination. We are prone to boast of our wonderful achievements in all lines of industry, and it is true that these have brought us greater population, with a consequent increase in values, in wealth, and in the opportunities for wealth getting; yet, if notwithstanding this the individual Savings Bank depositors of the fourteen Savings Bank States hold of themselves moneys sufficient to give to their twenty-seven millions of people a per capita wealth twice as great as that of our three millions, then have we been wasting our opportunities. It is now time that we awake to a full realization of our needs and work earnestly and energetically for a greater Texas. The adoption of the banking amendment and the passage of equitable banking legislation mark the way.

#### RESOURCES FOR SAVING.

It is not here intended to convey the idea that we have nothing to save. The fact that we pay taxes upon more than a billion of dollars of property value and have total resources estimated at three billions easily disproves such an assertion. Producing more than one-fourth of the United States' cotton crop and nearly one-fourth of that of the world, our 2,471,081 five-hundred-pound bales last year brought in \$132,231,752, with \$16,370,915 for the seed. Our grain and hay crops were

worth \$100,000,000, dairy products and fruits \$33,000,000, while rice, sugar and molasses add \$15,000,000 more. This was produced upon 15,236,576 acres of land, or less than one-tenth of our area.

Our live stock industry will be better understood when it is known that upon an enclosed pasture acreage equal in extent to one-eighth of the area of the United States will be found more than one-seventh of the cattle, one-sixth of the mules and one-third of the goats in all of the States, together with 1,500,000 horses, and enough sheep and hogs to rank us seventh in that branch of the industry.

From these statistical figures it will be seen that we have abundant resources from which to build great Savings Banks. Iowa, a strictly agricultural State, has a splendid system of Savings Banks, in which funds have accumulated sufficient not only to handle her own bonds and mortgages, but to be invested in outside securities.

Texas has more than agriculture. In 1903 we cut 750,000,000 feet of yellow pine lumber, for which labor was paid \$3,000,000. Our record for oil production in 1902 carried Texas to second place among the States and enabled the United States to rank first in the world.

Our coal and lignite fields furnish splendid returns—one mine alone employing 5000 men. Quicksilver, silver and salt mines add their quota, while iron, clay and building materials exist in inexhaustible quantities.

Manufacturing now employs three per cent. of our population, and our cotton, cotton seed oil, rice, sugar and flouring mills, brick, cement, tile and pottery works, foundry and machine shops, oil refineries, breweries, packeries, printing and publishing houses, and saddlery and harness establishments pay many millions of dollars annually to those classes of labor who would most patronize Savings Banks, and who would greatly profit by their establishment.

#### A PUBLIC NECESSITY.

If the general government could by the authorization of our present great National banking system provide a scheme for the utilization of an immense war debt, which would in a single generation reduce the interest rate thereon from 7 per cent. to less than 2 per cent., then surely Texas must now take the only practical step that will provide a home market for her country and city bonds. Savings Banks will not only make a market for these securities, but will reduce interest rates and then keep the interest earnings at home. This item of saving alone will mean much to Texas, as last year counties issued bonds to the amount of \$2,702,119.49; cities, \$1,018,250, and school districts, \$151,300. The State permanent school funds now hold \$11,532,102.05 of such securities and can take only a small portion of the offerings each year, which of itself creates a public necessity for Savings Banks.

#### THE COMING EMPIRE.

Texas are not slow, and in the development of this vast Southwestern territory they are constantly adding to the brain, brawn and wealth producing factors of their great State by the addition of the thrifty home seeker from sections not as blessed in climatic conditions. These are thinking people, who have saved and who do things, and with their aid and assistance we will not only make rapid progress in the elimination of past economic errors, but shall eventually build upon the breeze blown shores of the Gulf of Mexico a State without a peer in industrial excellences—an empire that shall for all times mark the way to successful endeavor in all affairs that go to promote a higher civilization.

## *Savings Banks Real Estate Loans.*

By JOHN WORTHINGTON, Manager Real Estate Loan Department, Chicago Savings Bank, Chicago, Ill.

It certainly is not necessary, before this audience, to enter into a description of real estate loans, nor to undertake a defense of their use for investment purposes, since there are few, if any, of us who have not long ago become investors to a greater or less extent in this class of securities. In fact, this is evidently necessary. With civilization growing more complex, the distance seems to widen between the man with dollars to invest and the other who wishes to borrow that he may build a house or a store. At any rate, if we may judge from the accumulation of deposits in our banks, they are both very busy men and are leaving the details of financial affairs to us. We will then give mutual consideration to one or two questions that surround the making and handling of real estate loans.

Broadly speaking, real estate has always been a popular form of security, and justly so, because, resolving the question to its last analysis, the ground and the buildings which men erect thereon, for homes and for the transaction of legitimate business pursuits, are necessities and as such must represent security of the highest order. By this statement do not understand me to mean that all land is desirable for security, or that at all times any particular piece of land is a desirable security. In fact, there is no doubt that one of the chief mistakes which our American bankers have made in their dealings in real estate securities is that we have lost sight of the fact that real estate is ever changing. Some properties are offered to us at too early a date of development; others in a period of transition, when proper appraisal is most difficult; still others when the van of civilization has moved on, leaving the particular security tumbled down and decaying, to find its way back to its primal condition, occupied only by the miserable and unsuccessful of mankind.

While admitting the general desirability of real estate loans, we cannot lose sight of the fact that there are some decided objections to such securities when viewed in the light of experience. We shall consider two of the objections:

First.—The possibility of loss.

Second.—The fact that such loans are not readily convertible, therefore do not furnish as liquid an asset as we desire.

Is it not possible by the adoption of a higher standard governing the making of real estate loans for our banks to make a long stride toward solving these difficulties? Let us consider briefly three features of the subject upon which I think we can unite for better things:

First.—The consideration of the security.

Second.—The written evidences of such security.

Third.—The subsequent history of the loan.

Taking up the first point, the consideration of the security, I am firmly convinced that no Savings Bank should make real estate loans outside of its immediate neighborhood, unless it is impossible to keep funds invested. Should you be compelled to go abroad for such loans, it seems to me the best plan would be to secure them only from responsible banks located where the loans are made. No one but a thoroughly trained man, familiar with local conditions, can make such loans successfully, and it is fair to presume that the local banker of experience is the best man available.

To return to your local loaning, have the best man in your bank to do the appraising; loan only in good neighborhoods; beware of the very new, shun the declining or uncertain ones. While I believe in always dealing with responsible borrowers, I would suggest that you beware of the temptation to loan more than is right on a piece

of land simply because the borrower is good "without security." He may die or become a bankrupt long before your loan is due. You would not think of making a loan on an ordinary promissory note for five years; then why in making a real estate loan should you depend upon the credit future at all? It is probable that we will all agree that it is a very good rule never to loan more than fifty per cent. of the fair cash value on good improved real estate. It is advisable to limit loans on vacant property to a nominal amount. Furthermore, I would recommend that you confine your loans as nearly as possible to residences and standard business properties, avoiding buildings erected for special purposes, such as places of amusement, large hotels, particularly at summer resorts; factories, warehouses, &c.

Passing from the consideration of the security itself, we will take up the written evidences of such security.

First of all, you should have an abstract of title, approved by the bank's counsel and properly written to date, carefully numbered and filed in your bank's vault. You should have, where possible, a responsible title guarantee company's guarantee policy issued in the amount of the loan filed with the loan papers. I would recommend that you adopt a standard set of loan papers, trust deed, principal notes and coupon notes, all of which have been passed upon by your bank's counsel and printed with the bank's name and those of the trustee, thus securing uniformity in the issuance of the papers. Do not allow your loan forms to be used in outside transactions, but let your forms, whenever seen, always mean a good loan upon which you have passed. Make all principal and coupon notes payable to the order of the borrower and have them endorsed by him, thus making them payable to the legal holder. Your papers should be made so that they will present an attractive and responsible appearance when completed. If trust deed runs to an individual, two successors in trust should be named, one of whom should be a responsible trust company. Provision should be made on trust deeds and principal notes for proper registration by the trustee and a careful record, by number, of each loan kept in the bank. Papers prepared in this way, accompanied by suitable fire insurance policies where the security is improved property, and backed by the bank's reputation for careful loaning, should create a collateral more liquid than many people think possible.

I will say but a word more, and that in reference to the subsequent history of the loan:

See to it that all terms of the trust deed are respected; that the insurance is kept in force; that all taxes are promptly paid and that the property is kept in good condition. Above all, require prompt payment of interest coupons.

The final test in connection with each loan comes, as you know, when it matures. It is also a good time to review the entire situation, learning thereby whether your bank is following a conservative course or not.

I would suggest that you do not allow yourself to be tempted to renew a loan simply because your experience with it has been successful. You will doubtless find, in most cases, that the conditions are not quite so good as when the loan was originally made. Then a lesser amount should be loaned or a renewal refused.

It is probable that many of the ideas expressed in this paper are not new to you. My object has been to summarize a few of the principles which we as bankers should follow in making our real estate loans; for if such principles are followed I believe that a standard will be set which will have a direct and favorable influence upon the popularity of this form of investment.

## The Card Ledger in Savings Banks.

By J. A. LANGSTROTH, Accountant of the San Francisco Savings Union.

In a Savings Bank the deposit accounts monopolize a large part of the clerical work, hence any system which materially reduces the labor expended on them must be of some interest to Savings Bank men.

In the writer's opinion, the outgrowth of thirty-five years' practical experience, the principal requirements of an ideal savings deposit ledger are:

First.—Instantaneous accessibility of each and every account for purposes of inspection, posting, or removal, unconditioned by the lifting or moving of books, the opening or unlocking of a cover, the pulling of a drawer, or the sliding of a rod or a bolt.

Second.—Perfect divisibility, so that a convenient sized section of one or two hundred accounts can be quickly separated from the rest, to be worked upon at the bookkeeper's desk without affecting the working status of the remainder.

Third.—An account page of such length that the cost of transferring the active and the permanent accounts plus the original cost of the ledger outfit, other things equal, will create a minimum charge to expense account.

In this connection it may be of interest to note that an assiduous bookkeeper, putting in hardly more than twelve thousand minutes of actual work per month, will, at a salary as low as \$75, have a "minute" value of six-tenths of one cent, and hence the cost of a transfer of an account from page to page, occupying a minimum time, say, of two and one-half to three minutes, costs considerably more than a page or card, and several times as much as the difference between a small and a medium sized one. So that, the proportion of active and permanent accounts being known, it could be easily shown that the cost of needless transfers caused solely by the page being too much below the normal in size may alone, in no very long course of years, amount to more than the total cost of ledgers of a larger size.

Fourth.—Automatic maintenance of perfect numerical order (or alphabetical, as the case may be) and such indexing of the same as, while guiding to any account with the greatest dispatch, will be the least taxing to the eyesight upon prolonged use.

Fifth.—Maximum ease of manipulation and general convenience.

Sixth.—Minimum requisition of floor space in the banking room.

These requirements appear to have been met by a card system introduced into the San Francisco Savings Union of San Francisco, Cal., in 1889, and subsequently patented under the name "Mechanical Ledger," of which the following is a description.

The cards are  $9\frac{1}{4}$  inches wide by 11 inches high, being ruled for debit, credit and balance of dollars and for debit and credit of interest figures (which, with us, are computed for days, instead of months, and entered with the deposit or draft at time of posting under some methods of entry, a card 7 inches wide might answer the purpose).

Both sides of the card may be used. The cards are contained in boxes, about one thousand to the box, in which they stand perpendicularly, being supported in that position by partitions, the lower half of which is of wood,  $\frac{3}{8}$ -inch thick, rigidly fixed, and the upper half of thin flexible metal, which permits the cards to be easily bent apart at the top for inspection. These partitions being placed at intervals of two inches, separate the cards into independent sections, or parcels, of 120 to 130 cards each, one or more of which parcels may be taken out of a box without affecting the position of the remainder.

To prevent the side edges of the cards from chafing against the sides of the box they are centered by quarter-inch strips running along each side of the box close to the bottom, which strips have a smoothly beveled shoulder over which the corners of the cards, which are correspondingly beveled, easily glide into position.

As projecting index tabs would prove objectionable in handling parcels of cards of such a size outside of the box, the account cards have a central segmental cut on

the top one inch wide by three-eighths deep, which, when the cards are in position in the box, forms a channel, or groove, in which are exposed to view the index characters on the guide cards interspersed among them. Thus, the tops of the guides being flush with the account cards, the parcels can be more conveniently handled and the index is less liable to disfigurement.

To mark the place of a removed card, a small wooden blade, fitted to extend downward about an inch between the tops of the cards, is used. Of these markers, or "indicators," one is journaled on a small metal shoe travelling in grooves on the *right* hand lip of each box, and is used exclusively when posting, while others have a flat spring clip fitted to clasp the *left* hand lip of the box. The latter are used when cards are removed for any purpose other than posting, and they are prominently lettered or numbered for purposes of identification, each bookkeeper carrying one. The presence of any number of these lettered indicators on the left side does not interfere with the operation of the travelling indicator on the right; so that posting can go on without interruption.

These indicators practically obviate all danger of misplacement or loss.

The boxes are placed at a convenient height from the floor side by side, in groups of five or more, on stands or cases provided with bearings, front and rear, on which a shallow desk slant, twenty inches wide, carrying ink wells, is fitted to roll laterally close above the tops of the cards. The travelling desk is used principally in posting, and is at other times usually removed.

A stand containing ten boxes, in two rows of five each, back to back, having an aggregate capacity of ten thousand open accounts, covers a floor space of four feet six inches by five feet two inches, within which area each one of the ten thousand accounts is equally accessible and at the same desired level.

The story of the results obtained by the use of this parison between the year 1888 (preceding its introduction) and the year 1903, showing both the amount and system is partly told in the following statistical comparison increase in the bank's yearly aggregate of—

(1) Deposit transactions.  
(2) Open deposit accounts.  
(3) Number of tellers and bookkeepers in the deposit department.

Year.	Total deposit trans- actions.		Total open accounts.		Number of tellers and book- keepers.	
	Increase. Per ct.		Increase. Per ct.		Incr'se. Per ct.	
1888 .....	68,200	..	13,600	..	10	..
1903 .....	105,500	..	29,500	..	13	..
Increase .....	37,300	33	15,900	117	3	30

It is hardly necessary to explain that the number of posting for the year corresponds with the number of transactions, and that the bulk of all the remaining work increases in direct ratio with the number of open accounts.

From the above table we find that the postings increased during the fifteen years 33 per cent, while all the other work increased 117 per cent., a mean increase of 100 per cent. in the entire work, while the clerical force only increased 30 per cent., leaving 70 per cent. of proportionate increase, or a gain of seven men to be accounted for. A portion of this enormous gain should, however, be credited to other sources.

It is well understood that every well regulated office force, of some size, possesses a considerable reserve capacity for meeting increasing demands for work, if some of its members are young and still in process of development. Allowing for the use of this reserve and for sundry other minor economies a liberal 30 per cent., there remains a conservative estimate of 40 per cent. to be credited to the Mechanical Ledger. This represents a saving of at least four average bookkeepers, which, stated in terms of dollars and cents, means a saving to this bank of at least \$5,000 per year.

On completion of the installation in 1889 the effect was immediate and marked, as from the then force of ten men three could be at once detailed upon other and special work, such as the writing up of a new Depositors' Card Index of seventy-five thousand names, a voluminous Correspondence Index, the transfer of our loans to the card system, assistance to other departments, &c., &c., and it was actually not until 1900, after twelve years, that the next requisition for an additional clerk was made.

# Detailed Report of Proceedings.

Second Annual Meeting SAVINGS BANK SECTION, held at New York, Sept. 13, 1904.

## DETAILED PROCEEDINGS.

The Chair was taken at 1.15 o'clock P.M. by Mr. A. C. Tuttle, Treasurer of the Naugatuck Savings Bank, Naugatuck, Conn., who, after having formally opened the proceedings, delivered the following address:

Address by Chairman A. C. Tuttle.

*Gentlemen, Delegates to the Meeting of the Savings Bank Section of the American Bankers' Association:*

It is a source of great pleasure to see so many delegates present to-day, and I extend to you my most hearty greetings. It is a long journey that many of you have to make, and that makes your attendance all the more of a pleasure to me.

Probably the feeling uppermost in our minds at this moment is one of self-gratulation at the wonderful growth, high position and the organization of this Section of the most powerful bankers' association in the world. The Savings Bank Section was organized two years ago at New Orleans under the leadership of the distinguished gentleman since become Governor of Ohio. But, like Minerva, it had no infancy, but was created in the fullness of power. During the first year the membership of the Section was nearly five hundred. In the course of the past year it has considerably increased and now numbers over 60 per cent. of the Savings Banks of the country.

Moreover, our meeting should be of interest to the nation, since the people have confided to our care about three billions of their savings. The effect of our decisions can be felt in nearly every household in the land. It is certainly fitting that we should meet in this city whose banks have 30 per cent. of the country's savings.

It is probable that bankers always think more of the dangers, real or imaginary, than of the opportunities of their position. The spectres of dishonesty and inefficiency beset our path at every turn. Our dreams are perhaps of possible Government Savings Banks.

Dishonesty and inefficiency, however, do not concern us as an organization. For while we may rightly take measures to make dishonesty more difficult and integrity more easy, and to increase the efficiency of banks in transacting business with one another, these matters concern individual bankers. To be sure, dishonesty is dishonesty everywhere, but as regards efficiency, the conditions of banking vary with the locality.

Government Savings Banks are hardly more than a dream, though an unpleasant one. It seems impossible that any sane legislator would introduce a bill into Congress authorizing them. Certainly, if any one had the hardihood to do it, the bill would meet with an opposition that would make the opposition to the United States Bank in Jackson's time sink into insignificance. Aside from the fact that such a bill would jeopardize one of the props of the Government, there is a widespread and most salutary feeling averse to the Government engaging in any business enterprise.

If we fear or feel a loss of business, perhaps the best thing to do is to follow the lead of other forms of business and advertise with intelligence and as widely as circumstances will allow and wisdom dictate.

One matter deserving of careful thought by us is the change in the character of our investments. Government bonds, at one time an important item in our reports, now scarcely appear. Such change has been necessary in order to maintain our rates of interest, but it is an open question if the new investments have always given to depositors that security that they should have.

We can discuss to good advantage the laws relating to Savings Banks. There has been for some years a demand for a law that shall be in force in every State. Such a law cannot be passed by the Federal Government, and the task of framing a law that could pass each legislature and would be suitable for the peculiar conditions prevailing in each State is appalling. Yet we must realize that the Savings Bank laws cannot be too strict. As the purpose of Savings Banks is to care for the money of people whose savings are so small that they cannot be invested profitably or who do not have the ability to invest them wisely, our books should

be open for investigation and our reports cannot be too clear or full.

But in spite of the dangers that may be about, we must derive from the past history of Savings Banks most happy auguries for the future. When we remember that from 1898 to 1903 the deposits in Savings Banks in the country increased nearly nine hundred million dollars, we shall feel little cause for alarm.

Several gentlemen have kindly consented to prepare papers on interesting matters connected with our business which are to be read.

In conclusion, I would thank all of you who have assisted me during the year and express the hope that this meeting may tend to make each Savings Bank in the land what it should be—a solid rock in the bulwark of the Republic.

Chairman: We will next hear the report of the Executive Committee by its Chairman, Mr. G. Byron Latimer, the Secretary of the Irving Savings Institution, New York.

Report of Chairman of Executive Committee,  
G. Byron Latimer.

The Executive Committee respectfully reports that since the last meeting of the Section, held at San Francisco, we have received from the Executive Council of the Association an appropriation to cover the expenses of the Section, a detailed report of which will be given to the Secretary of the Section.

During the year we have enrolled 68 members, making our total membership 616. At the last meeting a resolution was passed recommending our members to urge the formation of State Savings Bank Associations in each of the several States, and, following out this suggestion, the Iowa Bankers' Association in convention at Des Moines, June 15th and 16th, referred the matter to their Executive Council with request to report at the next meeting. I am glad to notice this feeling, and hope the matter will be taken up in each State, so that before long the limit of State Savings Bank Associations will be reached only because there are no more States in which to form them.

Our Savings Bank Association in New York State has done much to help favorable legislation to Savings Banks and defeat unfavorable legislation. I would urge in forming such Associations the appointment of a committee to look after the legislative branch of the work. It matters little whether we are mutual or capitalized Savings Banks; we are all the custodians of the savings of thrifty people and should have but one ideal—that is, to guard with jealous care their deposits, and be ever mindful of the trusts reposed in us, being always ready to return principal with such interest as conservative management will permit.

During the year death has visited our Executive Committee and it becomes my sad duty to announce the death of Mr. Fred Heinz, late President of the Farmers' and Mechanics' Savings Bank of Davenport, Iowa. I would move you that the Secretary be instructed to write to the family of our late associate extending our sympathy in their bereavement.

G. B. LATIMER,  
Chairman Executive Committee.

Mr. Chas. B. Mills, of Clinton, Ia.: As a member of the American Bankers' Association and a delegate from Iowa, I had prepared a resolution to the same effect as that embodied in Mr. Latimer's motion, and I have the same in my pocket. It is now my privilege to second that motion.

Chairman: It has been proposed and seconded that the Secretary be instructed to write a letter of condolence to the family of the late Mr. Fred. Heinz expressing our sympathy in their bereavement. Those in favor of our doing so will please say aye.

(The motion was adopted unanimously.)

Chairman: I will now ask the Secretary of this Section, Mr. William Hanhart, to favor us with his report.

Report of Secretary.

*Mr. Chairman and Gentlemen of the Savings Bank Section:*

I beg to report that the membership of this Section is now 616, showing an addition of 68 members during the year. While this is gratifying as showing an increased interest

in this Section by the Savings Banks generally, yet we should certainly have more members; there are now over 1000 Savings Banks in the United States, and it is desirable that every one of them should belong to the American Bankers' Association and be enrolled in our Section.

To forward this object I would propose that the Chairman appoint one delegate from each State, who would be particularly entrusted with the task of securing new members in his territory; I would also urge upon you the desirability of every member here present endeavoring to get one or more additional members; should any of you gentlemen know of a Savings Bank in your vicinity not a member of the Association, see or write to these friends and neighbors, urging them to become members of the American Bankers' Association and join our Section; constant individual efforts will surely produce best results. The officers of our Association are doing their utmost in this direction, but they must have your individual help to be successful.

The expenses of the Section, which were met by special appropriations by the Executive Council, have been as follows:

Proceedings of San Francisco Convention.....	\$193.70
Printing, stationery, typewriting, stamps and other expenses .....	730.50

Making a total of.....\$924.20

for which bills and vouchers were examined and audited by the Chairman of the Executive Committee.

Respectfully submitted,

WILLIAM HANHART,  
Secretary.

Chairman: If there is no dissentient voice, I propose that the reports of both Mr. Latimer and Mr. Hanhart be accepted and placed on file.

(Agreed to.)

Mr. David Hoyt, of Rochester: I offer the following resolution:

Resolved, That the chairman appoint one delegate from each State who will be particularly entrusted with the task of getting new members in his territory.

(The resolution, having been duly seconded, was put to the meeting and carried unanimously.)

Chairman: The next point on our order of business is the report of the Committee on Uniform Laws, but owing to the unfortunate demise of Mr. Fred. Heinz we are unable to present such a report, and we will have to defer the receipt of said report until the next meeting of the Convention.

Mr. Lucius Teter, of Chicago: I wish to offer the following as an additional by-law:

Section 7. The chairman of this Section and ex-chairmen, if still members of the Association, shall be members ex-officio of the Executive Committee.

I present this motion and move its adoption.

(The motion was agreed to.)

Chairman: We now come to the reading of the papers which have been prepared for the consideration of this Section. The first one is on "Postal Savings Banks," by the Hon. Willis S. Paine, ex-Superintendent of Banks of the State of New York, which I will ask the author to read.

"Postal Savings Banks," by Hon. Willis S. Paine.

[Mr. Paine's paper in full will be found on pages 1209 to 1211 of this publication.]

Chairman: Next follows the paper by Mr. P. Le Roy Harwood, Treasurer of the Mariners' Savings Bank, New London, Conn., entitled

"Publicity for Savings Banks," by Mr. P. Le Roy Harwood.

[This paper will be found on pages 1211 and 1212.]

Chairman: Next is the reading of a paper on "The Law of Trust Accounts," by Thomas B. Paton, editor of the *Banking Law Journal*, New York.

"The Law of Trust Accounts," by Thomas B. Paton.

[See pages 1213 to 1216 for this paper.]

Chairman: The next paper will be read by Mr. R. H. Wester, President of the Wester Savings and Trust Companies, San Antonio, Texas, on the subject of "Savings Banks for Texas."

"Savings Banks for Texas."

[This paper will be found on pages 1216 and 1217]

Chairman: The next paper is written by Mr. John Worthington, of the Chicago Savings Bank, Chicago, Ill.,

and is entitled "Savings Banks' Real Estate Loans," but as Mr. Worthington is not present, the paper will be read by Mr. Lucius Teter, of Chicago.

Mr. Lucius Teter, of Chicago: Gentlemen and delegates, I regret very much the inability of Mr. Worthington, the author of this paper, to be present, but in his absence I will do my best to take care of his paper.

At the outset, I wish to explain that the paper is not intended by any means to be an exhaustive treatise on the subject of real estate loans, nor would you expect us to come down to New York in order to tell you in this people anything new about real estate ownership. The paper is rather meant to approach the subject in a general way, and take up one or two more important points that are connected with the subject.

"Savings Banks' Real Estate Loans," by John Worthington, of the Chicago Savings Bank.

[Mr. Worthington's paper is given in full on page 1218.]

At the end of this paper Mr. Teter added personally:

Referring to the question of making loans on property outside of the bank's immediate neighborhood, I may say that we have seen a great deal of money invested from Eastern investors which had been sent by them to irresponsible estate people, and the point which Mr. Worthington wants to bring out is that the best plan would be—if it is necessary to go to the West to place your money—that you should do so through people you can depend upon as financially sound, morally reliable and practically competent.

Chairman: I will now announce the next paper, which is also our last. It deals with "The Card Ledger in Savings Banks," and is contributed by Mr. J. A. Langstroth, Accountant of the San Francisco Savings Union, San Francisco, Cal. In the absence of the author this paper will be read by the Secretary, Mr. Hanhart.

"The Card Ledger in Savings Banks."

[This paper appears on page 1219.]

Chairman: I am sure we have all listened with much interest and attention to the able papers which have been presented to us, and they are now open for discussion. If anybody wishes to ask any questions or make any remarks on the subject of the papers we will be very glad to hear them. The discussion will be published, together with the papers, in the Proceedings of the Convention.

#### LAW OF TRUST ACCOUNTS.

Mr. J. H. Johnson, of Detroit: I would like to take up the subject of the law of trust accounts. In my experience nothing is of greater importance to us than the question of joint trust accounts and the necessity of having explicit and uniform legislation upon this vexatious point. A special committee should, therefore, be appointed with a view to framing some uniform law and taking the necessary steps for the purpose of having it enacted. We are obliged in the Savings Bank business to look after the interests of the poor depositors, and if a man has deposited, say, two or three hundred dollars, and leaves it to a son or daughter under certain conditions, we want to know if such a thing is legal and whether we can pay the money over without the annoyance of court interference. In fact, the possibility of court interference scares intending depositors away, and the most preposterous cases are known to have happened in this connection. In view of the importance of the subject I therefore move that a special committee be appointed for the purpose of framing a uniform law on the handling of joint trust accounts and to take proper steps to have it enacted.

Mr. Lucius Teter: I wish to mention the fact that there is a Committee on Uniform Laws, into whose province this subject will probably fall.

Chairman: Yes, there is such a committee, but the death of Mr. Heinz prevented our receiving a report from that committee to-day. We are supposed to receive a report at the next Convention, and until then we shall have to defer any suggestions to that committee.

Mr. Johnson: I am under the impression that that committee concerns itself more with the conduct of ordinary business and not with the question of trust law.

Mr. Thomas B. Paton: The only uniform legislation affecting the banking business in the various States has been the uniform negotiation of instruments, a law that was advocated by the American Bar Association and the American Bankers' Association. The law for negotiating bills, notes and checks which has been enacted affects the banking busi-

ness, because bankers deal in those papers. My suggestion was that there should be a uniform law prescribing some form of Savings Bank account which would enable a man to put money into the bank, have it during his lifetime, and let it answer the purpose of a will when he dies. That thing has been partly accomplished by a judicial decision in the State of New York, according to which the form of account in a trust was that a man could take the money again himself, but that it would go to the beneficiary after his death. But it would be better still if there could be some such legislation in each State. If a depositor has to make a will in each case, where he wishes the money to go to any other person than the law would decide, there will have to be witnesses, etc., and that will have to be probated. All these are nuisances and serious matters for a small depositor in a Savings Bank, and there is no reason why these people should not be able to make a will in the form of a Savings Bank account. That is frequently done, and in many instances these cases go through, but in others they do not. These people believe that the money has been deposited on the understanding that it will be paid to a certain person after the depositor's death, but it is not, and their intentions are frustrated, causing much suffering and privation to those who really want the money and ought to have it.

It strikes me that the appointment of a committee is the best plan for the purpose of framing a uniform bill in which bankers and lawyers would combine and which would prescribe that the provisions of a Savings Bank account could be made to serve the purposes of a will; have that law uniform and urge it before the legislatures of the different States. I presume there would be no objection to that, except perhaps on the part of the lawyers, who might argue that it would make the law so simple as to take away all their chances of making any money out of these cases.

Mr. Chas. E. Sprague, of New York: I should like to ask Mr. Paine with reference to the question of Postal Savings Banks what he has to say in regard to the difficulties which the Government of the United States has experienced in connection with the establishment of official Savings Banks?

Hon. Willis S. Paine: I would like to call the attention of this meeting to an authorization which was created by statute in this country in 1865 and which existed for a considerable period of time, but came to a most ignominious end. The following portion of my paper refers to the subject:

The "Freedman's Savings and Trust Company" was created by Federal law on March 3, 1865, with authority to establish branches. The following May headquarters were located in New York, and numerous auxiliaries, most of which were presided over by commissioned and uniformed officers, were instituted, more especially throughout the Southern States. The passbooks of this Freedman's Savings and Trust Company contained the following statement: "The Government of the United States has made this book perfectly safe." The liabilities of the concern at the time of its failure were \$3,037,560, payable to 62,240 claimants. The Government, by purchasing the building owned by the bank at a price, and in other ways, has aided in increasing the assets. The last and final dividend declared makes the total payment to its creditors only 62 per cent. Undoubtedly Congress was derelict in not exercising proper supervision over its affairs during its existence of nine years. The report of the Commissioners appointed by Congress to make an investigation contains, among other statements, the following: "A more perverted arrangement could scarcely have been devised by human ingenuity if the design had been specially directed to obscure the transactions of the institution." Comptrollers of the Currency have repeatedly recommended that Congress should make provision for the payment of the 38 per cent. still due depositors, but no payment is yet forthcoming. Such results may not follow the establishment of Postal Savings Banks. The effect, however, of putting deposits into the keeping of a body of office holders would be hazardous at best and would not promote the efficiency of public service.

That, I think, answers the question.

Chairman: If there are no further remarks in connection with the papers so far discussed we can proceed to the discussion of the second paper, which deals with the question of publicity for Savings Banks.

(At this point it was moved, seconded and agreed to that it be put on record that this meeting was in total agreement with the proposal made by Mr. Paton.)

#### PUBLICITY FOR SAVINGS BANKS.

Mr. W. W. Cloud, of Baltimore, Md.: The bank with which I am connected (Maryland Savings Bank) about two years ago started out on a campaign of advertising. We used three lines for one month in a paper each day, giving the name of the bank, its location, and the statement that the bank opened accounts on one dollar. That was productive of good results, and we followed the plan up

from time to time on the same lines. Our personal experience has been that it not only brought new accounts, but also stimulated inactive accounts, and we propose to continue the practice. It is a subject that I am very glad to see discussed here to-day. I am also glad to emphasize the fact (and although it is not quite apropos, yet I take the opportunity of stating it) that in consequence of this procedure we are rapidly recovering from previous losses, the deposits have increased right along, and I hope we shall soon be able to move into a new building. I am sorry Mr. Watson is not present, or else he could have gone more fully into details.

Chairman: By asking questions we get at the way how other people conduct their business, and in this manner increase our knowledge. If there are other gentlemen present who could give us their experience as to what they do and what they think ought to be done, we should be very glad to hear from them.

#### JOINT ACCOUNTS.

Mr. Chas. E. Sprague: Our bank (Union Dime Savings Institution, New York) has been rather independent in the matter of trust accounts, because we have acquired a great deal of experience in that line, while Mr. Paton has probably confined himself to a statement of the exact law on the subject—a practical subject for us, as we all have to conform to the law, and at the same time attain the greatest safety for ourselves and carry out the wishes of our depositors. One case in which our bank was defendant would, I think, not be decided in the same way it was if there were proper legislation for the conditions under which a man may put money in trust for his wife. In the case in question the depositor was a man named Dubois, who deposited the money in favor of his wife. This wife died, and the man thought it wise to put the money now in the name of his sister, a Mrs. Morgan. We did not like him to draw the money out, and gave him a transfer in favor of his sister. This is simply a book entry in our bank, and carries with it the right to draw interest on this and the old account. So we transferred to the sister. Then the old gentleman—like many others have done before him—after some years consoled himself and took unto him a new wife. Then he thought it the proper thing to have the money in the name of the second Mrs. Dubois, and came to us to have his wishes attended to. So, instead of having him take the money out and redeposit it, we made a transfer from "Dubois Trust" to "Dubois Trust"—i. e., from the name of Mrs. Morgan to that of the second Mrs. Dubois. After some time Mr. Dubois himself died, and the day after the funeral his sister, Mrs. Morgan, promptly brought suit against us, but fortunately she came to see me about it in time before I could pay the money away, and consequently we held it. That was all that prevented our losing \$4500. The Judge said that, by making the second transfer, we were privy to a perversion of the trust. There was some slight evidence (as Mr. Paton will remember) to the effect that Mrs. Morgan had some interest in the money, a fact of which we were unaware. He admitted that the first transfer was right, but maintained that the second was wrong. The Judge went so far as to enter into practical banking, and tell us if we had allowed this money to be drawn out by the brother, and afterward to be redeposited in favor of somebody else, say the second wife, we would have been blameless. The result is that ever since we have refused transfers from one name to another. We tell applicant to draw the money out, then not to tell us or anybody else what he is going to do with it, and then to put it in again for another name.

As to joint accounts, we always require a simultaneous declaration by the two parties to the effect that they desire to open an account with the institution subject to its by-laws, and that the money is to be payable to either of them or the survivor. We have been assured that that, although not very formal, was a sufficient declaration of joint account to make us at least safe in paying the money, unless an order is given to the contrary. Mr. Paton, from the ideas expressed by him, would recommend a little more formal way of proceeding.

Once we had trouble with an attorney account, and found that a savings bank at least ought never to pay money on the signature of an attorney. Why? Because the common law, not the civil law, is against them. If the constituent of the attorney dies, and the morning after his death we, unsuspectingly, pay money under the power of attorney, we are acting at our own peril. We must not do it. That case is entirely decided, and, as a result, we will pay nothing on a power of attorney. We notify the people in whose

name the account stands, and they must adopt other means. The attorney may have left his constituent in the best health twenty minutes before, and by the time he arrives at the bank the latter may be dead, and the bank, in paying, takes all the trouble and risk without any compensating advantages. Therefore, positive proof of the existence of the depositor is only his visual presence, and only he himself can get the money.

Many people, I have no doubt, will agree with Mr. Paton that there ought to be a plain, intelligible statement of intention as to where the money should go. Mr. J. W. Johnson, Assistant Treasurer to the Albany Savings Bank, has been considering some such statement, which would provide that any person may designate his successor to the possession of the money by a declaration on the books of the Bank to whom, upon his death, the balance of his account shall be payable, leaving power of revoking any trust that may be assumed.

I suppose that the first depositor who conceived the idea of leaving money to somebody else asked the bank how it should be done; the bank referred the matter to their attorney, who had regard to the decision of the courts. The courts, however, thought that these transactions were trusts in the legal sense, and they have been interpreted on that assumption ever since. Mr. Johnson's idea will provide a plain statement designating who shall receive the money, while the depositor during his lifetime will retain the disposition of it himself, and I hope that Mr. Johnson will be put on the committee which will handle the matter.

Mr. Thomas B. Paton: May I ask of Mr. Sprague what the Union Dime Savings Bank does, if only one party is present, in order to obtain a simultaneous declaration.

Mr. Sprague: We give that party who is present a blank and tell him to bring it back duly signed by both. Nothing will or can be done until it is so brought back. That is what we call simultaneous declaration.

Mr. George E. Lawson, of Detroit, Mich.: People in Detroit have for quite a number of years been practising the plan which the gentleman from New York advocates. In very many banks—I think in nearly all of them—there is a declaration stamped in the signature book which must be signed by both people interested. It is to this effect: Payable to both, or either, or the survivor, each granting to the other survivor power of attorney. That is also stamped in the signature book. In the case that one of the parties cannot be present, we act exactly as Mr. Sprague suggests; we send him a blank statement to sign. Although we have never had any claims in the courts, it seems to us that the arrangement answers the purposes of a uniform law.

Mr. John Mitchell, Jr., of Richmond, Va.: We have in our State a law that when a person gives a check and dies before the check is presented that the check is not payable by the bank. Mr. Sprague stated that if the person who has granted power of attorney should die in the interval before the check is presented and the bank make payment it would do so at its own risk. I should like to know what the liability of a banker is if a person should give a check, say, at six o'clock in the morning, and die at twelve o'clock, and the bank pay the check without knowing that the person was dead. Would the bank be liable?

Mr. Sprague: The law in this State is quite different as to checks and powers of attorney in Savings Bank accounts, and that is just what we look upon as an outrage. One kind of payment is made in the name of a check and, therefore, perfectly valid until we have notice of decease, while in the case of a Savings Bank account it is not so. That is exactly what I complain of and what Mr. Paton complains of.

Mr. Paton: This law with regard to power of attorney and decease implies the veto of authority of the one that draws. In the case of checks, where the bank without notice of death has made payment, it is protected, although its authority has been revoked; in the case of powers of attorney in Savings Banks accounts it is held to the contrary, but I do not think it is good law, and I do not see why the same principle should not apply to both cases alike.

Mr. H. V. C. Hart, of Adrian, Mich.: I believe this question of legislation for joint account transactions to be of sufficient importance for the appointment of a special committee, instead of referring it to the Committee on Uniform Laws. It seems that this discussion has been of great importance to us in this Section, and a special committee to handle the question should therefore be appointed.

Mr. J. H. Johnson, of Detroit: I feel sure that this is

the view of the majority of all those present, and I therefore propose the following resolution:

Resolved, That the chairman appoint a committee of three to consider the question of a form of uniform law regulating the accounts of depositors opened in two names, and report at the next meeting.

Mr. Paine: I second the motion, with the proviso that Mr. Paton be made a member of that committee.

Mr. Johnson: I accept the addition.

Mr. Sprague: And also with the proviso that the committee be charged with the preparing of the necessary legislation.

Mr. Johnson: Yes, that is understood, but I believe that the wording of the resolution as I propose it will cover that point.

(The resolution was put to the meeting and carried unanimously.)

#### NOMINATIONS AND ELECTIONS.

Chairman: As there seems to be no other discussion on any of the papers, we will pass on to the nomination of the Executive Committee for the next year. Are there any propositions to be placed before the meeting?

Mr. Paine: I desire to propose the following nominations:

Chairman, Chas. E. Sprague, President of the Union Dime Savings Institution, New York.

Vice-Chairman, Edward E. Duff, Vice-President of the People's Savings Bank, Pittsburg, Pa.

Three members of the Executive Committee to serve three years: Lucius Teter, Cashier of Chicago Savings Bank, Chicago; Rob. J. Hoguet, Trustee Emigrant Industrial Savings Bank, New York; David Hoyt, Secretary and Treasurer Monroe County Savings Bank, Rochester, N. Y.

One member of Executive Committee to serve two years (in place of Fred. Heinz, deceased): Chas. B. Mills, Cashier People's Trust and Savings Bank, Clinton, Iowa.

In submitting these nominations I hardly think it necessary to accompany them with any eulogistic remarks, as the gentlemen are too well known to require special commendation. But I should like to make a few remarks with reference to Col. Sprague. I do not think that there is a difference of opinion among those who live in this city, or in this State for that matter, who are not familiar with the activity and ability of Col. Sprague, and who are not convinced of his eminent fitness for the position of our chairman. (Applause.)

Mr. B. Steiner: I have much pleasure in seconding the proposed nominations.

Chairman: If there are no other propositions forthcoming I will put the names of the proposed gentlemen to the vote *en bloc*. Those who are in favor of these gentlemen being appointed will please signify their assent by saying aye.

(Carried by acclamation.)

Chairman: Then it is my pleasure to introduce to you Col. Sprague, chairman of this Section for the coming year. (Applause.)

#### REMARKS OF MR. SPRAGUE.

Mr. Sprague: Gentlemen and delegate members of the Savings Bank Section; I hope you will not expect any very extensive remarks from an incoming chairman to be made for practical purposes. Nor will mere talking affect us very particularly; but I do not mind saying a few words of thanks to you for having placed your confidence in me, a confidence which I shall endeavor to the best of my ability to deserve and justify. I also acknowledge, with thanks, the reference to my activity in the city of my adoption and residence, which has led to the election of one of its humble representatives to the position of chairman of this body, which is destined to play a very important part in the financial interests of this country. I next congratulate you upon the growth of this, comparatively speaking, infant Section, with which I have sympathized from the start. We have made very rapid strides during the past year under the presidency of Mr. A. C. Tuttle, my able predecessor. Much of our success during the past two or three years is also due to the hard work, the talent for organization and the genius for detail administration possessed by our able Secretary, Mr. William Hanhart.

The Savings Bank system itself has developed through evolution, and one of its stages of evolution, as in many other cases, has become that of association. We have seen it in various professions. In our own line of action the whole history covers less than a hundred years. The first Savings Banks were chartered institutions and designed, I think, in

very closely prescriptive laws, stating what their functions should be and what they should not be. They were left, however, to the good sense of the gentlemen placed at the head. Then came another era, when it became necessary to charter other institutions, the legislature in each case endeavoring to conform the new provisions to the wants of the community. The banks were to be subjected to various regulations as to the conduct of their business. These regulations varied much for different institutions. It then became evident that the stage of experimentation had been passed as to interior regulation, but there was a necessity to some degree for a reasonable uniformity of charter. Then in our own State and in neighboring States a general Savings Bank law became the subject of discussion. The law in our own State was found very satisfactory, but in other States other forms of legislation were resolved upon. Instead of placing all powers in the hands of trustees, there was a body of stockholders who were assumed to stand behind the depositors, till the soil for them and assist in the great object which Savings Banks have at heart. There were other proposals, such as Government and postal institutions. And here we meet the representatives of all kinds and manners of legitimate Savings Banks, and it has been doubted by some members of the Savings Bank Associations of some States whether they could unite without clashing. I am a member, and something of a working member, of the Savings Bank Association of the State of New York. At the same time I am working hard in favor of this Section, and I do not feel it to transgress upon the ground which our associations cover. We are here to compare differences from all points of commerce. Men from San Francisco meet men from New Jersey to discuss the differences of their ways, all of which are very instructive and interesting. the more so the more they

diverge. It is the same thing as with men who wish to increase their knowledge of traveling. Here again it is best to go to a country which is as different as possible from your own, instead of going to your immediate neighbors. It is best to compare extremes. For that same reason I am sorry we did not have anybody present with us to present opposite views to those we have heard in regard to Postal Savings Banks, because in that case we could have compared notes on the subject. We have reached in the laws of the various States points approaching the highest degree of development. security, supervision, and so forth, but some wish that we should produce uniformity of law in all these respects. On the other hand, it may be that, owing to local conditions, we do not want such uniformity; but we want to have the points discussed without prejudice, and I believe that this is the tendency of this Section.

Our versatile Secretary has provided us with a beautiful badge which distinguishes itself by colors that are national, and it charmingly indicates that our aspirations are those of a national, not a local, organization. He has symbolized in other ways the tendency of the Savings Banks movement which is said to be other than philanthropic. He has not lost sight of the emblem of the bees by ornamenting the design by three "bees," which are the esoteric meaning of "beneficent, but businesslike." (Applause.)

Chairman: It is now my privilege to vacate the chair in favor of Colonel Sprague.

Mr. Sprague (declining the honor of taking the chair): No, sir, you are still in the chair, and you, being the more experienced man, I will feel obliged to you if you will retain the chair until the proceedings come to a close.

Chairman: There being no further business before us, I declare this meeting adjourned.

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CAPITAL, . . . . . \$200,000.00  
Additional Liability of Stockholders 200,000.00  
Surplus and Undivided Profits, 140,000.00  
Deposited with State Treasurer, 100,000.00

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Und.  
Profits,  
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Wm. F. Churchman,  
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Hiram W. Moore,  
Cashier.  
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Capital paid up - - - - - \$500,000  
 Surplus - - - - - 350,000

Acts as Trustee for Corporations, Firms and Individuals and as Agent for the registration and transfer of bonds and stocks of Corporations and the payment of coupons, interest and dividends.

Interest paid on deposits.

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William Best                      Maurice Rosenfeld  
 F. M. Blount                      John M. Smyth  
 Fred. G. McNally                J. R. Walsh  
    L. A. Walton.

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J. R. WALSH, President  
 L. A. WALTON, Vice-President  
 C. D. ORGAN, Sec. and Treas.  
 C. HUNTOON, Ass't Sec'y and Ass't Treas.

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MARQUETTE BUILDING—CHICAGO

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Regular and Special Audits made for Corporations, Firms and Individuals. Financial and physical examinations by experienced Auditors and Engineers. Takes entire charge of accounts for Guardians, Trustees, Executors and Receivers. Keeps corporation and private records. Certificates of this Company will be found useful as a basis for credit purchase or sale. Correspondence solicited.

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S. E. CORNER LA SALLE AND ADAMS STS., CHICAGO.

## REPORT OF CONDITION SEPTEMBER 7, 1904,

MADE TO AUDITOR OF PUBLIC ACCOUNTS OF THE STATE OF ILLINOIS PURSUANT TO LAW.

RESOURCES.		LIABILITIES.	
Time Loans on Security . . .	\$4,009,023.20	Capital Stock . . . . .	\$1,000,000.00
Demand Loans on Security . . .	4,383,538.95	Surplus Fund . . . . .	1,000,000.00
Bonds . . . . .	6,854,175.22	Undivided Profits . . . . .	632,792.04
Stocks . . . . .	343,660.01	Cashier's Checks . . . . .	\$ 341,262.35
	\$15,590,397.38	Certified Checks . . . . .	82,059.06
Real Estate (corner La Salle and Monroe Streets, for new bank building) . . . . .	850,000.00	Demand Deposits . . . . .	13,814,082.79
Due from Banks . . . . .	\$6,384,748.07	Time Deposits . . . . .	11,312,315.15
Checks for Clearings . . . . .	1,148,615.02		
Cash on Hand . . . . .	4,208,750.92		
	11,742,114.01		
Total . . . . .	<u>\$28,182,511.39</u>	Total . . . . .	<u>\$28,182,511.39</u>

### OFFICERS.

BYRON L. SMITH, President.  
 F. L. HANKEY, Vice-President. ARTHUR HEURTLEY, Secretary.  
 GEORGE F. ORDE, Cashier. HOWARD O. EDMONDS, Asst. Secretary.  
 THOMAS C. KING, Asst. Cashier. HAROLD H. ROCKWELL, Asst. Secretary.  
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### DIRECTORS.

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*Correspondence Invited on Banking and Trust Matters.*

## THE CHICAGO NATIONAL BANK,

No. 152 Monroe Street, CHICAGO.

CAPITAL \$1,000,000. SURPLUS \$1,000,000.

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**OFFICERS:** J. R. WALSH, President; F. M. BLOUNT, Vice-Pres't; T. M. JACKSON, Cashier; F. W. McLEAN, Ass't Cashier; J. E. SHEA, Ass't Cashier.

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