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TWO SECTIONS—SECTION TWO

The Commercial & Financial Chronicle

BANKERS' CONVENTION SECTION.

CONTAINING REPORT OF THE

Convention of American Bankers' Association

Held at LOS ANGELES, OCTOBER 4, 5, 6 and 7, 1910.

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October 15, 1910.

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Federal Reserve Bank of St. Louis

CHARTERED 1836

GIRARD TRUST COMPANY

PHILADELPHIA, PA.

CAPITAL AND SURPLUS, $10,000,000

Acts as Executor, Trustee, Guardian, Administrator, Assignee and Receiver, also as Depositary under Plans of Reorganization, and as Financial Agent for Individuals or Corporations.

Assumes entire charge of Real Estate, allows Interest on Deposits, and Rents Safes in Burglar-Proof Vaults.

E. B. MORRIS, President

"At the Gateway of the Great Southwest"

Mississippi Valley Trust Company

ST. LOUIS

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JOHN I. BEGGS, President Milwaukee Light, Heat and Traction Co.
WILBUR F. BOYLE, Boyle & Priest
JAMES E. BROCK, Secretary
MURRAY CARLETON, President Carleton Dry Goods Co.
CHARLES CLARK
HORATIO N. DAVIS, President Smith & Davis Mfg. Co.
JOHN D. DAVIS, Vice-President
DAVID R. FRANCIS, Francis, Bro. & Co.
S. E. HOFFMAN, Vice-President
BRECKINRIDGE JONES, President
W. J. McBRIDE, Vice-President Haskell & Barker Car Co.
WILLIAM G. LACKEY, Vice-President
NELSON W. McLEOD, President German Savings Institution
SAUNDERS NORVELL, President Norvell-Shapleigh Hardware Co.
ROBERT J. O'REILLY, M. D.
WM. D. ORTHWEIN, President Wm. D. Orthwein Grain Co.
HENRY W. PETERS, President Peters Shoe Co.
H. CLAY PIERCE, Chairman Board Waters-Pierce Oil Co.
AUGUST SCHLAFLY, August Schlafly & Sons
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JULIUS S. WALSH, Chairman of the Board
ROLLA WELLS

Six Efficiently Organized Departments

CAPITAL, SURPLUS AND PROFITS OVER $8,000,000

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Wm. A. Read & Co.

Bankers

25 Nassau Street, New York

Dealers in

Municipal, Railroad and other Investment Securities. List of Current Offerings upon application

Members of the
New York, Chicago and
Boston Stock Exchanges.

BOSTON
19 Congress Street

BALTIMORE
203 East German Street

CHICAGO
240 La Salle Street

LONDON, E. C., 5 Lothbury

WINSLOW, LANIER & CO.

59 Cedar Street, New York

BANKERS

Deposits Received Subject to Draft
Interest Allowed on Deposits
Securities Bought and Sold on Commission

Act as Fiscal and Transfer Agents
Also as Agents for Corporations, for the payment of interest and dividends

FOREIGN EXCHANGE, LETTERS OF CREDIT

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BROWN BROTHERS & CO.

59 Wall Street, New York

4th and Chestnut Streets, Philadelphia — 60 State Street, Boston

AND

ALEX. BROWN & SONS

Baltimore and Calvert Streets, Baltimore — ALL CONNECTED BY PRIVATE WIRE

Members of the NEW YORK, PHILADELPHIA, BOSTON & BALTIMORE STOCK EXCHANGES

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

BILLS OF EXCHANGE BOUGHT AND SOLD

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.

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 on favorable terms.

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

BROWN, SHIPLEY & CO.

FOUNDER'S COURT, LOTHBURY, E. C.

SPECIAL OFFICE FOR TRAVELERS, 123 PALL MALL, S. W.

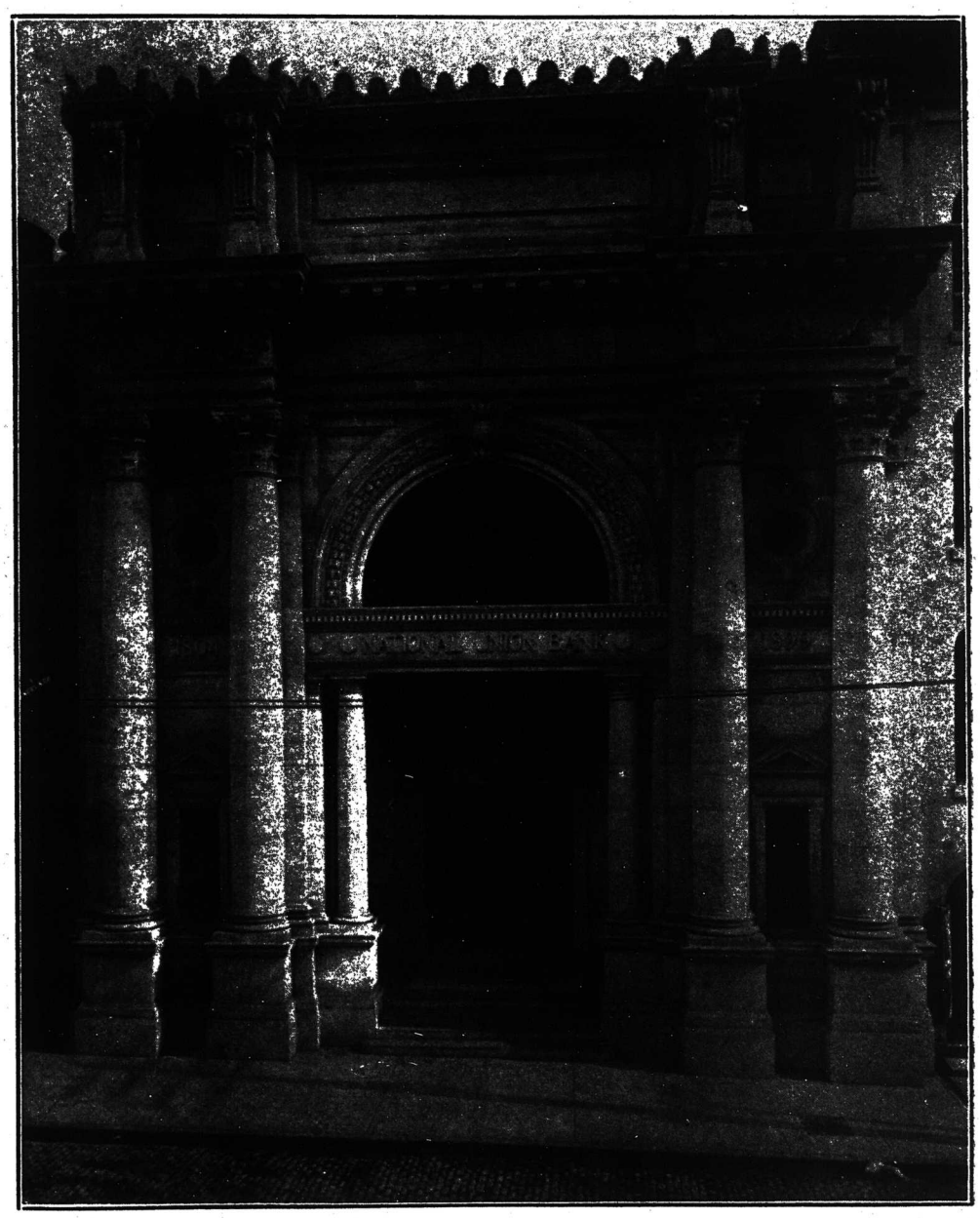
LONDON

tized for FRASER

The NATIONAL UNION BANK of MARYLAND

AT BALTIMORE, MARYLAND

Capital, $1,000,000 **Surplus and Undivided Profits, Net, $623,421.34**



WILLIAM WINCHESTER, President

ROBERT A. DIGGS, Cashier **MILTON B. WILLIAMS, Asst. Cashier**

DIRECTORS

WM. WINCHESTER, President.
WM. A. MARBURG, Capitalist.
H. CRAWFORD BLACK, President of the Black, Sheridan & Wilson Co., Wholesale Coal Dealers.
R. BRENT KEYSER, President Board of Trustees Johns Hopkins University.
EDWIN G. BAETJER, of Venable, Baetjer & Howard, Attorneys-at-Law.
ROBT. K. WARING, President Central Savings Bank.
CLARENCE W. WATSON, President Consolidation Coal Co., President Somerset Coal Co., President Fairmont Coal Co.
E. STANLEY GARY, of Jas. S. Gary & Son, Manufacturers of Cotton Goods.
EDWARD P. GILL, of Wm. D. Gill & Son, Lumber merchants.

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Excellent connections for collecting items on Southern Atlantic Coast Cities and States, at rates depending upon balances maintained by correspondents with us.

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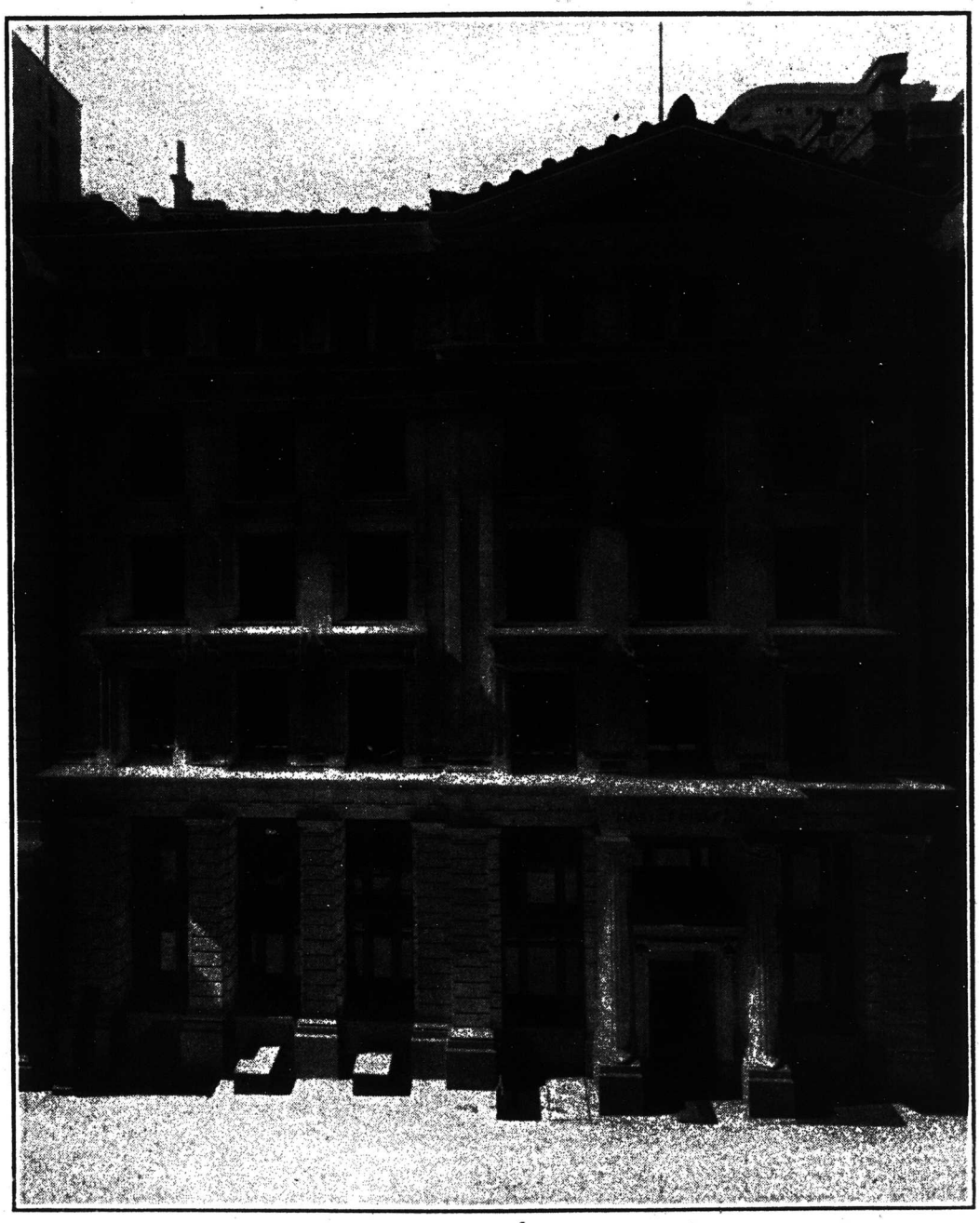

United States Bonds

MUNICIPAL, RAILROAD
AND OTHER
INVESTMENT SECURITIES

tized for FRASER

Clark, Dodge & Co.

(Established 1847)

BANKERS

Transact a general banking and investment business.

Dealers in high grade Railroad Bonds.

Act as fiscal agents for corporations.

Negotiate security issues of Railroads.

Statistical information furnished Trustees and Investors.

51 Wall Street New York City

tized for FRASER
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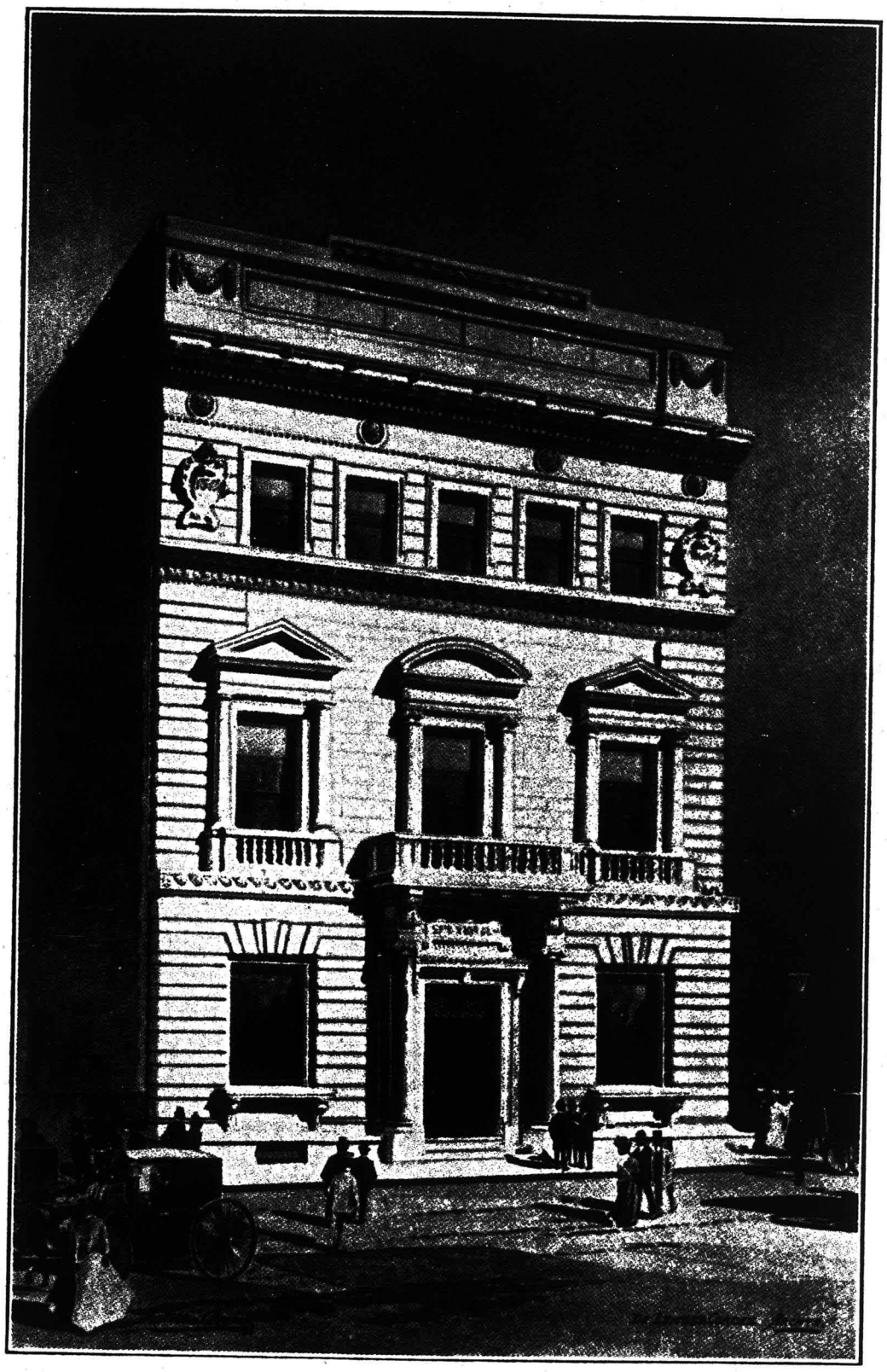
SPEYER & CO.

24-26 Pine Street, NEW YORK



AGENTS FOR

SPEYER BROTHERS - - - - - London
LAZARD SPEYER-ELLISSEN - Frankfort ℅M
GEBR. TEIXEIRA de MATTOS - Amsterdam

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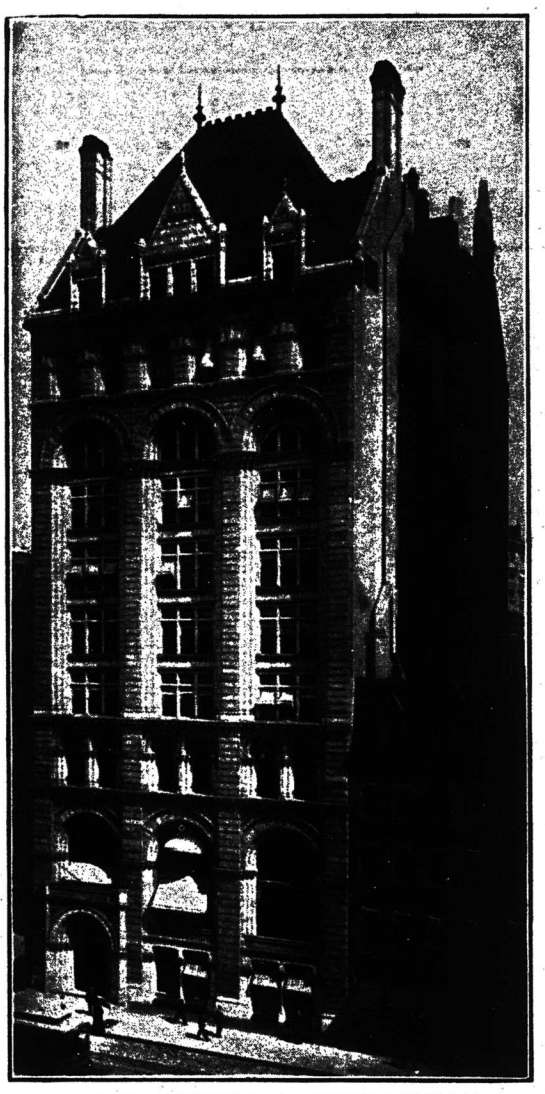
UNION TRUST COMPANY

OF NEW YORK

CHARTERED 1864

Main Office: 80 Broadway



MAIN OFFICE, 80 BROADWAY.

Uptown Branch: 425 Fifth Avenue

Capital $1,000,000.00 Surplus $7,737,279.10

Total Resources $71,945,002.88

OFFICERS

EDWIN G. MERRILL, President

AUGUSTUS W. KELLEY, Vice-President
JOHN V. B. THAYER, Vice-President and Secy.
EDWARD R. MERRITT, Vice-President
CARROLL C. RAWLINGS, Trust Officer
HENRY M. POPHAM, Asst. Secretary
T. W. HARTSHORNE, Asst. Secretary
HENRY M. MYRICK, Asst. Secretary

TRUSTEES

H. VAN RENSSELAER KENNEDY,
W. EMLEN ROOSEVELT,
AUGUSTUS W. KELLEY,
N. PARKER SHORTRIDGE,
HARRISON E. GAWTRY,
CHARLES H. TWEED,
JAMES SPEYER,
ROBERT WALTON GOELET,
WILLIAM WOODWARD,
JOHN V. B. THAYER,
AMORY S. CARHART,
WALTER P. BLISS,
FREDERIC deP. FOSTER,
AMOS F. ENO,
ADRIAN ISELIN, JR.,
JAMES GORE KING,
EDWIN G. MERRILL,
M. ORME WILSON.
V. EVERIT MACY.

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The Mercantile Trust Company

Equitable Building

New York

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

SURPLUS and UNDIVIDED PROFITS (earned) over $7,450,000

DIRECTORS

John Jacob Astor
Paul D. Cravath*
Thomas De Witt Cuyler
William A. Day
Henry W. de Forest*
Chauncey M. Depew
John F. Dryden
Rudulph Ellis
Edwin Gould
George J. Gould*
Clement A. Griscom
Edwin Hawley
James J. Hill
Alvin W. Krech
John J. McCook
Gates W. McGarrah*
Robert Mather
Paul Morton*
William C. Poillon
George L. Rives
J. Roosevelt Roosevelt
Clendenin J. Ryan
Mortimer L. Schiff*
T. P. Shonts
J. J. Slocum
Valentine P. Snyder*
Gage E. Tarbell
John T. Terry*
Harold B. Thorne
S. Davies Warfield

*Executive Committee

OFFICERS

JOHN T. TERRY - - - - - - - - Vice-President
WILLIAM C. POILLON - - - - - - - - Vice-President
HAROLD B. THORNE - - - - - - - - Vice-President
GUY RICHARDS - - - - - - - - - Secretary
GEORGE W. BENTON - - - - - - - - - Treasurer
BETHUNE W. JONES - - - - - - Assistant Secretary
HARRY N. DUNHAM - - - - - - Assistant Treasurer

HORACE E. DEUBLER - - - - - - - - - Auditor
ISAAC MICHAELS - - - - - - - - Trust Officer

Securities held in Trust for Individuals, $15,253,000
Securities held in Trust for Corporations, $808,154,000
Trustee under existing Corporate Mortgages, $1,643,340,000

Transacts a general Banking and Trust Company business. Allows interest on daily balances. Acts as Executor, Administrator, Trustee, Guardian, Committee, Receiver, Transfer Agent, Registrar, Depositary, Fiscal Agent of Corporations, and in all other representative capacities.

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New York Life Ins. 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 deposites 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

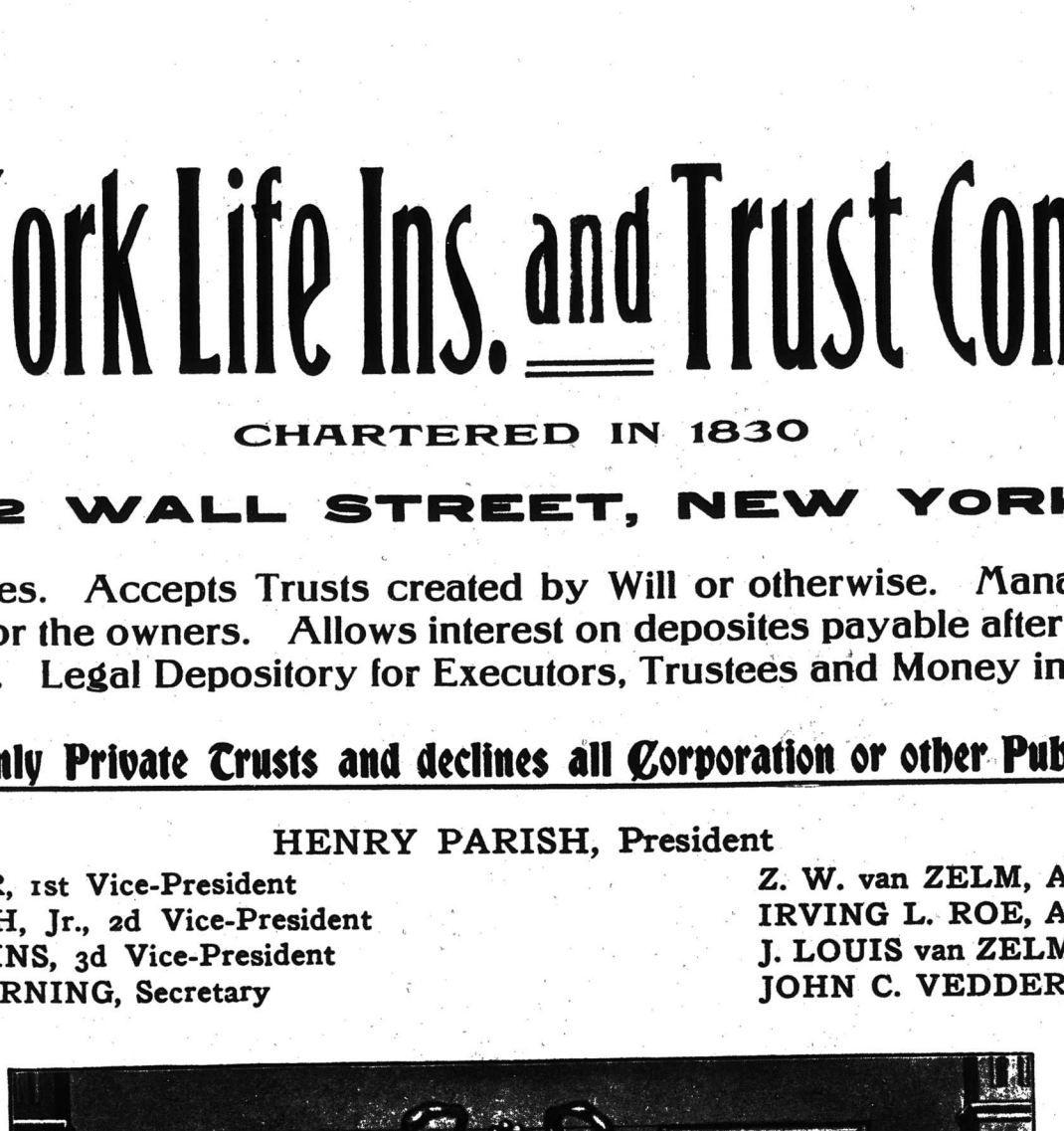
HENRY PARISH, President

WALTER KERR, 1st Vice-President
HENRY PARISH, Jr., 2d Vice-President
S. M. B. HOPKINS, 3d Vice-President
GEORGE M. CORNING, Secretary

Z. W. van ZELM, Asst. Secretary
IRVING L. ROE, Asst. Secretary
J. LOUIS van ZELM, Asst. Secretary
JOHN C. VEDDER, Asst. Secretary

TRUSTEES

Chas. 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
John Jacob Astor



TRUSTEES

Joseph H. Choate
Samuel Thorne
John L. Cadwalader
Augustus D. Juilliard
Henry Lewis Morris
George G. DeWitt
Cornelius Vanderbilt
John McL. Nash
John Claflin
Cleveland H. Dodge
Thomas Denny
Lincoln Cromwell
Paul Tuckerman
Eugene E. Osborn

Corner Stone of the Old United States Branch Bank.

Placed in the Trustee's 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 August 31, 1910.

ASSETS		LIABILITIES.	
Real Estate	$ 2,545,028.89	Capital	$ 1,000,000.00
Bonds and Mortgages	3,847,574.80	Surplus Fund and Undivided Profits (Market Value)	3,936,371.16
Loans on Collaterals	4,544,165.00	Deposites in Trust	39,036,049.32
Bills Receivable	16,069,334.71	Annuity Fund	2,263,129.53
Cash on Deposite	1,048,348.60	Life Insurance Fund	382,373.52
Cash in Company's Vaults	5,500,000.00	Interest Due Depositors, Taxes, &c	841,327.98
Accrued Interest, Rents, Suspense Account, &c	1,082,298.18		
Bonds and Stocks (Market Value)	12,822,501.33		
	$47,459,251.51		**$47,459,251.51**

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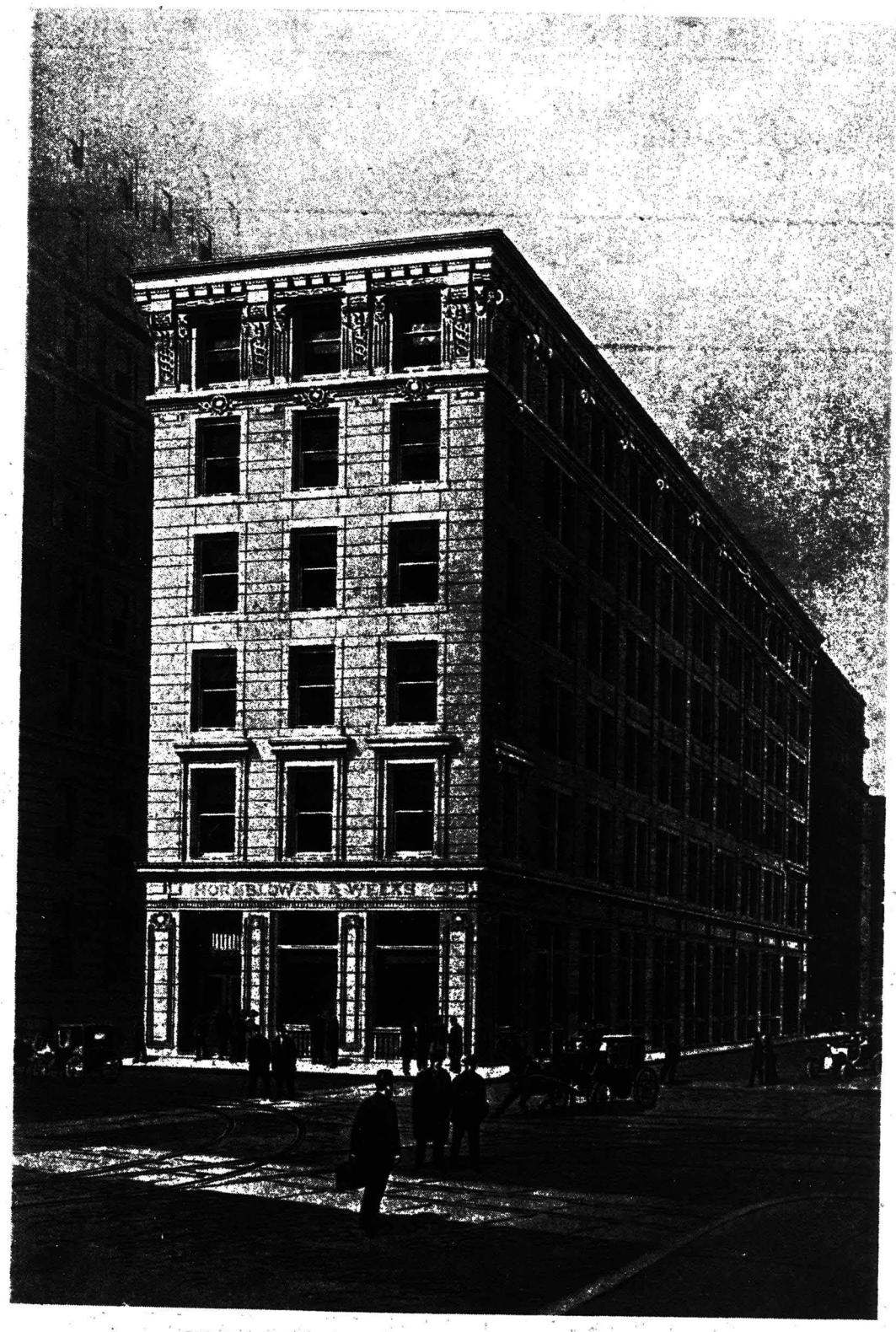
HORNBLOWER & WEEKS

Members New York, Boston and Chicago Stock Exchanges

DIRECT PRIVATE WIRES

INVESTMENT SECURITIES



HORNBLOWER & WEEKS BUILDING, BOSTON

OFFICES

BOSTON, MASS.
60 Congress St.

NEW YORK
42 Broadway

CHICAGO
152 Monroe St.

DETROIT - - - Majestic Bldg.

NEW HAVEN, CONN. 27 Center St.

HARTFORD, CONN. 49 Pearl St.

NEWPORT, R. I. 33 Bellevue Ave.

PROVIDENCE, R. I. 10 Weybosset St.

MAPLEWOOD HOTEL, WHITE MOUNTAINS, N. H.

itized for FRASER

CENTRAL TRUST COMPANY
OF NEW YORK

No. 54 WALL STREET

CAPITAL - - - -	$ 3,000,000
SURPLUS - - - -	15,000,000
UNDIVIDED PROFITS - -	1,124,819

Allows interest on deposits, returnable on demand, or at specified dates. Is a legal depository for money paid into Court. Is authorized to act as Executor, Administrator, Guardian, or in any other position of trust. Also as Registrar or Transfer Agent of Stocks and Bonds, and as Trustee for Railroad and other Mortgages.

J. N. WALLACE, President,
E. F. HYDE, Vice-President, M. FERGUSON, Secretary,
B. G. MITCHELL, Vice-President, F. B. SMIDT, Asst. Secretary,
D. OLCOTT, 2d, Vice-President, C. P. STALLKNECHT, Asst. Secy.

BOARD OF TRUSTEES

GEO. MACCULLOCH MILLER,
CORNELIUS N. BLISS,
JAS. N. JARVIE,
WILLIAM A. READ,
JAMES N. WALLACE,
SAMUEL THORNE,
ADRIAN ISELIN, JR.
E. F. HYDE,
HENRY EVANS,
DUDLEY OLCOTT, 2d.
CHAS. LANIER,
A. D. JUILLIARD,
JAMES SPEYER,
HENRY D. BABCOCK,
DUDLEY OLCOTT.

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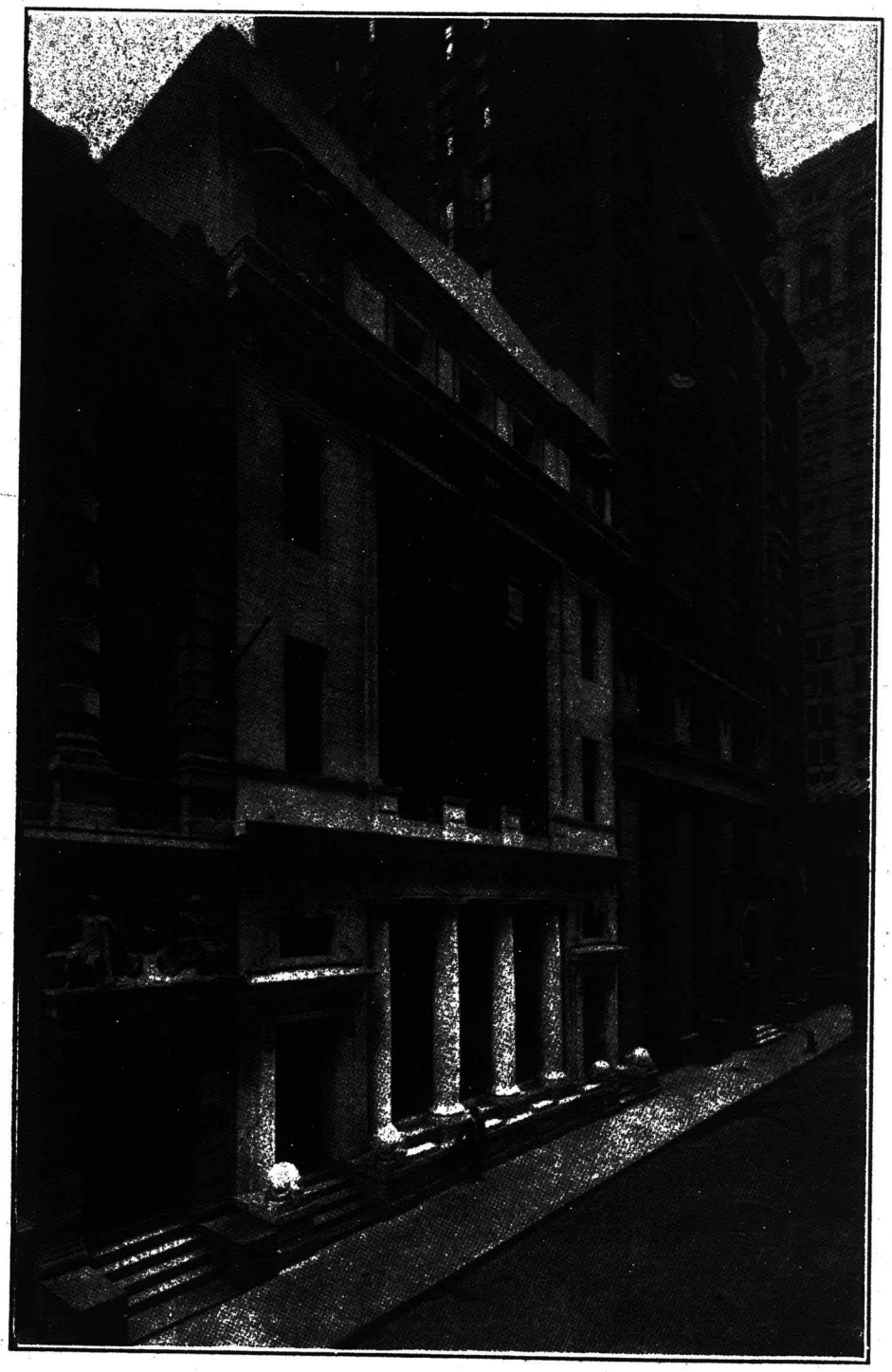
Redmond & Co.

33 Pine Street, New York

624 Fifth Avenue, New York

507 Chestnut Street, Philadelphia

Do a General Foreign and Domestic Banking Business



REDMOND BUILDING, 33 PINE STREET, NEW YORK

Make arrangements with banks and bankers, whereby they can draw their own direct drafts, as principals, on any banking city of the world.

Issue
Letters of Credit
and
Travelers' Cheques
Payable all
over the Globe

Open
Commercial Credits
in favor of
American Importers

Foreign Bills of Exchange
and Cable Transfers

Investment Securities

Act as fiscal agents, and make loans to railroads and corporations. Receive accounts subject to sight-draft, and allow interest on credit balances. Execute commission orders.

Members New York Stock Exchange

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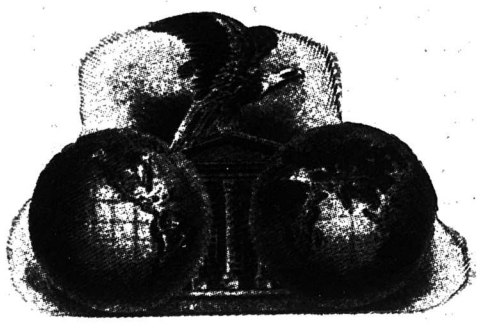
WASHINGTON, D.C. NEW YORK SAN FRANCISCO

Capital and Surplus
$6,500,000



Service at Home
and Abroad

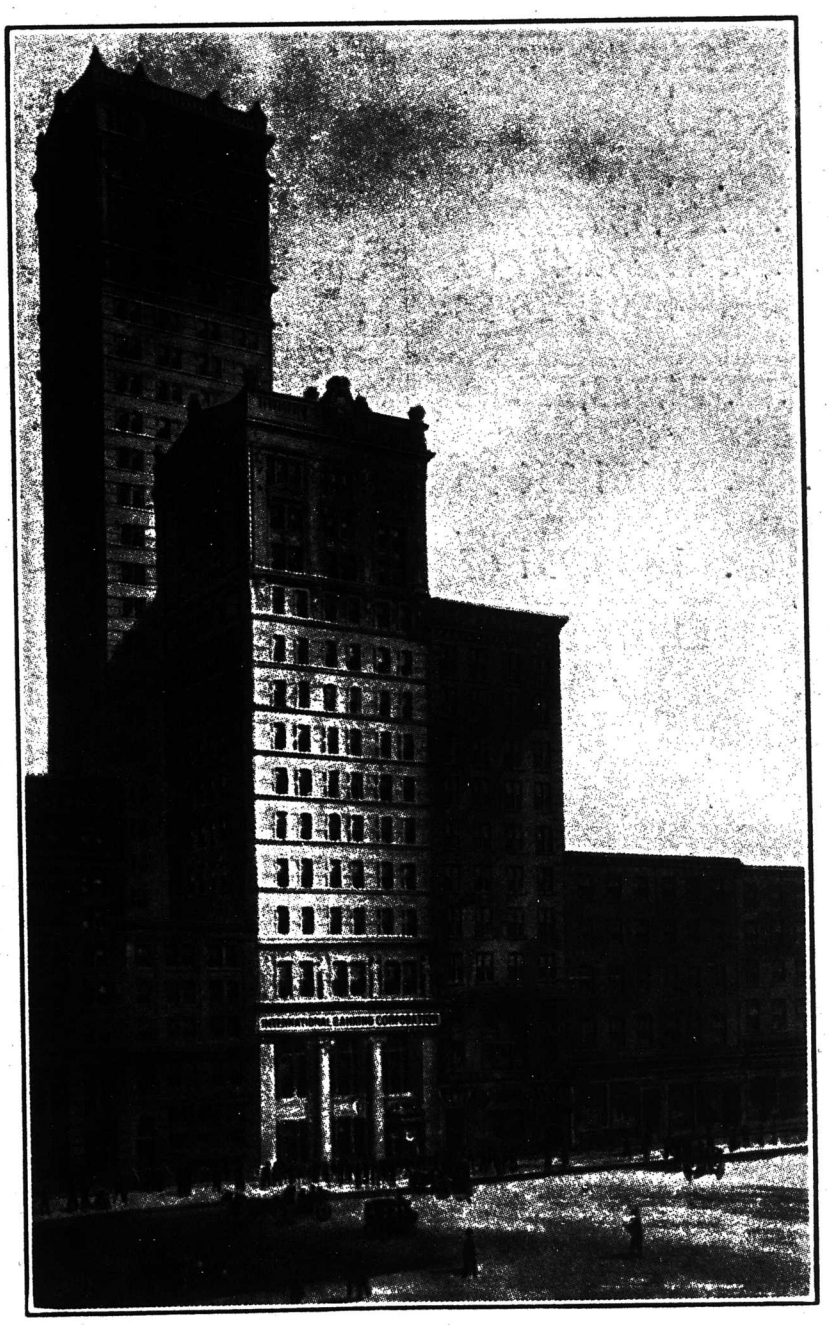
International Banking Corporation

60 WALL STREET, NEW YORK

President
THOMAS H. HUBBARD

DIRECTORS:

Sir H. Montagu Allan
Jules S. Bache
Guy Cary
Marcellus Hartley Dodge
James S. Fearon
Haley Fiske
Edwin Hawley
Lionel Hagenaers
John R. Hegeman
William G. Henshaw
Erskine Hewitt
John Hubbard
Thomas H. Hubbard
Henry E. Huntington
John J. McCook
Henry P. McIntosh
George H. Macy
Pierre Mali
Henry S. Manning
Paul Morton
Allan W. Paige
Henry Clay Pierce
William A. Read
William Salomon
Hermann Sielcken
William H. Taylor
Sir William C. Van Horne



FOREIGN BRANCHES:

LONDON
BOMBAY
CALCUTTA
SINGAPORE
HONGKONG
CANTON
SHANGHAI
PEKING
HANKOW
YOKOHAMA
KOBE
MANILA
CEBU
MEXICO CITY
PANAMA
COLON
EMPIRE
(Canal Zone)

Banking and Exchange of every description

Special facilities in connection with

Exports and Imports

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ORGANIZED AS NEW YORK GUARANTY AND INDEMNITY COMPANY IN 1864

Guaranty Trust Company of NEW YORK

MAIN OFFICE
28 Nassau Street, New York

5TH AVENUE BRANCH
5th Ave. and 43rd St., New York

LONDON OFFICE
33 Lombard St., London, E. C.

Statement, August 31, 1910

RESOURCES

Bonds and Mortgages	$552,800 00
Public Securities	14,535,369 48
Other Securities	43,255,477 07
Loans and Bills Purchased	44,904,728 58
Cash on Hand and in Banks	34,923,226 02
Due from Foreign Banks and Bankers, Etc.	21,161,331 36
Accrued Interest and Accounts Receivable	1,979,951 67
	$161,312,884 18

LIABILITIES

*Capital Stock	$5,000,000 00
Surplus	18,000,000 00
Undivided Profits	3,143,925 96
Deposits	127,684,065 99
Accrued Interest Payable	559,819 68
Foreign Acceptances	6,925,072 55
	$161,312,884 18

*2,437 shares of the Fifth Avenue Trust Company stock having passed by merger to this Company, the equivalent 1,218½ shares of the stock of this Company are unissued, but will be issued at an early date.

OFFICERS

ALEXANDER J. HEMPHILL, President
MAX MAY, Vice-President
H. M. FRANCIS, Vice-President
WM. C. EDWARDS, Treasurer
JAMES M. PRATT, Assistant Treasurer
W. F. H. KOELSCH, Assistant Secretary
F. J. H. SUTTON, Trust Officer
CHARLES H. SABIN, Vice-President
LEWIS B. FRANKLIN, Vice-President
C. D. LANDALE, Manager, 5th Ave. Branch
E. C. HEBBARD, Secretary
F. C. HARRIMAN, Assistant Treasurer
WALTER MEACHAM, Assistant Secretary
J. I. BURKE, Assistant Trust Officer

DIRECTORS

LEVI P. MORTON, Chairman

CHARLES H. ALLEN
GEORGE F. BAKER
EDWARD J. BERWIND
URBAN H. BROUGHTON
EDMUND C. CONVERSE
T. DeWITT CUYLER
HENRY P. DAVISON
JAMES B. DUKE
ROBERT W. GOELET
DANIEL GUGGENHEIM
EDWIN HAWLEY
ALEXANDER J. HEMPHILL
WALTER S. JOHNSTON
AUGUSTUS D. JUILLIARD
THOMAS W. LAMONT
EDGAR L. MARSTON
GATES W. McGARRAH
PAUL MORTON
CHARLES A. PEABODY
WILLIAM H. PORTER
SAMUEL REA
DANIEL G. REID
THOMAS F. RYAN
CHARLES H. SABIN
WILLIAM D. SLOANE
VALENTINE P. SNYDER
HARRY PAYNE WHITNEY
ALBERT H. WIGGIN

LONDON COMMITTEE

CECIL FRANCIS PARR
ARTHUR JOHN FRASER, Chairman
ROBERT CALLANDER WYSE

itized for FRASER

KNICKERBOCKER TRUST COMPANY

Fifth Ave. & 34th St. - - - - 60 Broadway
Lenox Ave. & 125th St. - - - Third Ave. & 148th St.

NEW YORK CITY

Transacts a General Trust Company Business, Issues Letters of Credit, Accepts Management of Real and Personal Property, Collecting Income and Remitting as Directed. Safe Deposit Vaults at all offices

DIRECTORS

BENJ. L. ALLEN, Vice-Pres. of the Company.
G. LOUIS BOISSEVAN, New York City.
FREDERICK G. BOURNE, New York City.
FRANKLIN Q. BROWN, Redmond & Co., Bankers.
EDWARD H. CLARK, Manager Hearst Estate.
LEWIS L. CLARKE, President Am. Exchange Nat. Bank.
H. RIEMAN DUVAL, President American Beet Sugar Co.
CHARLES F. HOFFMAN, New York City.
J. HORACE HARDING, Charles D. Barney & Co., Bankers.
WILLIAM B. JOYCE, President National Surety Co.
CHARLES H. KEEP, President of the Company.
SAMUEL T. PETERS, William & Peters, Coal Merchants.
WILLIAM A. TUCKER, Tucker, Anthony & Co., Bankers.
PAYNE WHITNEY, New York City.

FOUNDED 1850

Blake Brothers & Co.

50 Exchange Place
NEW YORK

14 State Street
BOSTON

Dealers in Commercial Paper

and all issues of

New York City Bonds

LISTS SENT ON APPLICATION
INVESTMENT SECURITIES BOUGHT AND SOLD

Members of New York and Boston Stock Exchanges

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THE EQUITABLE TRUST COMPANY OF NEW YORK

15 NASSAU STREET — 618 FIFTH AVENUE

Capital, $3,000,000 **Surplus, $10,000,000**

ALVIN W. KRECH, PRESIDENT.

LAWRENCE L. GILLESPIE, Vice-President
FREDERICK W. FULLE, Vice-President
LYMAN RHOADES, Secretary
H. MERCER WALKER, Treasurer
RICHARD R. HUNTER, Assistant Secretary
HERMAN J. COOK, Assistant Treasurer
GEORGE M. STOLL, Assistant Treasurer

TRUSTEES

C. F. Adams, 2nd	William H. Crocker	Edwin Gould	Paul Morton
C. B. Alexander	Thomas De Witt Cuyler	Thomas H. Hubbard	Ralph Peters
Harry Bronner	William A. Day	Edward T. Jeffery	Winslow S. Pierce
Urban H. Broughton	M. Hartley Dodge	Bradish Johnson	Lyman Rhoades
Robert C. Clowry	John F. Dryden	Otto H. Kahn	Valentine P. Snyder
Frederic R. Coudert	Frederick W. Fulle	Alvin W. Krech	William H. Taylor
Paul D. Cravath	Lawrence L. Gillespie	Leonor F. Loree	Henry Rogers Winthrop

Accounts of Banks, Bankers, Corporations and Individuals received upon favorable terms.

Designated depositary for reserve of New York State banks and trust companies

LATHAM, ALEXANDER & CO.

BANKERS

AND

COTTON COMMISSION MERCHANTS

43-49 EXCHANGE PLACE, NEW YORK

CONDUCT A GENERAL BANKING BUSINESS

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

COTTON CONTRACTS FOR FUTURE DELIVERY
BOUGHT AND SOLD ON COMMISSION

Digitized for FRASER

SHOEMAKER, BATES & CO.

BANKERS

37-43 WALL STREET

BRANCH OFFICES:

500 Fifth Ave., N. Y. City

Hotel Waldorf, N. Y. City

MEMBERS NEW YORK AND CHICAGO STOCK EXCHANGES

LIST OF INVESTMENT SECURITIES SENT UPON APPLICATION

UNITED STATES MORTGAGE & TRUST COMPANY

NEW YORK

OFFICERS

JOHN W. PLATTEN, President.
CALVERT BREWER, Vice-President.
CARL G. RASMUS, Vice-President.
FRANK J. PARSONS, Vice-President.
JOSEPH ADAMS, Treasurer.

ALEXANDER PHILLIPS, Secretary.
HENRY L. SERVOSS, Assistant Treasurer.
T. W. B. MIDDLETON, Assistant Secretary.
VICTOR EHRLICHER, Assistant Secretary.
HARRY W. HADLEY, Assistant Treasurer.

DIRECTORS

JAMES G. CANNON.
LEWIS L. CLARKE.
CHARLES A. COFFIN.
THOMAS DE WITT CUYLER.
CHARLES D. DICKEY.
WILLIAM P. DIXON.
ALLEN B. FORBES.
ROBERT A. GRANNISS.

CHARLES M. HAYS.
HENRY R. ICKELHEIMER.
WILLIAM A. JAMISON.
GUSTAV E. KISSEL.
LOUIS C. KRAUTHOFF.
ADOLPH LEWISOHN.
CLARENCE H. MACKAY.
ROBERT OLYPHANT.

JOHN W. PLATTEN.
MORTIMER L. SCHIFF.
HENRY TATNALL
EBEN B. THOMAS.
JAMES TIMPSON.
ARTHUR TURNBULL.
CORNELIUS VANDERBILT.
PAUL M. WARBURG.

---

55 Cedar Street
Broadway and 73d Street
8th Avenue and 125th Street

CAPITAL, - - $2,000,000
SURPLUS, - - $4,000,000

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CHARTERED 1853

United States Trust Company of New York

45 and 47 WALL STREET

CAPITAL, - - - - - - - $2,000,000.00
SURPLUS AND UNDIVIDED PROFITS, 13,733,303.21

EDWARD W. SHELDON, President.
WM. M. KINGSLEY, Vice-President. HENRY E. AHERN, Secretary.
WILFRED J. WORCESTER, Asst. Secretary. CHARLES A. EDWARDS, 2d Asst. Secretary.

T R U S T E E S

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

W. Bayard Cutting,
William Rockefeller,
Alexander E. Orr,
William H. Macy, Jr.,
William D. Sloane,
Gustav H. Schwab,
Frank Lyman,
James Stillman,
John Claflin,
John J. Phelps,
Lewis Cass Ledyard,
Lyman J. Gage,
Payne Whitney,
Edward W. Sheldon,
Chauncey Keep,
George L. Rives,
Arthur C. James,
William M. Kingsley,
William Stewart Tod,
Ogden Mills,
Egerton L. Winthrop.

The Standard Trust Company of New York

25 Broad Street - - - New York, N. Y.

Capital and Surplus, $2,400,000

DIRECTORS

JOHN T. ATTERBURY.
FRANCIS S. BANGS.
WILLIAM M. BARRETT,
ALEXANDER H. DE HAVEN
SAMUEL M. FELTON.
PLINY FISK.
WILLIAM D. GUTHRIE.
FAIRFAX HARRISON.
GARDINER M. LANE.
WILLIAM C. LANE.
E. M. F. MILLER.
JOHN G. McCULLOUGH.
CHARLES L. PACK.
JOHN S. PHIPPS.
HENRY W. PUTNAM, JR.
BASIL W. ROWE.
WILLIAM SALOMON.
CHARLES F. SMILLIE.
JOHN A. SPOOR.
HENRY L. SPRAGUE.
LOUIS L. STANTON.
CHARLES STEELE.
FRANK K. STURGIS.
NATHANIEL THAYER.

OFFICERS

WILLIAM C. LANE, President.
EDWARD M. F. MILLER, Treasurer.
FRANK K. STURGIS, 1st Vice-President.
CHARLES M. BILLINGS, Secretary.
LOUIS L. STANTON, 2nd Vice-President.
E. BRAINERD BULKLEY, Asst. Secretary.
WILLIAM C. COX, Vice-President.
ZELAH VAN LOAN, Asst. Secretary.

EXECUTIVE COMMITTEE

WILLIAM SALOMON.
BASIL W. ROWE.
PLINY PINK.
WILLIAM D. GUTHRIE.
FRANK K. STURGIS.
CHARLES STEELE.
LOUIS L. STANTON.
WILLIAM C. LANE.

INTEREST ALLOWED ON DEPOSITS SUBJECT TO CHEQUE

ACTS AS

Trustee of Corporation Mortgages
Fiscal Agent for Corporations and Individuals
Transfer Agent and Registrar
Depositary under plans of reorganization
Executor, Administrator, Guardian, Trustee, Receiver, Attorney and Agent

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The Mechanics and Metals National Bank

OF THE CITY OF NEW YORK

Capital $6,000,000 **Surplus $6,000,000**

OFFICERS

GATES W. McGARRAH, Pres.
ALEXANDER E. ORR, Vice-Pres.
NICHOLAS F. PALMER, Vice-Pres.
ANDREW A. KNOWLES, Vice-Pres.
FRANK O. ROE, Vice-Pres.
WALTER F. ALBERTSEN, Vice-Pres.
JOSEPH S. HOUSE, Cashier.
ROBERT U. GRAFF, Asst. Cash.
JOHN ROBINSON, Asst. Cash.
CHARLES E. MILLER, Asst. Cash.

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

IRVING NATIONAL EXCHANGE BANK

CONDITION—Sept. 1st, 1910

ASSETS

Immediately Available		
Cash in vault and checks for clearings	$7,994,008.92	
Due from Correspondents and Demand Loans	6,472,605.68	$14,466.614.60
Available Within 30 Days		
Loans due in 30 days	3,414,987.98	
U. S. and other Bonds	2,406,555.35	
Other investments	206,400.00	6,027,943.33
Other Loans and Discounts		
Due within 4 months	7,084,213.09	
Due after 4 months	3,815,219.24	10,899,432.33
		$31,393,990.26

LIABILITIES

Capital		$2,000,000.00
Surplus and Profits		1,655,100.24
Circulation		800,000.00
Deposits { Individual	14.086,031.97	
Deposits { Banks	12,852,858.05	26,938,890.02
		$31,393,990.26

OFFICERS:

Lewis E. Pierson, President
James E. Nichols, Vice-President
Rollin P. Grant, Vice-President
Benj. F. Werner, Vice-President
Harry E. Ward, Cashier
David H. G. Penny, Assistant Cashier
Richard J. Faust, Jr., Assistant Cashier
J. Franklyn Bouker, Assistant Cashier

West Broadway and Chambers St., New York.

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THE LIBERTY NATIONAL BANK

OF NEW YORK

OFFICERS

FREDERICK B. SCHENCK
President

DANIEL G. REID
Vice-President

ZOHETH S. FREEMAN
Vice-President

CHARLES W. RIECKS
2d Vice-President and Cashier

FRED'K P. McGLYNN
Asst. Cashier

HENRY S. BARTOW
Asst. Cashier

HENRY P. DAVISON
Chairman Executive Committee

DIRECTORS

GEO. F. BAKER.
FREDERICK G. BOURNE.
E. C. CONVERSE.
HENRY P. DAVISON.
ZOHETH S. FREEMAN.
T. A. GILLESPIE.
FRANCIS L. HINE.
ARTHUR F. LUKE.
J. ROGERS MAXWELL.
AMBROSE MONELL.
CHARLES A. MOORE.
DANIEL G. REID.
FREDERICK B. SCHENCK.
CHARLES H. STOUT.
HENRY C. TINKER.
CHARLES H. WARREN.

Capital, Surplus and Profits, $3,700,000.00

No. 374

FIRST NATIONAL BANK

OF JERSEY CITY, N. J.

DESIGNATED DEPOSITORY OF THE UNITED STATES

Capital, - - - - - - - - - - -	$400,000.00
Surplus and Net Profits, - - -	$1,240,269.78
Deposits, - - - - - - - - -	$9,002,992.08

OFFICERS

GEORGE T. SMITH, Pres. **ROBERT E. JENNINGS, Vice-Pres.**
EDWARD I. EDWARDS, Cashier

DIRECTORS

Hamilton Wallis, Charles Siedler, George T. Smith, Wm. H. Corbin, Robert E. Jennings, Edward L. Young, Henry E. Niese, Edw. I. Edwards.

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William P. Bonbright & Co.

BANKERS

Members New York Stock Exchange

LONDON	NEW YORK	COLORADO SPRINGS
16 George St.	24 Broad St.	COLORADO
Mansion House, E. C.		

INVESTMENT SECURITIES

Electric Bonds and Stocks a Specialty

The Securities of carefully selected Gas and Electric Companies in growing Western cities and towns combine in an unusual degree the elements of safety of principal and high interest yield, with excellent promise of appreciation.

List of current offerings furnished upon request.

GEO. D. COOK & CO.

BANKERS

71 Broadway, New York

We make a Specialty of Mexican Government, State and Railroad Bonds

RUDOLPH KLEYBOLTE COMPANY, Inc.

NEW YORK CHICAGO PHILADELPHIA CINCINNATI

BONDS

In addition to our offerings of High Grade Municipal, Railroad, Public Service Corporation and Equipment Bonds, we have, after a thorough investigation, come to the conclusion that

IRRIGATION BONDS

are a desirable and secure form of investment. Under laws filed by the Supreme Court, bonds of Colorado Municipal Districts are a prior lien on all lands in the District involved, secured by taxes levied and collected with all other taxes by County officials. Descriptive circular upon request.

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FIDELITY TRUST COMPANY
NEW YORK

COMMENCED BUSINESS MAY 22, 1907

Capital and Surplus,	. . . .	$1,500,000.00
Dividends paid,	. . . .	$97,500.00
Undivided Profits,	Aug. 31, 1910, .	$210,000.00
Deposits, . .	Aug. 31, 1910, .	$6,800,000.00
Total Resources,	Aug. 31, 1910, .	$8,500,000.00

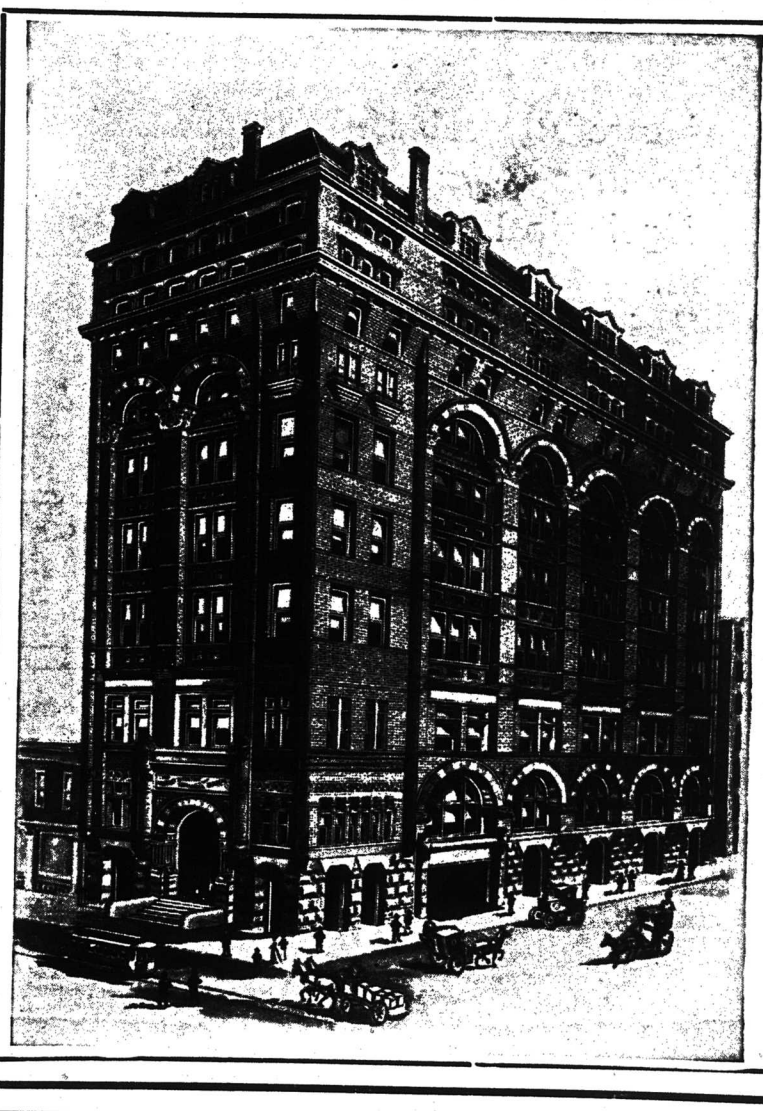
SAMUEL S. CONOVER - - - - - President
WILLIAM H. BARNARD - - - - Vice-President
JOHN W. NIX - - - - - - Vice-President
ANDREW H. MARS - - - - - - Secretary
STEPHEN L. VIELE - - - - Assistant Secretary
ARTHUR W. MELLEN - - - - - Trust Officer

YOUR NEW YORK BUSINESS IS CORDIALLY INVITED

The MARKET and FULTON
NATIONAL BANK OF NEW YORK

ORGANIZED 1852

Progressive
Conservative
Successful



Capital
$1,000,000

Surplus
and
Profits
$1,700,000

Alexander Gilbert
President

Robert A. Parker
Vice-President

Thomas J. Stevens
Cashier

John H. Carr
Asst. Cashier

W. M. Rosendale
Asst. Cashier

Accounts Received on the Most Liberal Terms consistent with Sound Banking

THE PHENIX NATIONAL BANK OF THE CITY OF NEW YORK
NASSAU, COR. LIBERTY ST.

OFFICERS

F. E. MARSHALL, President
ALFRED M. BULL, Vice-President
B. L. HASKINS, Cashier
H. C. HOOLEY, Ass't Cashier

Capital, . . . $1,000,000
Surplus and Profits, $725,000

2% Interest Paid on Bankers' Balances
3% Interest Paid on Time Deposits

DIRECTORS

AUGUST BELMONT, August Belmont Co.
E. W. BLOOMINGDALE, Capitalist.
ALFRED M. BULL, Vice-President.
D. CRAWFORD CLARK, Clark, Dodge & Co.
ELBERT H. GARY, Chairman Board U. S. Steel Corp'n.
R. H. HIGGINS, Harvey Fisk & Sons.
HENRY K. POMROY, Pomroy Bros.
EDWIN A. POTTER, Capitalist.
WM. PIERSON HAMILTON, J. P. Morgan & Co.
GEO. E. ROBERTS, Capitalist.
EDWARD SHEARSON, Shearson, Hammill Co.
FREDERICK D. UNDERWOOD, Pres. Erie R. R. Co.
ROBERT P. PERKINS, Pres. Hartford Carpet Corp.
PIERRE S. DU PONT, Treas. E. I. du Pont de Nemours Powder Co.
FINIS E. MARSHALL, President.

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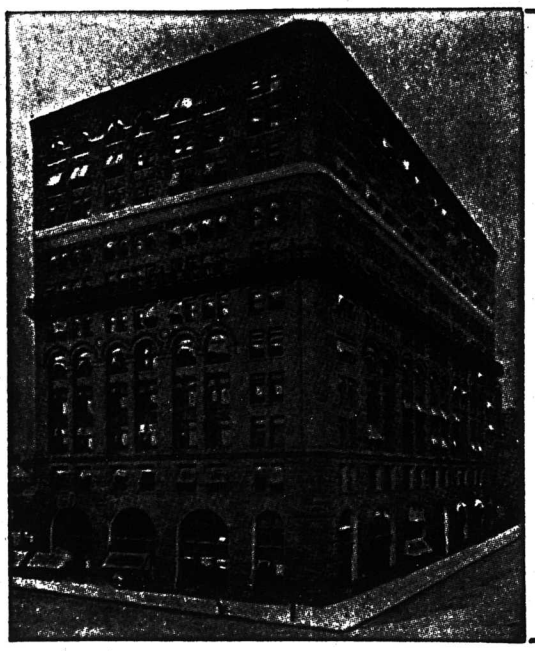


THE

COAL AND IRON NATIONAL BANK

OF THE CITY OF NEW YORK

Capital - - - - - - - $1,000,000.00
Surplus and Profits (Earned) 400,000.00

JOHN T. SPROULL, President
A. A. LISMAN, Vice-President — DAVID TAYLOR, Vice-President
ADDISON H. DAY, Cashier — H. J. DORGELOH, Assistant Cashier

Member New York Clearing House Association

SEABOARD NATIONAL BANK

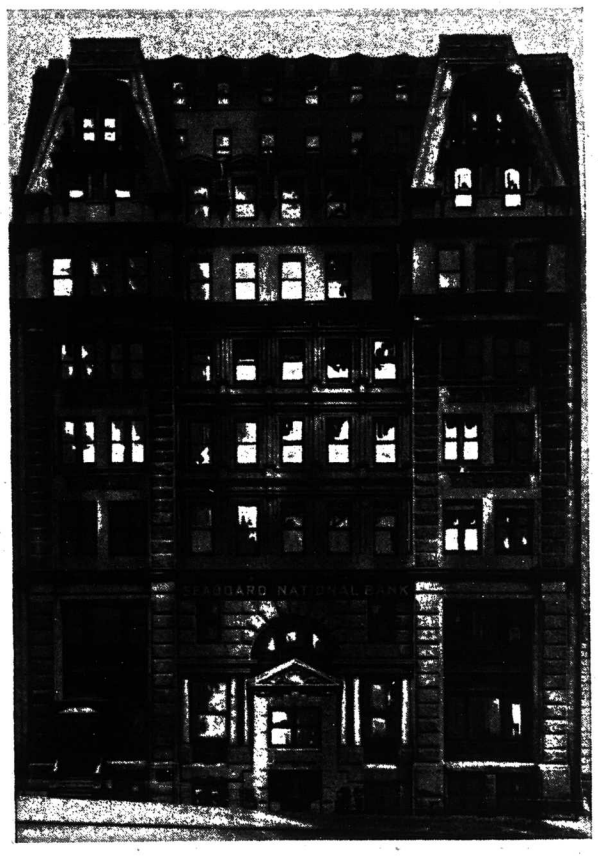
OF THE CITY OF NEW YORK

18 Broadway and 5 Beaver Street

CAPITAL
$1,000,000

SURPLUS and PROFITS
$1,965,000

DEPOSITS
$30,000,000



S. G. BAYNE, President
S. G. NELSON, Vice-President
C. C. THOMPSON, Cashier
W. K. CLEVERLEY, Asst. Cashier
L. N. DeVAUSNEY, Asst. Cashier
J. C. EMORY, Asst. Cashier
O. M. JEFFERDS, Asst. Cashier

DIRECTORS

Samuel G. Bayne
Edward C. Bodman
Joseph Seep
Edw. H. R. Green
T. Wistar Brown
Stuart G. Nelson
Franklin Quinby
Charles Lathrop Pack
Frederick H. Eaton
Wm. W. Lawrence
Herbert H. Hewitt
Charles C. Thompson

WE INVITE YOUR ACCOUNT

ESTABLISHED 1829

MERCHANTS EXCHANGE NATIONAL BANK

Of the City of New York

257 BROADWAY

PHINEAS C. LOUNSBURY, President
KIMBALL C. ATWOOD, Vice-President — EDWARD V. GAMBIER, Cashier
EDWARD K. CHERRILL, Assistant Cashier — E. TILDEN MATTOX, Assistant Cashier

ACCOUNTS OF BANKS, BANKERS, MERCHANTS AND MANUFACTURERS SOLICITED

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FIRST NATIONAL BANK OF LOS ANGELES

Capital .. $1,250,000

Surplus and Undivided Profits
$1,854,000

Deposits $14,100,000

OFFICERS

JOHN M. ELLIOTT	President
STODDARD JESS	Vice-President
W. C. PATTERSON	Vice-President
JOHN P. BURKE	Vice-President
JOHN S. CRAVENS	Vice-President
W. T. S. HAMMOND	Cashier
A. C. WAY	Assistant Cashier
E. S. PAULY	Assistant Cashier
E. W. COE	Assistant Cashier
A. B. JONES	Assistant Cashier

Los Angeles Trust *and* Savings Bank

(Owned by the Stockholders of the First National Bank)

Capital . . . $1,250,000

Surplus and Undivided Profits . . $625,000

Deposits . . $6,900,000

OFFICERS

I. J. C. DRAKE . . . . . President

MOTLEY H. FLINT	Vice-President	WELLINGTON CLARK	Vice-President
H. W. O'MELVENY,	Vice-Pres. and Counsel	LEO S. CHANDLER	Trust Officer
JAY SPENCE	Cashier	H. W. UNDERHILL	Ass't Trust Officer
RALPH DAY	Ass't Cashier	E. L. WISDOM	Real Estate Officer

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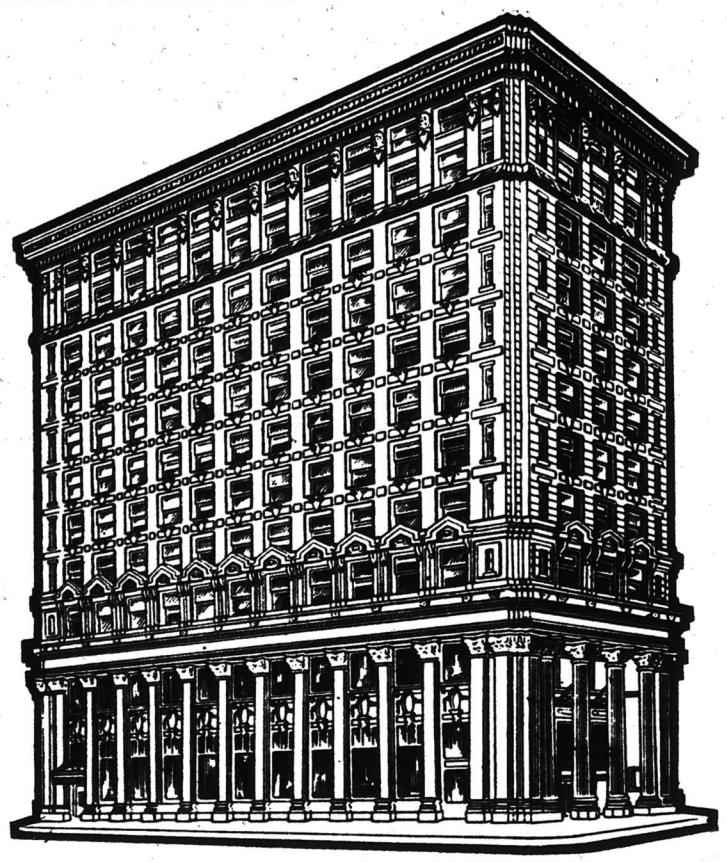

Our Permanent Home

The handsome eleven story building we are now erecting at the corner of Sixth & Spring Streets will, upon completion (about February 1, 1911) become the permanent home of the Los Angeles Trust & Savings Bank. The ground floor will be one of the best equipped banking rooms in the country, while the basement will contain the strongest Safe-Deposit Vaults yet devised.

Capital, Surplus and Undivided Profits $1,850,000

owned by the Stockholders of the

First National Bank of Los Angeles

These Well Known Men Personally Manage this Bank

John P. Burke
Geo. I. Cochran
John S. Cravens
J. C. Drake
J. M. Elliott
A. H. Naftzger
Motley H. Flint
W. M. Garland
W. E. Hampton
W. I. Hollingsworth
Stoddard Jess
Gail B. Johnson
L. Lindsay
W. C. Patterson
Paul R. Maybury
J. S. Torrance
H. W. O'Melveny
George S. Phillips
Wm. R. Staats
Charles H. Sessions
W. L. Stewart

We solicit Accounts of every desirable kind. Correspondence Invited

LOS ANGELES TRUST AND SAVINGS BANK

Present Location: Central Building, Sixth and Main Sts., Los Angeles, Cal.

J. C. WILSON

BANKER AND BROKER — **San Francisco, California**

MEMBER

New York Stock Exchange,
Chicago Board of Trade,
The Stock and Bond Exchange,
San Francisco

PRIVATE WIRE---CHICAGO, NEW YORK

Branch Offices

PALACE HOTEL, San Francisco
HOTEL ALEXANDRIA, Los Angeles
HOTEL DEL CORONADO, Coronado Beach

Correspondents: HARRIS, WINTHROP & CO.
15 Wall St., New York 3 The Rookery, Chicago

C. E. Woodside & Co.

Municipal and Corporation

BONDS

Security Building : : Los Angeles

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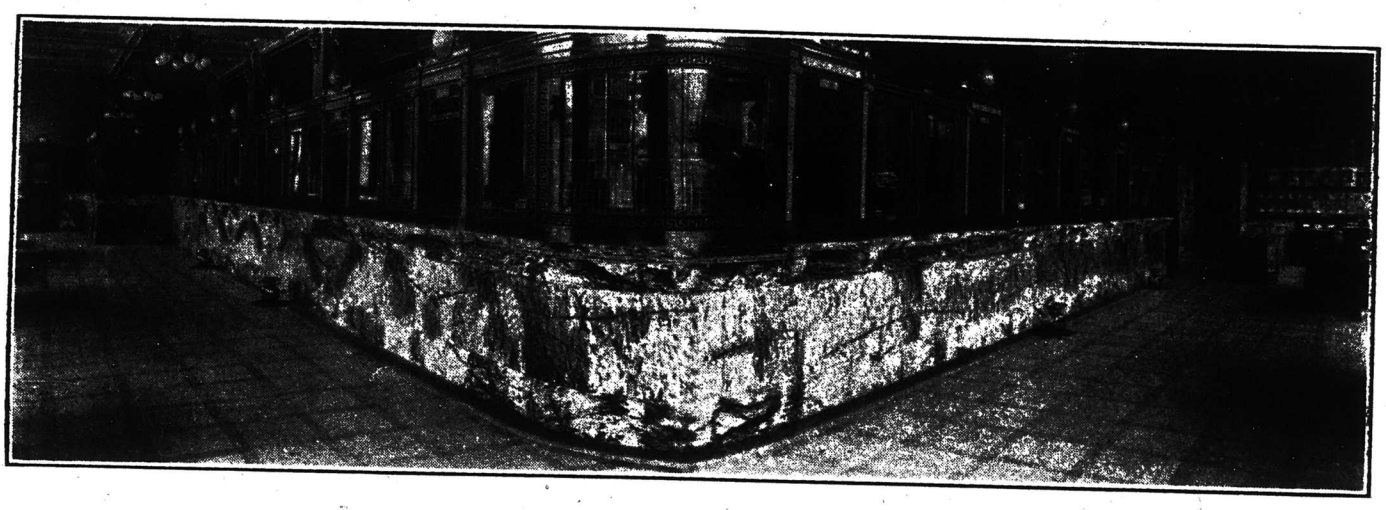
eral Reserve Bank of St. Louis

The Citizens National Bank
OF LOS ANGELES

Paid Up Capital, One Million Dollars
Surplus, Five Hundred Fifty Thousand
Resources, Ten Million Five Hundred Thousand



Ample resources to assure consistent service for all commercial accounts.
No service this bank can render will be regarded as unimportant.
Uniform consideration will be extended in every department

OFFICERS

R. J. WATERS, President
A. J. WATERS, Vice-President
J. ROSS CLARK, Vice-President
M. J. MONNETTE, Vice-President
WM. W. WOODS, Cashier
GEORGE E. F. DUFFET, Ass't Cashier
E. T. PETTIGREW, Ass't Cashier
GEORGE BUGBEE, Ass't Cashier

ESTABLISHED 1858

SUTRO & CO.

INVESTMENT SECURITIES

SPECIALISTS IN
PACIFIC COAST
STOCKS AND BONDS

CORRESPONDENCE SOLICITED AND
INFORMATION CHEERFULLY
FURNISHED

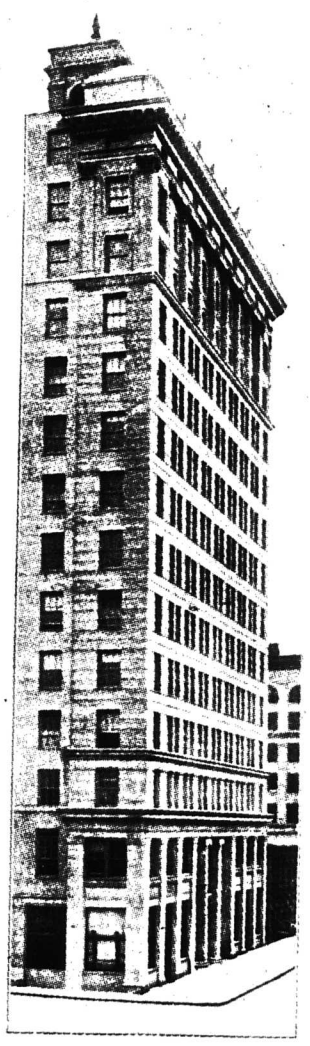
412 Montgomery Street
SAN FRANCISCO, CALIFORNIA

CODES USED

Liebers Bedford McNeill Western Union
Montgomery Sutro & Co. (Private) Postal

MEMBERS
STOCK AND BOND EXCHANGE

SAN FRANCISCO



by reason of its commanding position, midway between Mexico and British Columbia, at the main gateway to the Orient, is the natural clearing house for Pacific Coast business

THE AMERICAN NATIONAL BANK

of San Francisco, by reason of its extensive connections and its facilities for prompt and painstaking service, is well equipped to handle such business.

P. E. BOWLES, - President
GEO. N. O'BRIEN, - Cashier

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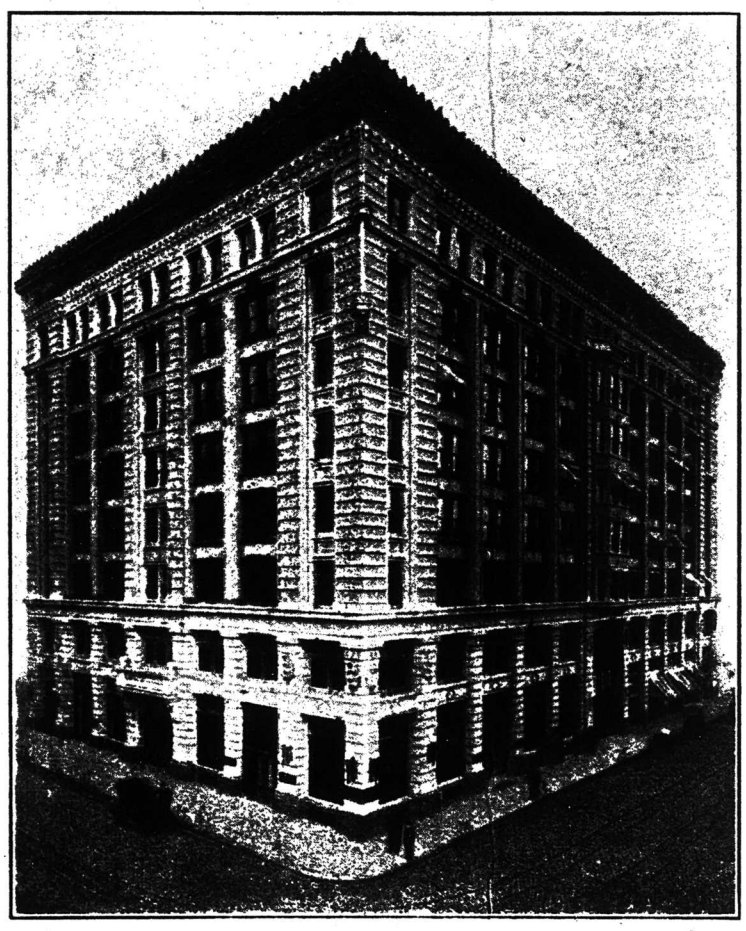
THE NATIONAL BANK OF CALIFORNIA

AT LOS ANGELES

RESOURCES, $6,000,000.00



INVITES LOS ANGELES BUSINESS AND OFFERS UNSURPASSED FACILITIES FOR ITS PROPER TRANSACTION

J. E. FISHBURN, President

R. I. ROGERS, Vice-President

W. D. WOOLWINE, Vice-President

H. S. McKEE, Cashier

C. W. PROLLIUS, Asst. Cashier

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THE ANGLO & LONDON PARIS NATIONAL BANK

SAN FRANCISCO, CALIFORNIA

JUNE 30, 1910

Capital, ... $4,000,000

Surplus and Profits, 1,700,633

Deposits, ... 23,586,632

OFFICERS

SIG. GREENEBAUM, President.

H. FLEISHHACKER, Vice-Pres. & Manager.

JOS. FRIEDLANDER, Vice-President.

C. F. HUNT, Vice-President.

R. ALTSCHUL, Cashier.

A. HOCHSTEIN, Asst. Cashier.

C. R. PARKER, Asst. Cashier.

H. CHOYNSKI, Asst. Cashier.

G. R. BURDICK, Asst. Cashier.

WE particularly appreciate accounts of banks, and being located at the logical distributing point for the entire Pacific Coast, we can give the promptest attention to Coast collections.

tized for FRASER

1st NATIONAL BANK
of SAN FRANCISCO

OFFICERS

RUDOLPH SPRECKELS . .	President
JAMES K. LYNCH . . .	Vice-President
J. K. MOFFITT	Cashier
J. H. SKINNER	Assistant Cashier
C. H. McCORMICK . . .	Assistant Cashier
GEO. A. KENNEDY . . .	Assistant Cashier

FIRST NATIONAL BANK BUILDING

With correspondents in every section of the Pacific Coast, and a modern equipment in all departments, this bank invites correspondence, collections and accounts.

CAPITAL $3,000,000
SURPLUS AND PROFITS . 1,900,000

The First Federal Trust Company, associated with The First National Bank, and located in the same building, is prepared to execute trusts of every description.

CAPITAL $1,500,000

tized for FRASER
://fraser.stlouisfed.org/

California Securities

Newer and faster growing communities must attract capital by offering slightly greater returns than do the older and less rapidly expanding.

The Pacific Coast is converting its natural resources into industrial enterprises at a fast pace, and is a constant seeker of capital.

We have made a specialty of California bonds for sixteen years.

We offer California Municipal, Railway and Corporation Bonds which net higher returns than Eastern securities of equal strength.

If in any way we can aid those interested in California conditions and securities by furnishing data and information, we will be pleased to do so.

You are cordially invited to let us serve you.

JAMES H. ADAMS & COMPANY

111-113 West Fourth Street
Los Angeles

Cor. Sansome and California Sts.
San Francisco

Fielding J. Stilson Co.

Established in 1900

MEMBERS
LOS ANGELES STOCK EXCHANGE

Carefully Selected Investments netting 6 to 8 per cent. per annum

305 H. W. Hellman Building
LOS ANGELES

Wm. R. Staats Co.

DEALERS IN

BONDS

With Special Attention to the Issues of Municipalities and Corporations in the State of California

ALSO

BUY AND SELL LISTED SECURITIES

On Commission Orders

CORRESPONDENCE INVITED

LOS ANGELES
105-107 West Fourth Street

PASADENA
65 So. Raymond Ave

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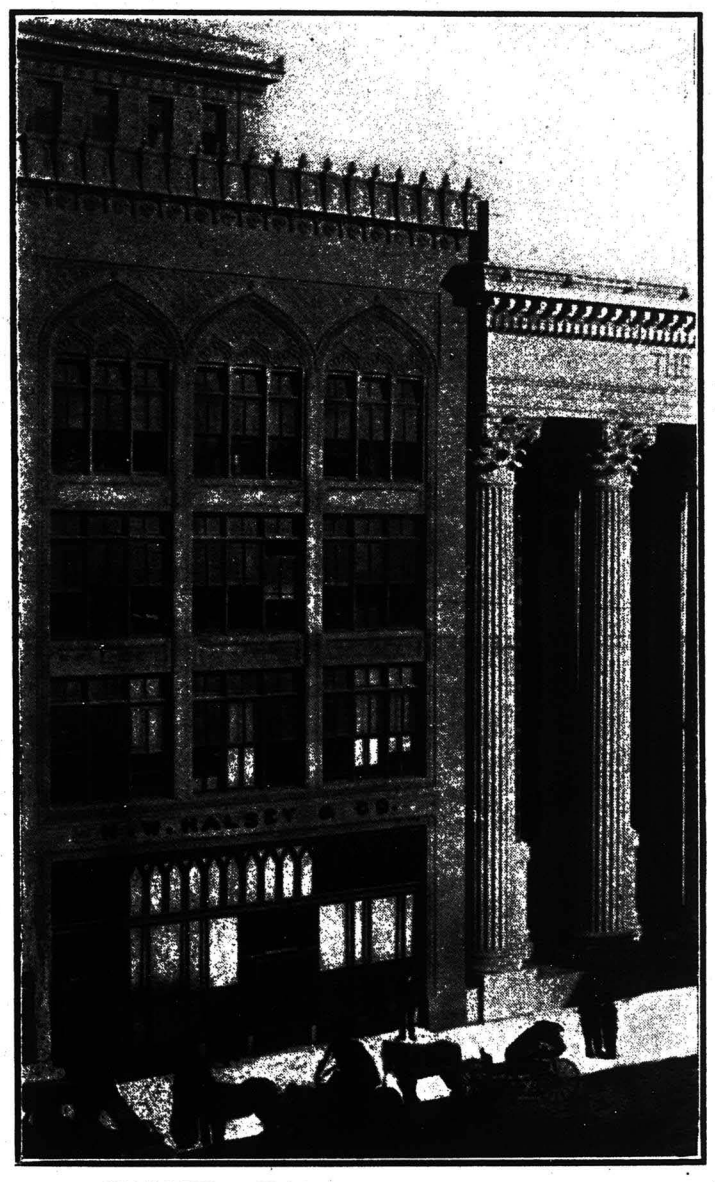
N. W. HALSEY & CO.

Bankers

New York — San Francisco

Philadelphia — Chicago — Los Angeles



HALSEY BUILDING, SAN FRANCISCO

In the purchase of bonds, the value of a banking firm to a client depends upon the scope and efficiency of the service rendered and the integrity and experience of the firm.

We submit the record of our offerings over a period of many years as an indication of our ability and an earnest of our purpose to supply you with dependable investments.

Sound Investment Bonds

Bought --- Sold --- Appraised

Our Organization Covers All American Bond Markets

Inquiry Invited. Address Nearest Office

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TRAVELERS IN CALIFORNIA

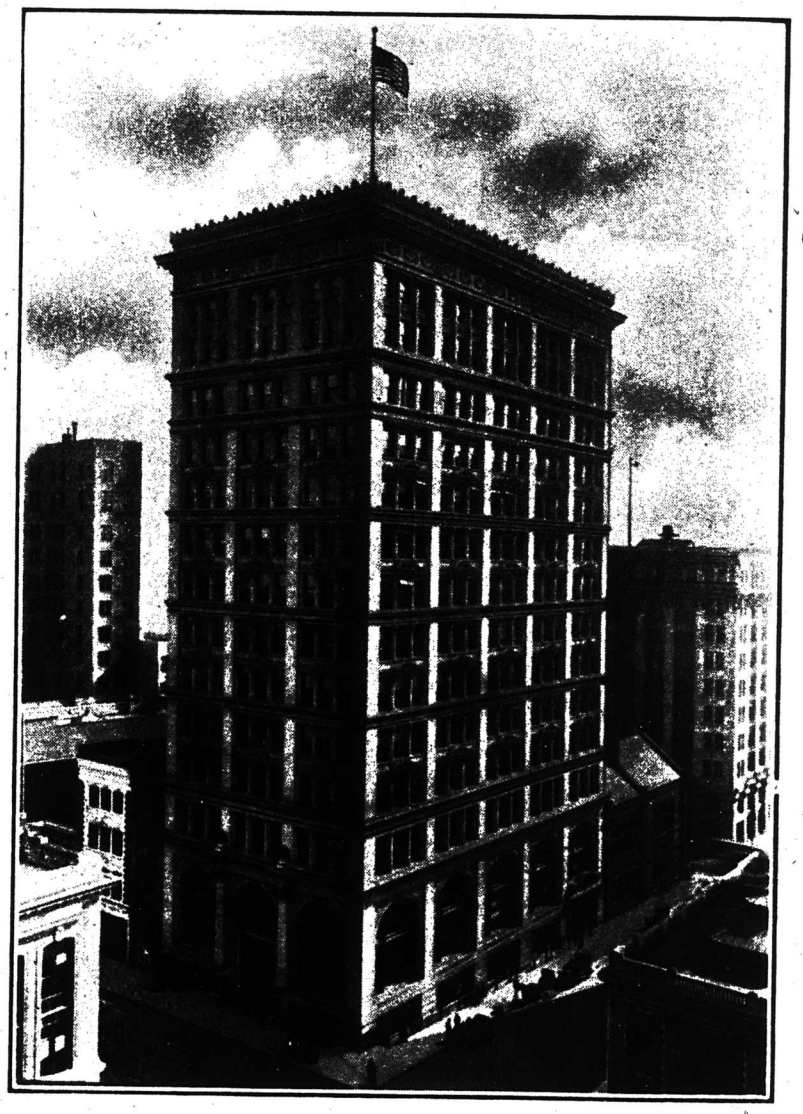
desiring banking facilities are invited to call at the *Union National Bank* when in Pasadena. Especial attention will be given to anyone desiring drafts cashed against Letters of Credit

THE UNION NATIONAL BANK, *Pasadena, California*

H. I. STUART, *President* E. H. GROENENDYKE, *Cashier*

THE CONTINENTAL TRUST COMPANY

BALTIMORE, MD.



Capital . . $1,350,000
Surplus and Undivided Profits . 2,450,000

Invites the Accounts of Banks and Trust Companies

Exceptional Facilities for Handling Collections

Transacts a General Trust and Banking Business

Correspondence Invited

FRANK L. BROWN GEO. L. WALKER C. B. SIMMONS

BROWN-WALKER-SIMMONS CO.

CALIFORNIA LANDS
INVESTMENT SECURITIES

Upon receipt of name and address, we will send postpaid, free of charge, any of the following publications issued by us:

CALIFORNIA'S GREATEST INDUSTRY
HOW TO GET A CALIFORNIA HOME
OIL IS KING
GOLD IN FRUIT IN THE GOLDEN STATE
HOW TO JUDGE OIL STOCKS

BROWN-WALKER-SIMMONS CO.

Metropolitan Life Building, NEW YORK
Crocker Building, SAN FRANCISCO
Couch Building, PORTLAND, OREGON

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FIRST NATIONAL BANK OF PASADENA

Capital, $100,000 Surplus, $180,000 Deposits, $2,000,000

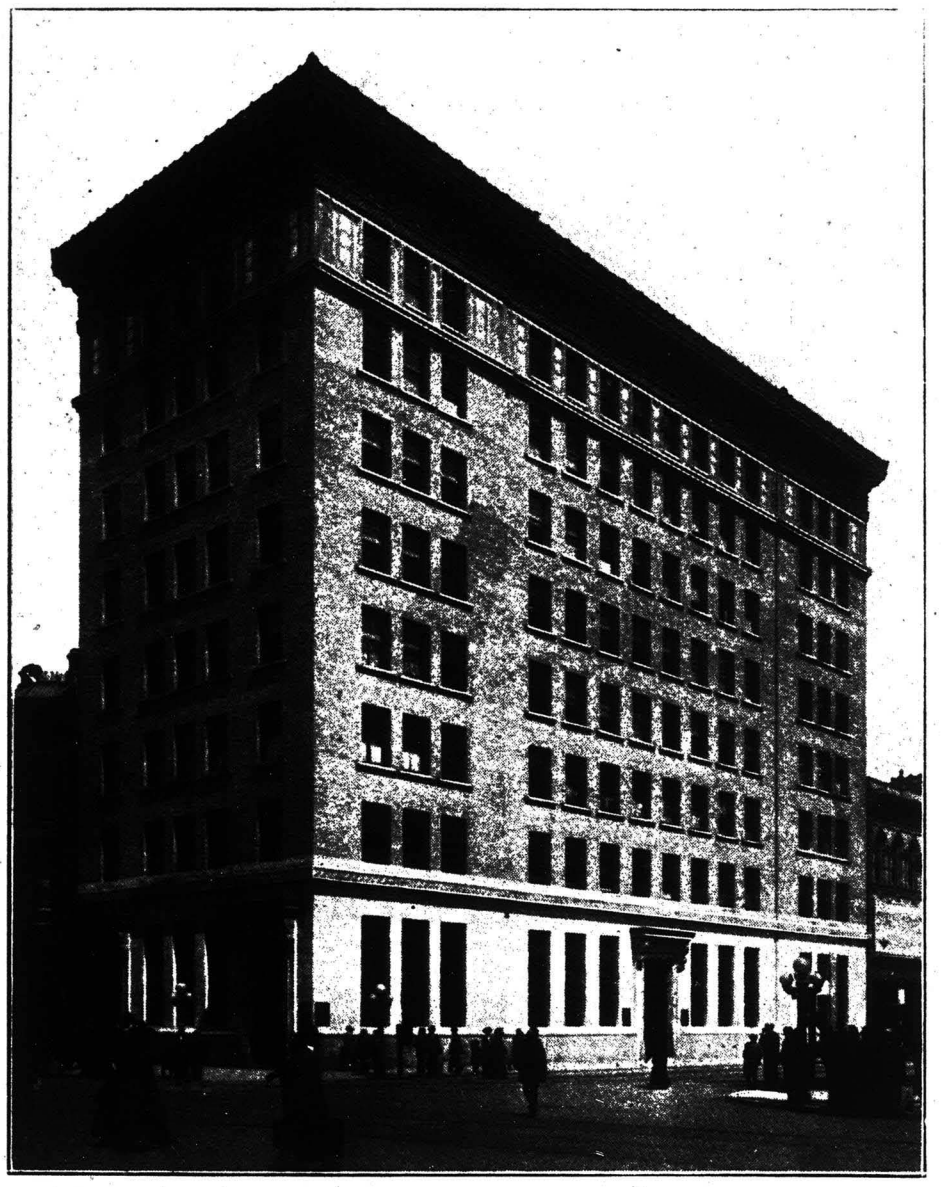
OFFICERS

ERNEST H. MAY — President
A. K. McQUILLING — Vice President
W. H. VEDDER — Vice President
A. E. EDWARDS — Cashier
S. F. JOHNSON — Ass't Cashier
H. A. DOTY — Ass't Cashier

Conservatism in banking means conserving the interests of every customer of the bank—large or small, depositor or borrower. In pursuance of this policy this bank has won the confidence of a discriminating public, which has long realized the fact that the success of a bank and the safety of the funds intrusted to it depend upon honest and judicious administration of affairs.

DIRECTORS

A. K. McQUILLING
H. C. HOTALING
ERNEST H. MAY
WM. H. VEDDER
R. I. ROGERS
C. M. PARKER
T. EARLEY
DON C. PORTER
JOHN McDONALD



THE

Oakland Bank of Savings

OAKLAND, CALIFORNIA

Commercial, Savings and Trust

Capital -	$1,000,000.00
Surplus -	642,370.00
Deposits	19,395,350.00

W. W. GARTHWAITE, - President
W. B. DUNNING, - Vice-President
HENRY ROGERS, - Vice-President
J. Y. ECCLESTON, Sec'y and Cashier
SAMUEL BRECK, - Asst. Cashier
F. A. ALLARDT, - Asst. Cashier
LESLIE F. RICE, - Asst. Cashier
J. A. THOMSON, - Asst. Secretary
A. E. CALDWELL, - Asst. Secretary

DIRECTORS

M. L. REQUA — J. P. EDOFF
JAMES K. MOFFITT — HORACE DAVIS
ARTHUR H. BREED — A. BORLAND
J. Y. ECCLESTON — GEO. H. COLLINS
HENRY ROGERS — W. B. DUNNING
W. W. GARTHWAITE

THE FIRST NATIONAL BANK

OF FRESNO, CALIF.

UNITED STATES DEPOSITARY

Capital - - - - - - - - $500,000.00
Surplus and Undivided Profits - - - 235,000.00

OFFICERS.

O. J. WOODWARD, President. — E. A. WALROND, Cashier.
JACOB VOGEL, Vice-President. — ROY PULLIAM, Asst. Cashier.
T. E. MELLEN, Asst. Cashier.

Assets Over - - - - $3,500,000.00

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E. F. HUTTON & CO.

Bankers

31=39 New St., New York

BRANCHES:

112 West Third Street, Los Angeles
490 California Street, San Francisco
Hotel St. Francis, San Francisco

MEMBERS NEW YORK STOCK EXCHANGE

Private Wire New York to Los Angeles and San Francisco

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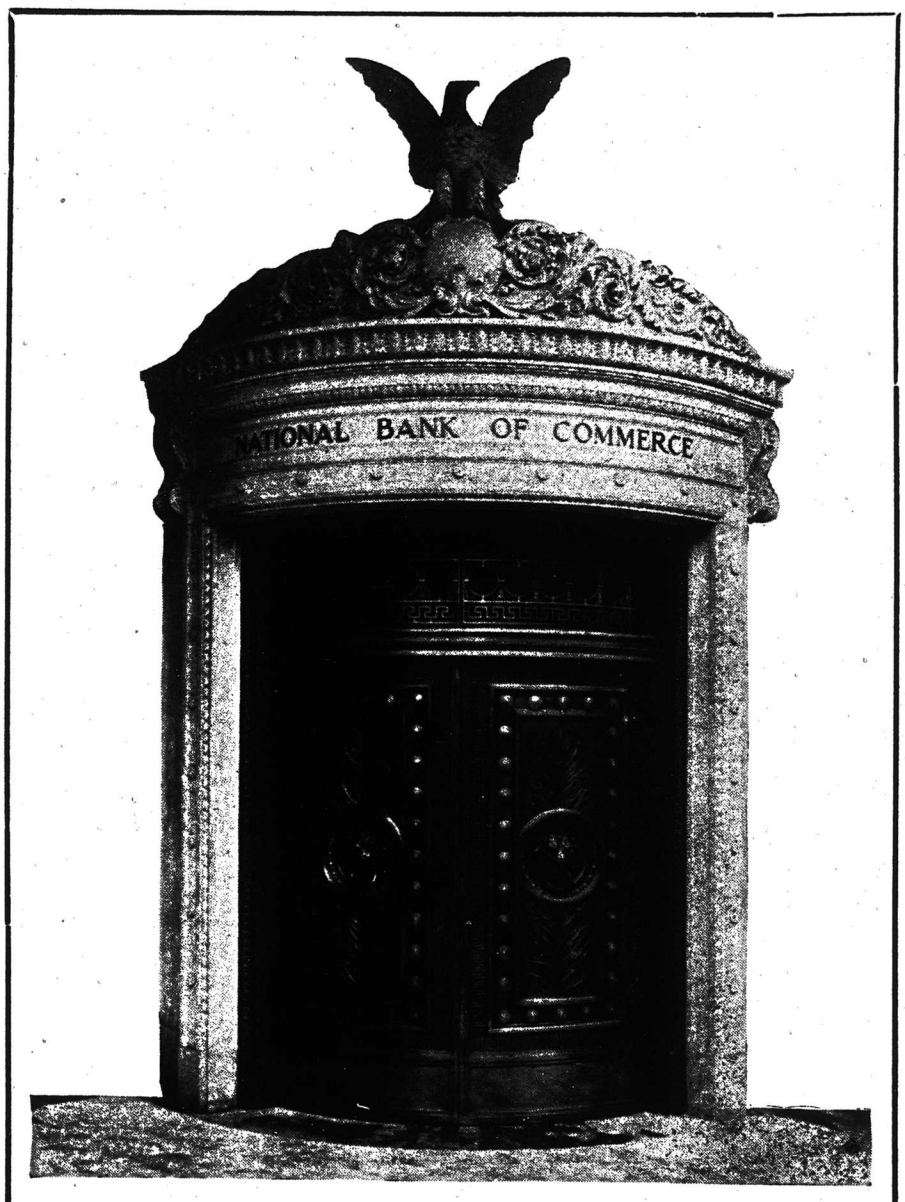
THE NATIONAL BANK OF COMMERCE OF SEATTLE



OFFICERS

M. F. BACKUS, President

R. R. SPENCER, First Vice President
RALPH S. STACY, Second Vice President
J. A. SWALWELL, Cashier
O. A. SPENCER, Assistant Cashier
EMERY OLMSTEAD, Assistant Cashier
R. S. WALKER, Assistant Cashier

Statement of Condition at Close of Business, Sept. 1, 1910

RESOURCES			LIABILITIES		
Loans and Discounts,		$8,255,246.04	Capital,		$1,000,000,00
Overdrafts,		7,088.26	Surplus and Profits,		1,103,058.18
State, County and City Warrants,		257,581.97	Circulation,		235,000.00
Real Estate, Furniture and Fixtures,		77,763.66	Bonds Borrowed,		125,000.00
Foreign Government, R. R. and Other Bonds,		488,350.00	Acceptances Under Letters of Credit,		30,974.51
U. S. Government Bonds to Secure Circulation,		235,000.00	Deposits: Individual,	$8,892,547.21	
U. S. Government Bonds to Secure U. S. Deposits	$ 906,006.25		Banks,	2,443,134.83	
Cash: In Vault,	2,314,791.78		United States,	870,337.01	12,206,019.05
In Banks,	2,146,471.28				
In U. S. Treas.,	11,752.50	5,379,021.81			
		$14,700,051.74			$14,700,051.74

SEND US YOUR NORTHWESTERN BUSINESS

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THE UNITED STATES NATIONAL BANK

OF PORTLAND, OREGON

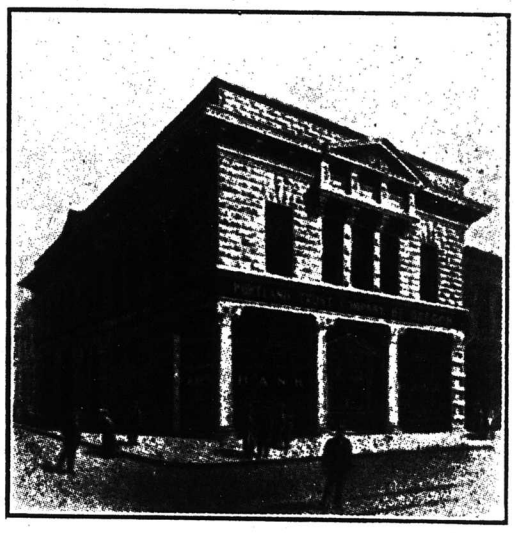
UNITED STATES DEPOSITORY

Capital . . .	$1,000,000.00
Surplus and Profits	800,000.00
Deposits . . .	10,000,000.00

With an honorable and successful record for nearly twenty years and exceptional facilities for handling the accounts of Banks, Firms, Individuals and Corporations

WE SOLICIT YOUR BUSINESS
CORRESPONDENCE INVITED

J. C. AINSWORTH, President
R. LEA BARNES, Vice-President
R. W. SCHMEER, Cashier
A. M. WRIGHT, Assistant Cashier
W. A. HOLT, Assistant Cashier



PORTLAND TRUST COMPANY

PORTLAND, OREGON

Capital - $300,000

Commercial Banking
Twenty-Three Years Old
Correspondence Solicited

MORRIS BROTHERS

PORTLAND, OREGON

ESTABLISHED 1893

Dealers in High-Grade Municipal, Railroad and Public Service Corporation BONDS.

Pacific Coast Securities a Specialty.

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LADD & TILTON BANK

PORTLAND - - OREGON

ESTABLISHED 1859

OLDEST BANK ON THE PACIFIC COAST

CAPITAL - - $1,000,000

SURPLUS AND PROFITS - 600,000

THIS BANK HAS HAD AN UNBROKEN HISTORY OF OVER FIFTY YEARS OF SUCCESSFUL BUSINESS IN PORTLAND

OFFICERS.

W. M. Ladd, President
Edward Cookingham, V-President
W. H. Dunckley, Cashier
R. S. Howard, Jr., Ass't Cashier
J. W. Ladd, Ass't Cashier
Walter M. Cook, Ass't Cashier

DIRECTORS.

Edward Cookingham, Henry L. Corbett, William M. Ladd, Charles E. Ladd, J. Wesley Ladd, S. B. Linthicum, Frederic B. Pratt, Theodore B. Wilcox.

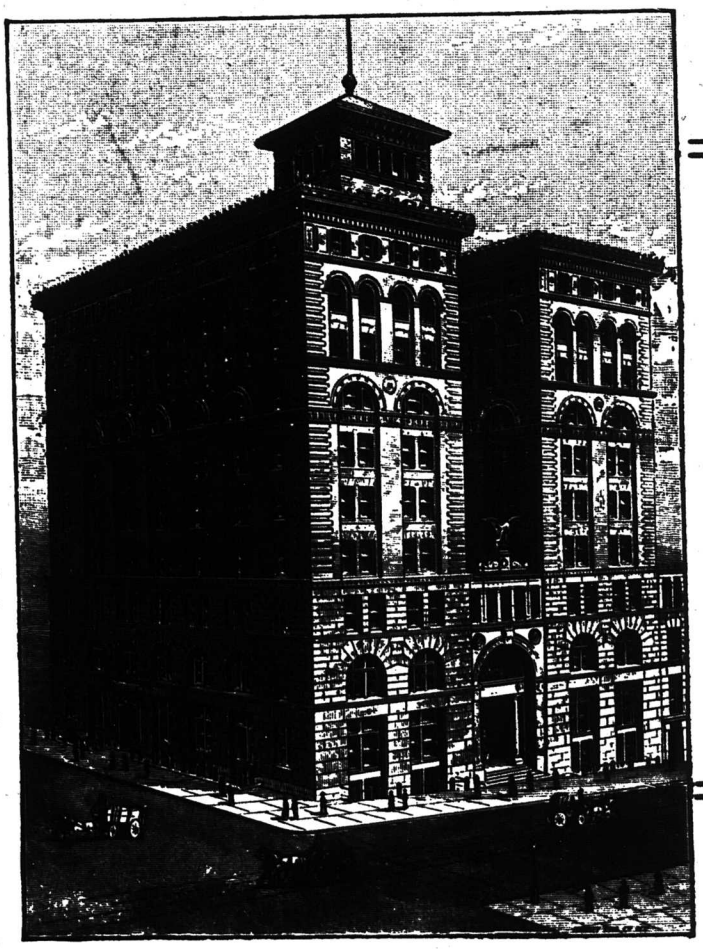
Accounts of Banks, Firms, Corporations and Individuals Solicited. We are prepared to furnish depositors every facility consistent with good banking.

CAREFUL ATTENTION GIVEN TO COLLECTIONS

THE

OMAHA NATIONAL BANK

OMAHA, NEB.



Capital - - - $1,000,000

Surplus and Profits - 535,000

Resources - - 14,000,000

J. H. MILLARD, President
WM. WALLACE, Vice-President
W. H. BUCHOLZ, Vice-President
WARD M. BURGESS, Vice-President
J. DeF. RICHARDS, Cashier
FRANK BOYD, Assistant Cashier
B. A. WILCOX, Assistant Cashier
EZRA MILLARD, Assistant Cashier

Special Collection Facilities for Nebraska and the Northwest

tized for FRASER
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"OLDEST BANK IN WASHINGTON"

DEXTER HORTON NATIONAL BANK

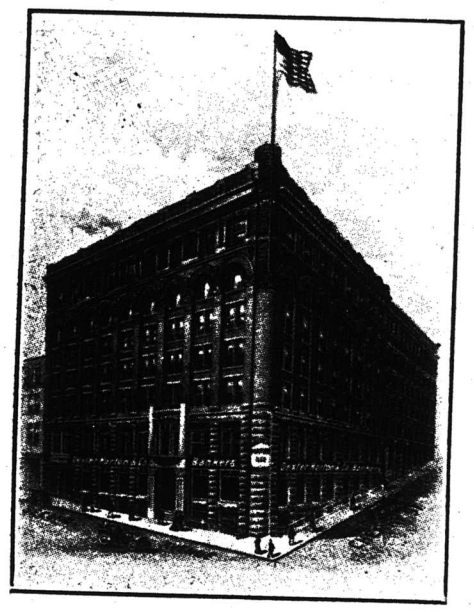
SEATTLE

FORMERLY

Dexter Horton & Co., Bankers

(Established 1870)

Capital - - $1,200,000.00
Surplus - - 240,000.00



N. H. LATIMER, President

R. H. DENNY, Vice-President
W. H. PARSONS, Vice-Pres.
M. W. PETERSON, Cashier

G. F. CLARK
C. E. BURNSIDE
H. L. MERRITT
} Assistant Cashiers

J. W. SPANGLER, Manager Credit Department

Accounts of Banks and Bankers Received on Favorable Terms

The First National Bank

OF SEATTLE

ESTABLISHED 1882

Capital . . . $300,000
Surplus and Profits 100,000

M. A. ARNOLD, President
M. McMICKEN, Vice-President
D. H. MOSS, Vice-President
J. A. HALL, Vice-Pres. and Cashier
C. A. PHILBRICK, Asst. Cashier

DIRECTORS

M. A. ARNOLD
President

THOMAS BORDEAUX
President Mason County Logging Co.

MAURICE McMICKEN
Hughes, McMicken, Dovell & Ramsey, Attorneys

W. D. HOFIUS
President Hofius Steel and Equipment Co.

O. D. FISHER
Manager Grandin Coast Lumber Co.

J. A. HALL
Vice-President and Cashier

PATRICK McCOY
Lumberman

H. W. ROWLEY
Capitalist

D. H. MOSS
Vice-President

SEATTLE, WASH.
Arctic Club Bldg.

S. C. OSBORN & CO.

TACOMA, WASH
Fidelity Bldg.

INVESTMENT BANKERS

Correspondents of Logan & Bryan who are members of and have private wires connecting all leading Exchanges.

Orders may be executed from Seattle or Tacoma on the floor of the New York Stock Exchange within one minute.

Orders may be executed with your own broker over our wires.

——DAY AND NIGHT SAFE DEPOSIT VAULT IN CONNECTION——

NYE AND TURNER CO. INC.

BOSTON, MASS.
50 STATE STREET.

OMAHA, NEB.
16TH & FARNAM STS.

RAILROAD, MUNICIPAL AND CORPORATION BONDS
CAPITAL, FULLY PAID, $100,000.00

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FIRST NATIONAL BANK
DENVER

Oldest National Bank in Colorado

UNITED STATES DEPOSITARY

CAPITAL
$1,000,000

SURPLUS
$1,000,000

DEPOSITS
$20,542,338.50

OFFICERS

D. H. MOFFAT, President
THOMAS KEELY, Vice President
F. G. MOFFAT, Cashier
C. S. HAUGHWOUT, Assistant Cashier
J. C. HOUSTON, Assistant Cashier
G. M. HAUK, Auditor

DIRECTORS

D. H. MOFFAT
L. H. EICHOLTZ
J. C. HOUSTON
THOMAS KEELY
F. G. MOFFAT
C. S. HAUGHWOUT
GERALD HUGHES
C. M. MacNEILL, Colorado Springs
SPENCER PENROSE, Colorado Springs

ACCOUNTS OF BANKS AND BANKERS
RECEIVED ON FAVORABLE TERMS

SPECIAL COLLECTION FACILITIES

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National Bank of Commerce

IN ST. LOUIS

OFFICERS:

B. F. EDWARDS, President
TOM RANDOLPH, Vice-President
JNO. NICKERSON, Vice-President
W. B. COWEN, Vice-President
W. L. McDONALD, Vice-President
J. A. LEWIS, Cashier

Capital, Surplus, Profits,

$18,000,000

ACCOUNTS SOLICITED

2% Interest Paid on Bankers' Balances
3% Interest Paid on Time Deposits

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Mechanics-American National Bank

SAINT LOUIS

Report of condition September 1st, 1910

RESOURCES

Bills Discounted	$12,800,933.93	
Demand Loans	5,153,296.32	$17,954,230.25
Overdrafts		2,042.40
U. S. Bonds to secure circulation	2,000,000,00	
Premium on U. S Bonds	30,000.00	2,030,000.00
Redemption Fund		100,000.00
Bonds to secure U. S. deposits		1,000.00
Other Bonds		1,634,228.98
Real Estate, Furniture and Fixtures, etc.		281,606.89
CASH—With Banks	6,401,973.03	
In Vaults	7,789,719.27	14,191,692.30
		$36,194,800.82

LIABILITIES

Capital Stock		$2,000,000.00
Surplus and Undivided Profits		2,944,919.72
Circulation		1,993,400.00
DEPOSITS—Individual	$13,615,263.55	
Banks	15,640,217.55	
U. S. Government	1,000,00	29,256,481.10
		$36,194,800.82

Accounts of Banks, Corporations, Firms and Individuals solicited to whom we are prepared to furnish every proper banking facility.

OFFICERS

WALKER HILL, President

JACKSON JOHNSON, Vice-President
L. A. BATTAILE, Vice-President
EPHRON CATLIN, Vice-President
J. S. CALFEE, Cashier

G. M. TRUMBO, Ass't Cashier
C. L. ALLEN, Ass't Cashier
P. H. MILLER, Ass't Cashier
C. L. BOYE, Ass't Cashier

Interior Mechanics-American National Bank, St. Louis.

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OFFICERS

C. H. HUTTIG,
President

W. B. WELLS,
Vice-Pres.

G. W. GALBREATH,
Cashier

J. R. COOKE,
Asst. Cashier

D'A. P. COOKE,
Asst. Cashier

R. S. HAWES,
Asst. Cashier

H. HAILL,
Asst. Cashier

NATIONAL BANK
3rd
OF ST. LOUIS

CONDENSED STATEMENT SEPT. 1, 1910

RESOURCES

Loans and Discounts	$18,923,865.93
U. S. Bonds and Premiums	2,370,045.63
Other Stocks and Bonds . .	1,119,447.77
Banking House and Real Estate	950,000.00
Cash and Sight Exchange .	14,120,142.87
Total . . .	**$37,483,502.20**

LIABILITIES

Capital	$ 2,000,000.00
Surplus and Profits	2,229,699.55
Circulation	2,000,000.00
Deposits	31,253,802.65
Total . . .	**$37,483,502.20**

DIRECTORS

Adolphus Busch
John I. Beggs
G. W. Brown
S. H. Fullerton
Norris B. Gregg
G. W. Galbreath
C. H. Huttig
H. F. Knight
B. F. Yoakum
W. S. McChesney, Jr.
J. E. Smith
Thos. Wright
W. B. Wells

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A. G. EDWARDS & SONS

HIGH GRADE INVESTMENT BONDS

INQUIRIES SOLICITED

St. Louis, Mo.
412 Olive Street

New York City
One Wall Street

WILLIAM R. COMPTON COMPANY

205 La Salle Street
CHICAGO

Merchants-Laclede Building
ST. LOUIS

Capital Fully Paid $400,000
Established in 1889

MUNICIPAL AND CORPORATION BONDS

We own a carefully selected list of over thirty issues of high class City, School and other Tax Bonds.

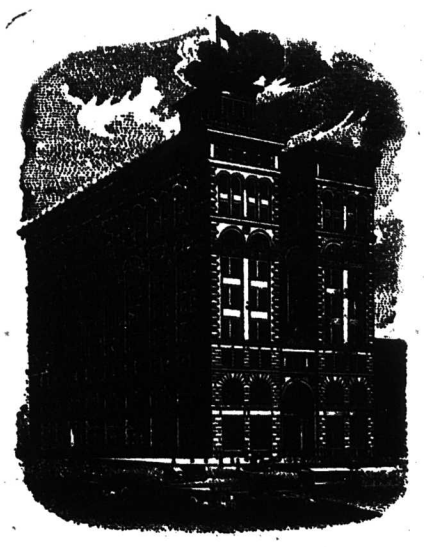
Special attention paid to
BANK BUSINESS

List of Investments sent
on application

St. Louis Union Trust Company

ST. LOUIS, U. S. A.

Capital, Surplus and Profits . .	$11,500,000.00
Deposits.	23,000,000.00



The United States Trust Company

OF KANSAS CITY, MO.

Capital, - - $250,000.00

TRANSACTS A GENERAL TRUST COMPANY BUSINESS

Acts as Trustee, Receiver or Assignee; also as Executor or Guardian. Acts as Trustee under Mortgages or Deeds of Trust; and as Agent for the Registration and Transfer of Stocks and Bonds, and for the payment of Coupons and Dividends.

ACTS IN CONNECTION WITH FOREIGN TRUST COMPANIES ON THE MOST FAVORABLE TERMS.

A. A. TOMLINSON, President.
W. R. CLARKE, Vice-President. B. R. CLARKE, Vice-President.
D. I. PARSONS, Sec. and Treas.

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Northwestern National Bank

Minneapolis, Minn.

The most extensive list of direct correspondents in our territory provides us facilities for prompt and efficient handling of collections. Send us your northwestern business.

Capital, Surplus and Profits, $5,300,000.00

Deposits, $27,000,000.00

Established 1872.

McCORNICK & CO.

BANKERS

Salt Lake City, Utah

ESTABLISHED 1873 — INCORPORATED 1910

Capital Paid in - -	$600,000.00
Surplus and Profits - -	175,000.00
Deposits - - - -	6,500,000.00

Largest Bank between Denver and the Pacific Coast

W. S. McCORNICK, Pres. — D. C. JACKLING, Vice-Pres.
S. A. WHITNEY, Cashier — L. B. McCORNICK, Asst. Cashier
R. L. CONELY, Asst. Cashier

Best attention given to collections and all matters entrusted to our care. Accounts respectfully solicited.

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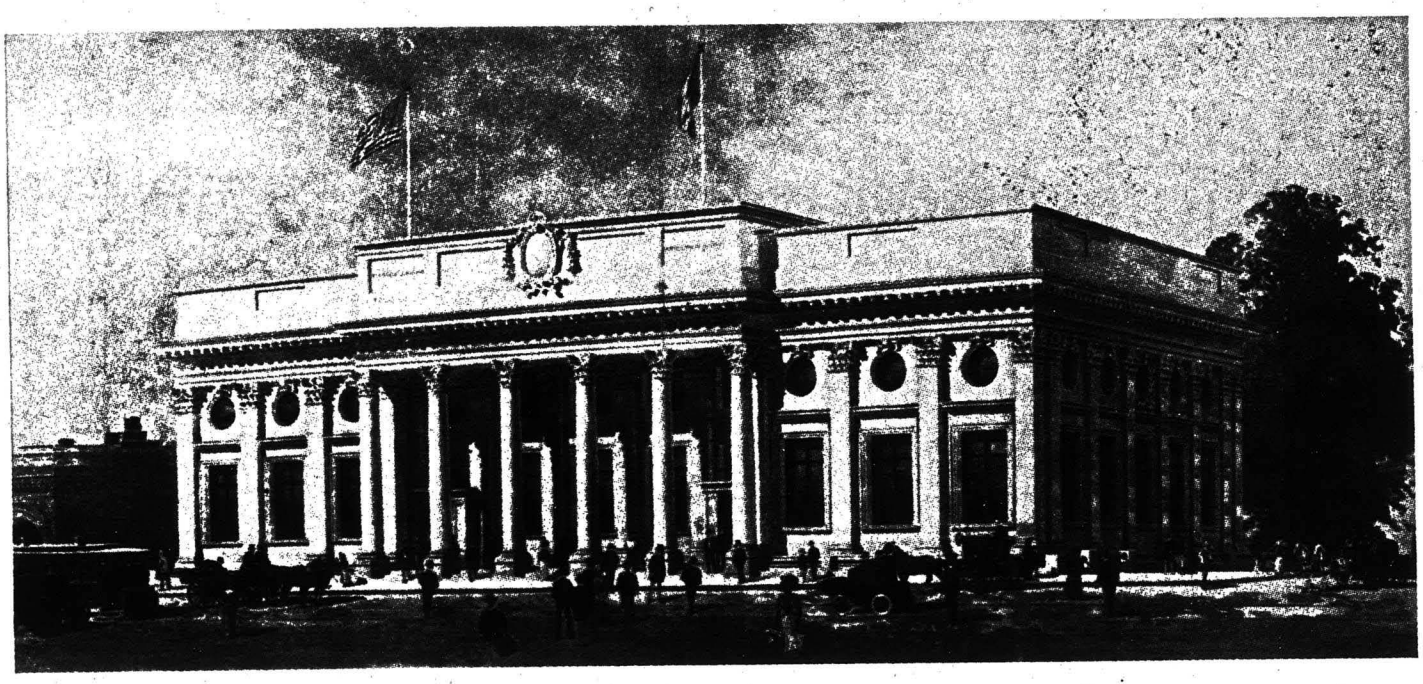
FIRST NATIONAL BANK, Minneapolis, Minn.



CAPITAL $2,000,000 TOTAL ASSETS $26,000,000 SURPLUS $2,000,000

F. M. PRINCE, President

C. T. JAFFRAY, Vice President
GEO. F. ORDE, Cashier
D. MACKERCHAR, Assistant Cashier
H. A. WILLOUGHBY, Assistant Cashier
G. A. LYON, Assistant Cashier
P. J. LEEMAN, Assistant Cashier

WE SOLICIT YOUR COLLECTIONS ON NORTHWESTERN STATES

Minneapolis Trust Company

MINNEAPOLIS, MINN.

Capital $1,000,000

Transacts a General Trust Company Business

BOND DEPARTMENT

Dealers in High Grade Municipal, Railroad and Public Service Corporation Bonds suitable for Banks, Bankers, Estates and Individuals

CORRESPONDENCE INVITED

ELBRIDGE C. COOKE, President
WM. H. DUNWOODY, Vice-Pres.
C. T. JAFFRAY, Vice-Pres.
WM. G. NORTHUP, Vice-Pres.
J. L. ROOT, Manager Bond Department
ROBERT W. WEBB, Sec. and Treas.
BENJ. WEBB, Ass't Sec. and Treas.

F. E. MAGRAW

ST. PAUL, MINN.

GOVERNMENT MUNICIPAL **BONDS** RAILROAD CORPORATION

AND **COMMERCIAL PAPER**

CORRESPONDENCE INVITED

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CHILD, HULSWIT & CO.

BANKERS

MUNICIPAL and CORPORATION BONDS

¶ Deal only in securities of the highest character, suitable for the investment of the funds of Banks, Trustees of Estates, and conservative individuals.

¶ Our list of securities includes issues of City, County, and School District Municipal Bonds; choice First Mortgage Bonds of well established Corporations (some being secured by Timber, Coal and Irrigated Lands), and of prosperous Public Service Companies.

Deal in the stocks of UNITED LIGHT & RAILWAYS COMPANY

OTTAWA ST. ENTRANCE, MICHIGAN TRUST BUILDING

GRAND RAPIDS, MICHIGAN

THE

OLD NATIONAL BANK

GRAND RAPIDS, MICH.

Capital and Surplus, $1,300,000

Resources, $8,000,000

LARGEST AND OLDEST BANK IN WESTERN MICHIGAN

CORRESPONDENCE INVITED

WILLARD BARNHART	President
CLAY H. HOLLISTER	Vice President and Cashier
WILLIAM JUDSON	Vice President
GEO. F. MACKENZIE	Asst. Cashier
H. A. WOODRUFF	Asst. Cashier

THE MICHIGAN TRUST CO. of Grand Rapids, Mich.

CAPITAL,	$200,000.00
Surplus,	300,000.00
Additional Liability of Stockholders,	200,000.00
Deposited with State Treasurer,	100,000.00

DIRECTORS

WILLARD BARNHART
DARWIN D. CODY
E. GOLDEN FILER, Filer City.
WILLIAM H. GAY
F. A. GORHAM
THOMAS HEFFERAN
THOS. HUME, Muskegon, Mich.
HENRY IDEMA
S. B. JENKS
WM. JUDSON
JAS. D. LACEY, Chicago.
EDWARD LOWE
W. W. MITCHELL, Cadillac, Mich.
R. E. OLDS, Lansing.
J. BOYD PANTLIND
WM. SAVIDGE, Spring Lake.
WM. ALDEN SMITH
DUDLEY E. WATERS
T. STEWART WHITE
LEWIS H. WITHEY
JAS. R. WYLIE

OFFICERS

LEWIS H. WITHEY, Prest.
WILLARD BARNHART, 1st Vice-Prest.
HENRY IDEMA, 2nd Vice-Prest.
F. A. GORHAM, 3rd Vice-Prest.
GEORGE HEFFERAN, Secy.
CLAUDE HAMILTON, Asst. Secy.

Acts as Executor, Administrator, Guardian, Trustee, Receiver, Assignee, etc. Loans Money on Real Estate and Collateral Security. Takes entire charge of Property. Audits books. Has High Grade Bonds and other Securities for sale.

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ESTABLISHED 1891

Substantial, ever-present and well equipped for the transaction of all classes of trust business

UNION TRUST COMPANY

DETROIT, MICHIGAN

BOARD OF DIRECTORS

HENRY B. LEDYARD, Chairman

FRANK W. BLAIR, President — A. E. F. WHITE, 2nd Vice Pres.

GEORGE HENDRIE, 1st Vice Pres. — BURNHAM S. COLBURN, 3rd Vice Pres.

F. J. HECKER
CHAS. STINCHFIELD
HENRY RUSSEL
ELLIOTT T. SLOCUM
CHARLES A. DUCHARME
HARRY A. CONANT
CHARLES L. PALMS
D. C. WHITNEY
PHILIP H. McMILLAN
HERBERT E. BOYNTON
ALBERT L. STEPHENS
PAUL F. BAGLEY
GEORGE B. REMICK
GEORGE M. BLACK
ALLEN F. EDWARDS
GEORGE H. RUSSEL
GERALD J. McMECHAN
J. C. HUTCHINS

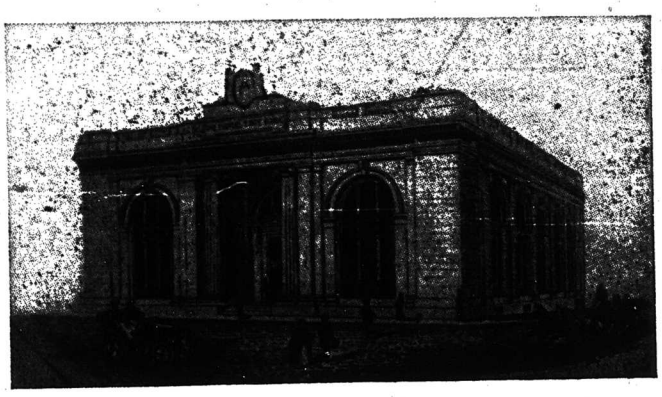
THE PEOPLES STATE BANK

DETROIT, MICH.

CAPITAL AND SURPLUS
$3,000,000

DEPOSITS
$30,000,000

WRITE US ABOUT YOUR MICHIGAN COLLECTIONS

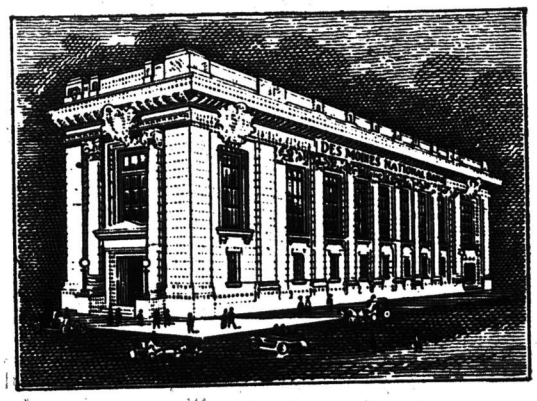


GEO. H. RUSSEL, President.
M. W. O'BRIEN, Vice-Pres.
GEO. E. LAWSON, Vice-Pres.
R. S. MASON, Vice-Pres.
F. A. SCHULTE, Vice-Pres.
AUSTIN E. WING, Cashier.
H. P. BORGMAN, Cash. Sav. Dept.
R. W. SMYLIE, Mgr. Credit Dept.
J. R. BODDE, Assist. Cashier.
C. H. AYERS, Assist. Cashier.
ENOCH SMITH, Assist. Cashier.
R. T. CUDMORE, Asst. Cashier.
GEO. T. COURTNEY, Auditor.

Accounts of Banks, Bankers and Trust Companies Received on Favorable Terms

DES MOINES NATIONAL BANK

DES MOINES, IOWA



Resources Five and One Half Million Dollars

Offers its services to all seeking a desirable connection for handling IOWA business. Its central location and large list of correspondents afford facilities unexcelled in this field.

ARTHUR REYNOLDS, President
J. H. BLAIR, Vice-President
C. A. BARR, Cashier
A. J. ZWART, Assistant Cashier

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Continental and Commercial Nationa Bank of Chicago

Capital, $20,000,000 Surplus and Profits, $9,500,000

OFFICERS

GEORGE M. REYNOLDS, President
RALPH VAN VECHTEN, Vice-President
ALEX. ROBERTSON, Vice-President
HERMAN WALDECK, Vice-President
JOHN C. CRAFT, Vice-President
JAMES R. CHAPMAN, Vice-President
WM. T. BRUCKNER, Vice-President
WM. G. SCHROEDER, Secretary
NATHANIEL R. LOSCH, Cashier
FRANK H. ELMORE, Ass't Cashier
HARVEY C. VERNON, Ass't Cashier
GEO. B. SMITH, Ass't Cashier
WILBER HATTERY, Ass't Cashier
H. ERSKINE SMITH, Ass't Cashier
JOHN R. WASHBURN, Ass't Cashier
RALPH C. WILSON, Ass't Cashier
WILSON W. LAMPERT, Ass't Cashier
DAN NORMAN, Ass't Cashier
FRANK L. SHEPARD, Auditor
H. LAWTON, Manager Foreign Dept.

EDWARD S. LACEY, Chairman of Advisory Committee.

DIRECTORS

J. OGDEN ARMOUR
JOHN C. BLACK
HENRY BOTSFORD
E. J. BUFFINGTON
A. J. EARLING
B. A. ECKHART
F. E. WEYERHAEUSER
GEORGE M. REYNOLDS
E. P. RIPLEY
ALEX. ROBERTSON
W. C. SEIPP
CHARLES H. THORNE
W. J. CHALMERS
ROBERT T. LINCOLN
E. H. GARY
JOHN F. HARRIS
FRANK HIBBARD
EDWARD HINES
W. H. McDOEL
SAMUEL McROBERTS
JOY MORTON
A. H. MULLIKEN
T. P. PHILLIPS

Northeast Corner Clark and Adams Streets

DIRECTORS

E. A. POTTER
DARIUS MILLER
JOSEPH T. TALBERT
WILLIAM V. KELLEY
ROBERT H. McELWEE
ALEXANDER F. BANKS
EDWARD P. RUSSELL
ALFRED COWLES
EAMES MacVEAGH
MILTON H. WILSON
MICHAEL CUDAHY
DANIEL H. BURNHAM
RICHARD C. LAKE
CHARLES H. WEAVER
CHARLES T. BOYNTON
FRANCIS A. HARDY
JAMES W. STEVENS
HERBERT F. PERKINS
W. IRVING OSBORNE
JOHN C. CRAFT
RALPH VAN VECHTEN
GEORGE E. ROBERTS
EDWARD S. LACEY

Accounts of Banks, Bankers, Manufacturers, Merchants and Individuals Invited

Continental and Commercial Trust and Savings Bank

Capital $3,000,000 *Surplus $500,000*

Trust, Savings and Bond Departments

Corner Monroe and Clark Streets

OFFICERS

E. A. POTTER, Chairman of the Board
W. IRVING OSBORNE, President
JOHN JAY ABBOTT, Vice-President
CHARLES C. WILLSON, Cashier
FRANK H. JONES, Secretary
WM. P. KOPF, Assistant Secretary

The Capital Stock of this Bank is Owned by the Stockholders of the Continental and Commercial National Bank of Chicago

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ALFRED L. NORRIS FLOYD W. MUNDY J. NORRIS OLIPHANT

JAS. H. OLIPHANT & CO

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Telephone Wabash 2114

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NEW YORK STOCK EXCHANGE
CHICAGO STOCK EXCHANGE

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Dividends and Coupons Collected and Remitted without Charge
Deposit Accounts Accepted Subject to Sight Draft, and Interest Allowed on Daily Balances

Copies of our 1910 edition of the "EARNING POWER OF RAILROADS" and "RELATIVE MERITS OF RAILROAD STOCKS AND BONDS" will be sent upon request

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Boston Chicago Denver San Francisco

ARTHUR O. SLAUGHTER. FRANK W. THOMAS. PHILIP W. SEIPP.

A. O. SLAUGHTER & CO.

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MEMBERS

New York Cotton Exchange,
New York Coffee Exchange,
New York Produce Exchange,
New York Stock Exchange.
Chicago Stock Exchange,
Chicago Board of Trade,
St. Louis Merchants' Exchange.

139 Monroe Street
Chicago

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SUCCESSORS TO

CHARLES HATHAWAY & CO.

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BOSTON
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CHICAGO
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408 Olive Street

PHILADELPHIA
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COLLATERAL LOANS

THE ROOKERY

CHICAGO

A. G. BECKER & CO.

(INCORPORATED)

COMMERCIAL PAPER

Southwest Corner
La Salle and Monroe Streets

Chicago, Ill.

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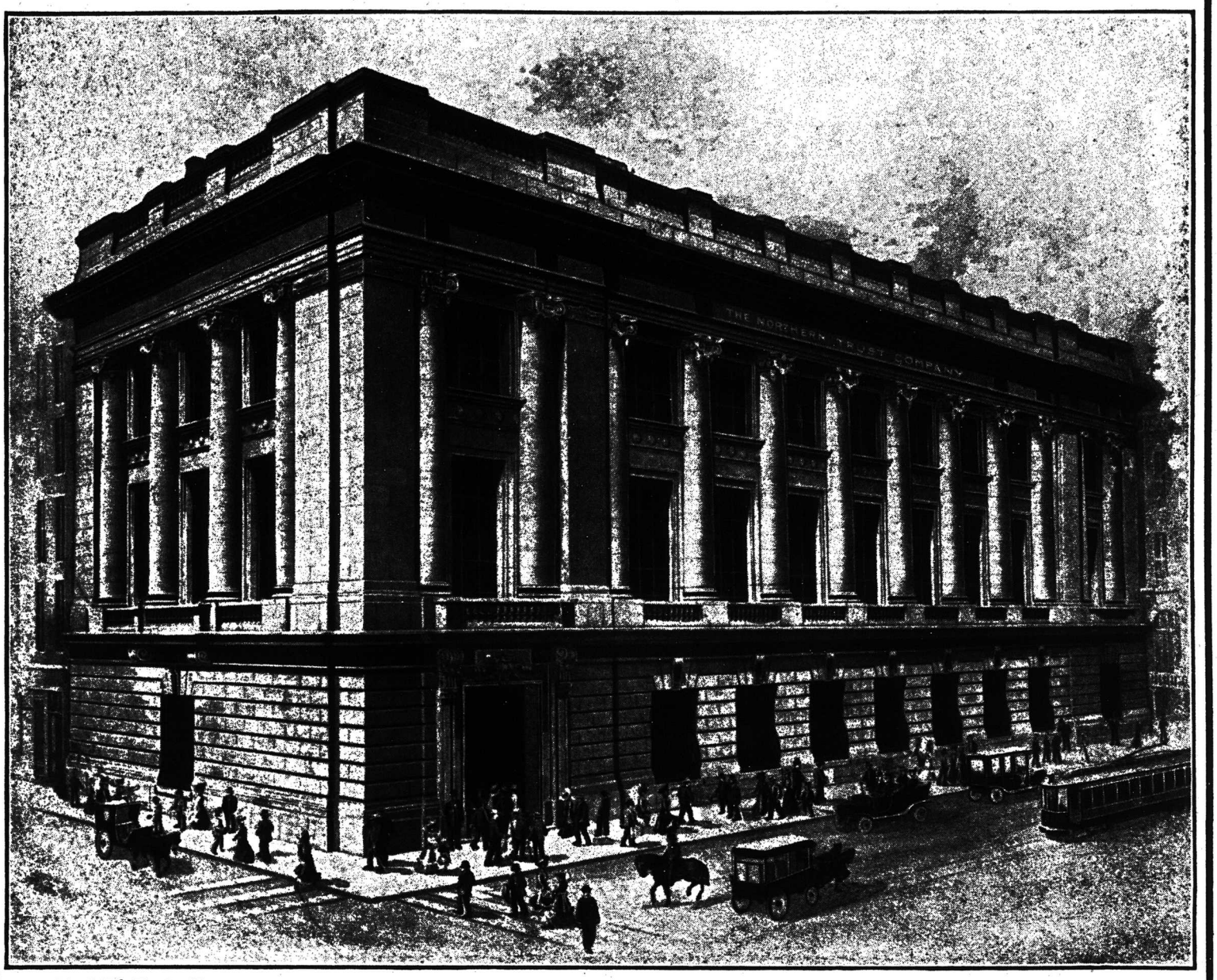

MONROE STREET LA SALLE STREET

Capital, $1,500,000 Surplus, $1,500,000

OFFICERS

BYRON L. SMITH, President
F. L. HANKEY, Vice-President
SOLOMON A. SMITH, Vice-President
H. O. EDMONDS, Vice-President

THOMAS C. KING, Cashier
ROBERT McLEOD, Asst. Cashier
G. J. MILLER, Asst. Cashier
RICHARD M. HANSON, Asst. Cashier

ARTHUR HEURTLEY, Secretary
H. H. ROCKWELL, Asst. Secretary
EDWARD C. JARVIS, Auditor
H. B. JUDSON, Manager Bond Department

DIRECTORS

A. C. BARTLETT, Pres. Hibbard, Spencer, Bartlett & Co.
WILLIAM A. FULLER, Retired Manufacturer
ERNEST A. HAMILL, Pres. Corn Exchange National Bank
MARVIN HUGHITT, Pres. Chicago & Northwestern Ry. Co.
CHARLES L. HUTCHINSON, Vice-Pres. Corn Exchange National Bank
MARTIN A. RYERSON
ALBERT A. SPRAGUE, Pres. Sprague, Warner & Co.
SOLOMON A. SMITH, Vice-Pres. The Northern Trust Company
BYRON L. SMITH, Pres. The Northern Trust Company

The Northern Trust Company=Bank

N. W. Corner La Salle and Monroe Streets
CHICAGO

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Western Trust & Savings Bank

THE ROOKERY—CHICAGO

ESTABLISHED 1873

CAPITAL - - $1,250,000

Receives Accounts of Banks, Bankers, Corporations, Firms and Individuals. Personal Interview and Correspondence Invited

OFFICERS

JOSEPH E. OTIS, President

WALTER H. WILSON, Vice-President
WILLIAM C. COOK, Vice-President
LAWRENCE NELSON, Vice-President
HARRY R. MOORE, Cashier
ADDISON CORNEAU, Asst. Cashier
A. E. COEN, Asst. Cashier
W. G. WALLING, Secretary
LLOYD R. STEERE, Asst. Secretary
LOUIS H. SCHROEDER, Mgr. Bond Dept.
J. J. RAHLF, Mgr. Foreign Exchange Dept.

DIRECTORS

EDGAR A. BANCROFT, Scott, Bancroft & Stephens.
WILLIAM C. BOYDEN, Matz, Fisher & Boyden, Attorneys.
WILLIAM BUTTERWORTH, Pres., Deere & Co., Moline, Ill.
R. FLOYD CLINCH, Crerar, Clinch & Co., Coal.
H. J. EVANS, Director, National Biscuit Co.
GRANGER FARWELL, Pres., Farwell Trust Co.
C. H. HANSON, President, C. H. Hanson (Inc.)
W. O. JOHNSON, Gen. Counsel and Director, Erie R. R.
JOHN R. MITCHELL, Pres., Capital Nat'l Bank, St. Paul, Minn.
JOSEPH E. OTIS, President.
RALPH C. OTIS, Real Estate.
B. F. PEEK, Trustee, Estate of C. H. Deere, Moline, Ill.
JAMES W. STEVENS, Pres., Illinois Life Ins. Co.
FRED W. UPHAM, President, City Fuel Co.
W. A. WIEBOLDT, W. A. Wieboldt & Co., Dept. Store.
WALTER H. WILSON, City Comptroller.
GEORGE WOODLAND, Pres., Prairie State Bank.

SANFORD F. HARRIS & CO.

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CHICAGO

Colonial Trust & Savings Bank

205 La Salle Street, Chicago

Accounts of Banks and Bankers, Corporations, Firms and Individuals solicited. Unsurpassed facilities for collections. Correspondence invited.

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OFFICERS

LANDON CABELL ROSE, President, JACOB MORTENSON, Vice President, R. C. KELLER, Vice President and Cashier,
EMIL STUEDLI, Assistant Cashier, W. F. DOGGETT, Assistant Cashier.

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DEVITT, TREMBLE & CO.

BANKERS

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¶ We offer for the investment of banks and private investors, a large and carefully selected list of Municipal, Railroad, Public Service Corporation and Timber Bonds, all of which we have purchased outright after the most careful investigation.

¶ We do not act as broker, or buy and sell on margin, but offer only such issues as we consider suitable for our own investment.

¶ Descriptive circulars mailed upon request.

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CHICAGO

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ESTABLISHED 1902

CHICAGO SAVINGS BANK AND TRUST CO.

STATE AND MADISON STS. CHICAGO.

AN advantage which banks and bankers have when carrying accounts with the Chicago Savings Bank & Trust Company is that this institution, while equipped with every facility for handling the requirements of its patrons, is not too large to give individual attention to each client.

In addition to inviting both active and inactive accounts, on the latter of which it pays 3% interest, this bank furnishes Railroad, Municipal and other high-grade bonds suitable for the investment of the funds of financial institutions. Its facilities are at your disposal.

OFFICERS

Lucius Teter, President.
Edward P. Bailey, Vice-President.
John A. McCormick, Vice-President.
Houston Jones, Cashier.
Wm. M. Richards, Assistant Cashier.
Leverett Thompson, Secretary.
Harold T. Sibley, Manager Bond Department.

RESOURCES OVER FIVE MILLION DOLLARS.

FORT DEARBORN NATIONAL BANK

CHICAGO

UNITED STATES DEPOSITARY

CAPITAL - - - -	$1,500,000
SURPLUS AND PROFITS - -	400,000
DEPOSITS - - - -	16,000,000

WM. A. TILDEN, President

NELSON N. LAMPERT, Vice-Pres.
J. FLETCHER FARRELL, Vice-Pres.

HENRY R. KENT, Cashier

GEORGE H. WILSON, Ass't Cash.
CHARLES FERNALD, Ass't Cash.

THOS. E. NEWCOMER, Ass't Cash.

COMPARATIVE SHOWING OF DEPOSITS

February 14, 1908	$ 9,887,954.84
February 5, 1909	11,617,691.24
January 31, 1910	13,212,286.64
March 29, 1910	15,041,357.21
June 30, 1910	15,116,591.47
September 1, 1910	16,056,180.16

We solicit accounts of banks, corporations, firms and individuals, and we endeavor to give prompt and efficient service by personal and courteous attention to our customers

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6%

First Mortgage Thirty Year Gold Bonds

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Net Earnings **over five times** interest charges.

Full particulars sent upon request.

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CHICAGO, ILLINOIS

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(INCORPORATED)

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BONDS

MUNICIPAL BONDS

171 La Salle Street, CHICAGO

Drainage District

LUCIUS A. TROWBRIDGE, President — **WILLIAM F. HANCHETT, Vice President**

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SAFE BOND INVESTMENTS

Municipal Bonds

Amount	Description	Denomination	Maturity	To net About %
$24,000	Sanitary District of Chicago 4's	$1,000	1915-1919	Market
30,000	City of Aurora, Ill., Water 4½'s	500	1915-1929	4.10
10,000	Grand Junction, Colo., Refunding 5's	1,000	1929	4.25
17,000	Marseilles, Ill., Sewer 5's	1,000	1911-1916	4.25
20,000	Bushnell, Ill., Sewer 5's	500	1916-1923	4.30
10,000	Lancaster, South Carolina, Water Works 5's	500	1948	4.55
15,000	Cheraw, South Carolina, Bridge 5's	1,000	1949	4.60
10,000	Hamlet, N. C., Improvement and School 5's	1,000	1939	4.60
20,000	Mooresville, N. C., Water and Street Imp. 5's	500	1939	4.65
29,000	Patterson, La., Water 5's	1,000	1912-1933	4.90
20,000	New Orleans, La., Public Imp. 5's	$1,000 and 500	1919-1922	4.90
14,000	Laurel, Montana, Water and Sewer 6's	500	1930	5.15
25,000	Portions of Issues. Denominations $1,000, $500,	100	Various	4.50 to 5.50

School Bonds

$15,000	Union County, Ill., School District 5's	$500	1912-1926	4.20
8,000	Fulton County, Ill., School District 5's	500	1911-1926	4.40
24,000	Del Rio, Tex., School District 5's	500	1949	4.50
29,500	Dodge County, Neb., School District 5's	500	1930	4.55
10,000	Fisher County, Tex., Rotan School District 5's	1,000	1949	4.55
16,000	Belhaven, N. C., School District 5's	500	1939	4.60
10,000	Mooresville, N. C., School District 5's	1,000	1939	4.60
12,000	Mills County, Tex., School District 5's	300	1949	4.65
20,000	Lane County, Ore., School Dist. No. 19, Sch'l 5's	1,000	1930	4.70
45,000	Union Co., Ore., School Dist., 5's	1,000	1930	4.70
15,000	Avayelles Parish, La., School Dist. 5's	1,000	1916-1930	4.90
8,500	Chesterfield Co., S. C., School District 6's	500	1940	5.35
75,000	Portions of Issues. Denominations $1,000, $500,	100	Various	4.60 to 5.40

Public Service Corporation Bonds

$140,000	Shreveport (La.) Gas, Electric Light & Power Company Refunding Mortgage 6% Gold Bonds	$500 & $1,000	1940	6.15
55,000	Seattle Lighting Company 6% Debenture Gold Bonds (Seattle, Wash.)	1,000	1920	6.15
52,000	Citizens' Gas & Electric Company 5% Sinking Fund Gold Bonds (Waterloo & Cedar Falls, Iowa)	500	1926	5.25
40,000	Texarkana Gas & Electric Company First Mortgage 5% Gold Bonds	500	1930	5.45
36,000	South Shore Gas & Electric Company General Mortgage 5% Gold Bonds	1,000	1933	5.27
9,500	Ottumwa Gas Light, Heat & Power Company First Mortgage 5% Gold Bonds	500	1919	5.00

FULL DESCRIPTIVE CIRCULARS FURNISHED ON REQUEST

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ESTABLISHED 1885

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BONDS

SCHOOL,
COUNTY and MUNICIPAL

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WALTER S. BREWSTER.
EDWARD L. BREWSTER, Special Partner.

C. L. PENISTON.

RUSSELL, BREWSTER & CO.

SUCCESSORS TO

EDWARD L. BREWSTER & CO.

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Trinity Building, NEW YORK

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Chicago Stock Exchange. Chicago Board of Trade.

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Correspondence of Bankers Invited.

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1st
NATIONAL BANK
CHARTERED IN
WISCONSIN

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The First National Bank
OF MILWAUKEE

Executor — Trustee

MILWAUKEE TRUST COMPANY

OLDEST TRUST COMPANY IN MILWAUKEE

Administrator — Guardian

MUNICIPAL, RAILROAD AND PUBLIC SERVICE CORPORATION BONDS

OFFICERS AND DIRECTORS:

ROBERT CAMP, President. DAVID C. GREEN, Vice-President and Treasurer. CHARLES ALLIS, Vice-President.

FRED T. GOLL. JOHN I. BEGGS. FRED VOGEL, JR. GEO. E. KEISER.
T. E. CAMP. GEORGE P. MAYER. J. E. FRIEND. WILFORD M. PATTON.

SCRANTON STOCKDALE, Secretary. P. O. KANNENBERG, Asst. Secretary. DEAN JAY, Manager Bond Department.

Announcement

Municipal
Railroad
Public Utilities
and
Corporation
Bonds

Mr. Frank R. McMullin announces his withdrawal from the firm of Clement, Curtis & Co., and the opening of offices under the firm name of

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Bankers
The Rookery CHICAGO

Assist in Financing New Meritorious Enterprises.

Act as Fiscal Agents for established enterprises on which may be based estimate of income to investors.

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Philadelphia

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STATEMENT OF CONDITION SEPTEMBER 1, 1910.

RESOURCES

Loans and Discounts	$36,368,884.70
Due from Banks	6,558,927.51
Exchanges for Clearing House	4,360,875.88
Cash and Reserve	14,601,724.17
	$61,890,412.36

LIABILITIES

Capital Stock	$3,000,000.00
Surplus and Net Profits	6,387,499.59
Circulation	2,955,700.00
Deposits	49,547,212.77
	$61,890,412.36

E. F. SHANBACKER, President.

JAMES HAY, Vice-Pres't.
B. M. FAIRES, Vice-Pres't.
FRANK G. ROGERS, Vice-Pres't.

R. J. CLARK, Cashier.
W. A. BULKLEY, Ass't Cashier.
W. K. HARDT, Ass't Cashier.

DIRECTORS

Sidney F. Tyler, Chairman.

James Hay, Wm. R. Nicholson, Arthur E. Newbold,
Frank T. Patterson, Rudulph Ellis, Isaac H. Clothier,
Charles I. Cragin, Clement A. Griscom, Alba B. Johnson,
William A. Dick, W. A. Lathrop, C. S. W. Packard,
Effingham B. Morris, Francis I. Gowen, E. F. Shanbacker,
Roland L. Taylor, J. M. Willcox.

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COMMERCIAL TRUST COMPANY

20 South Broad St., City Hall Square
PHILADELPHIA

CAPITAL, $1,000,000 **SURPLUS, $1,750,000**

OFFICERS

THOMAS DeWITT CUYLER,
President.

JOHN H. MASON,
Vice-President.

W. A. OBDYKE,
Secretary and Treasurer.

H. W. STEHFEST,
Asst. Secretary and Asst. Treasurer.

DIRECTORS

H. W. BIDDLE.
THOMAS DeWITT CUYLER.
RUDULPH ELLIS.
CLEMENT A. GRISCOM.
EFFINGHAM B. MORRIS.
ARTHUR E. NEWBOLD.
C. STUART PATTERSON.
SAMUEL REA.
SIDNEY F. TYLER.
HORATIO G. LLOYD.
SAMUEL T. BODINE.
HENRY TATNALL.
J. R. McALLISTER.
HENRY C. FRICK.
ROBERT K. CASSATT.
WILLIAM C. SPROUL.
CHARLEMAGNE TOWER.
MORRIS L. CLOTHIER.
CHARLTON YARNALL.
ROBERT C. DRAYTON.
JOHN H. MASON.
WILLIAM M. BARRETT.

Interest Paid on Deposit Accounts

Accounts of Banks, Bankers and Trust Companies Solicited

Acts as Executor, Administrator, Trustee and Guardian

Safe Deposit Boxes to Rent in Armor Plate Vault

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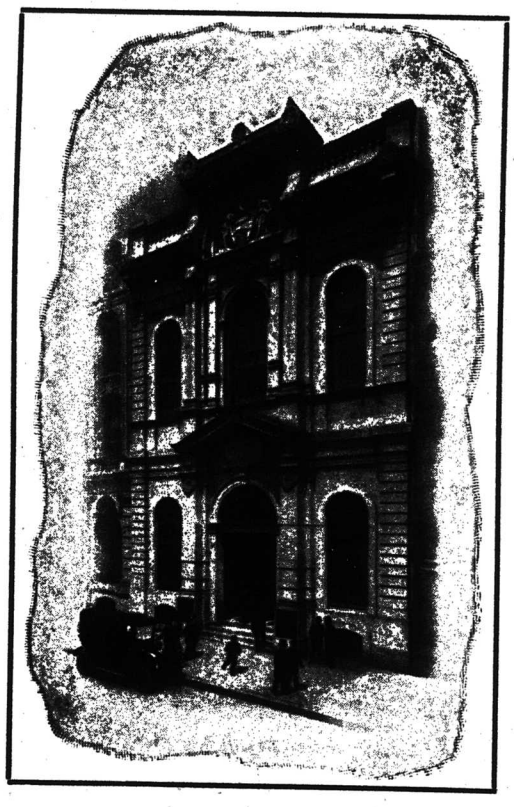
THE PHILADELPHIA TRUST
SAFE DEPOSIT AND INSURANCE COMPANY



MAIN OFFICE - - 413-417 CHESTNUT STREET
BRANCH OFFICE - - 1415 CHESTNUT STREET

PHILADELPHIA

Capital, $1,000,000
Surplus, 3,500,000

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Legal Depository for the Reserves of Trust Companies and State Banks

ROLAND L. TAYLOR, President
EDMUND D. SCHOLEY, Secy. and Treas.
SAMUEL E. CARTER, Asst. Treasurer
THOMAS B. PROSSER, Real Estate Officer
HARRY STEWART, Asst. Real Estate Officer
NELSON C. DENNEY, Asst. Secretary
T. ELLWOOD FRAME, Asst. Secretary

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PHILADELPHIA

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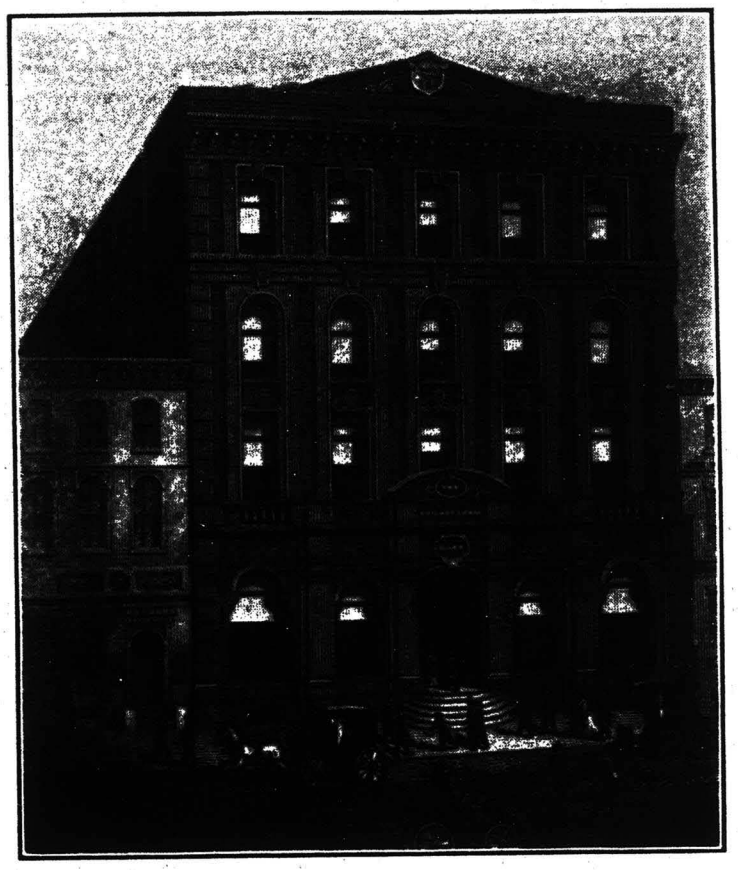
THE PHILADELPHIA
NATIONAL BANK
PHILADELPHIA

Organized 1803

Accounts of Banks, Bankers, Mercantile Firms and Corporations Invited



National Bank 1864

Foreign Exchange Bought and Sold. Letters of Credit Issued

STATEMENT OF CONDITION, SEPTEMBER 1, 1910

RESOURCES

Loans and Discounts	$32,002,447.34
Due from Banks	9,115,080.36
Exchanges for Clearing House	3,019,717.23
Cash and Reserve	11,045,421.07
	$55,182,666.00

LIABILITIES

Capital Stock		$1,500,000.00
Surplus and Net Profits		3,932,679.31
Circulation		1,441,400.00
DEPOSITS { Individual	$28,381,604.36	
DEPOSITS { Bank	19,926,982.33	48,308,586.69
		$55,182,666.00

LEVI L. RUE, President.

LINCOLN GODFREY, Vice President. HARRY J. KESER, Cashier. HORACE FORTESCUE, Assistant Cashier.

DIRECTORS

N. PARKER SHORTRIDGE, Chairman of the Board.

RICHARD ASHHURST, LINCOLN GODFREY, GEORGE WOOD, ALFRED C. HARRISON, LEVI L. RUE, GEORGE H. FRAZIER, PERCIVAL ROBERTS, Jr., GEORGE H. McFADDEN, EDWARD T. STOTESBURY, JAMES F. HOPE, EFFINGHAM B. MORRIS, RANDAL MORGAN, R. DALE BENSON, SAMUEL REA, ALBA B. JOHNSON.

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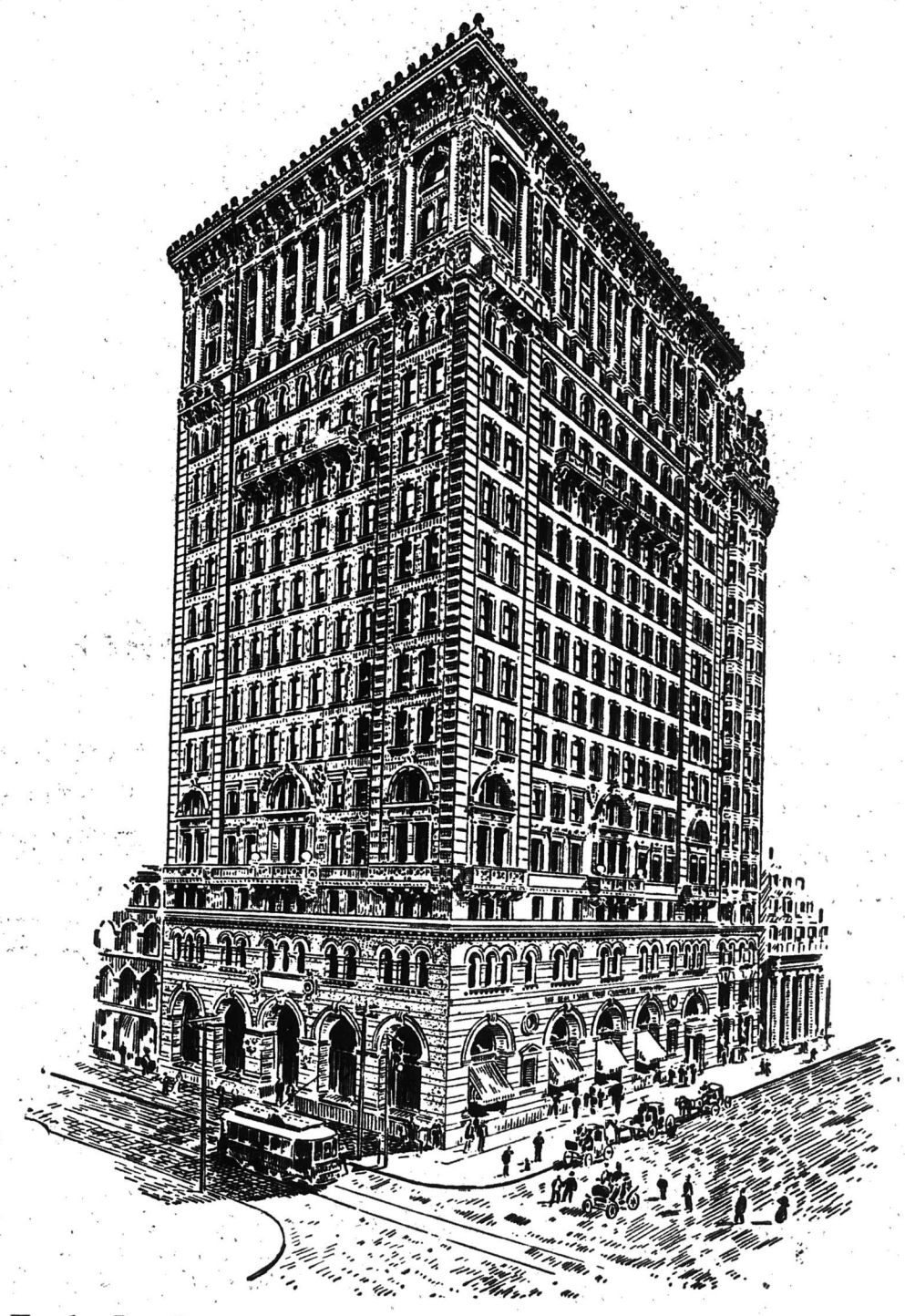
The Real Estate Trust Co. of Philadelphia

Broad and Chestnut Streets

CAPITAL $4,300,000

Solicits Deposits of Firms, Corporations and Individuals—Interest Allowed

Is fully equipped to handle all Business pertaining to a Trust Company, in its Banking, Trust, Real Estate and Safe Deposit Departments



George H. Earle, Jr., President — *Edw. S. Buckley, Jr., Treasurer*

S. F. Houston, Vice-President — *William R. Philler, Secretary*

John A. McCarthy, Trust Officer

Directors

George H. Earle, Jr.	*Cyrus H. K. Curtis*	*J. Levering Jones*	*August B. Loeb*
Edward P. Borden	*Samuel F. Houston*	*George Woodward, M. D.*	*John Gribbel*
Frank C. Roberts	*William A. Patton*	*R. Dale Benson*	*Louis J. Kolb*
James F. Sullivan	*Richard Y. Cook*	*Bayard Henry*	

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Federal Reserve Bank of St. Louis

INDEPENDENCE TRUST COMPANY

THE NORTH AMERICAN BUILDING, PHILADELPHIA

CAPITAL $2,000,000. SURPLUS $575,501.

Transacts a General Trust Company Business.

Charles B. Dunn, President.
Rodman Wanamaker, Vice-President. John J. Collier, Treasurer.
J. Ernest Richards, 2nd Vice-President. Allan Hunter, Ass't. Treasurer.

BOARD OF DIRECTORS.

Charles B. Dunn	Robert M. Coyle	John J. Collier
Rodman Wanamaker	Louis S. Fiske	J. Ernest Richards
W. Frederick Snyder	William L. Nevin	John C. Lowry
Christian C. Febiger		James Dobson.

NEW YORK CORRESPONDENT: NATIONAL BANK OF COMMERCE.

West End Trust Company

PHILADELPHIA

CAPITAL, - $1,000,000
SURPLUS, - $1,050,000

Acts as Executor, Administrator, Guardian, Trustee

Safe Deposit Boxes for Rent. Storage for Silverware and other Valuables. Interest allowed upon Deposits.

THIRD NATIONAL BANK

PHILADELPHIA

Capital, $600,000

Surplus and Net Profits, $889,526.57 - - - - Deposits, $6,990,440.89

LOUIS WAGNER, President **THOS. J. BUDD, Cashier** **W. CLIFFORD WOOD, Ass't Cashier**

DIRECTORATE.

THOMAS J. BUDD	LEVI G. FOUSE	GEORGE BRINTON ROBERTS
EDWIN F. COOK	SAMUEL FREDERICK HOUSTON	EDGAR D. STOW
LEWIS R. DICK	GEORGE. W. KENDRICK, Jr.	LOUIS WAGNER
JACOB S. DISSTON	JOSEPH. J. MARTIN	

Accounts of Outside Banks and Bankers Solicited and Handled on Favorable Terms.
Prompt and Efficient Collection Service.
Correspondence Invited.

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BODINE, SONS & CO.

COMMERCIAL PAPER

COLLATERAL LOANS NEGOTIATED

129 SOUTH FOURTH STREET **PHILADELPHIA, PA.**

The First National Bank
OF PHILADELPHIA

The considerations which should govern the selection of a reserve agent aside from the necessary factor of strength are

SERVICE
TERMS

The service of The First National Bank is an adaptation of the elastic, general and specialized facilities of an effective organization to the individual needs of each correspondent.

This service is rendered on a basis of mutual profit, that is, on terms consistent with its character.

If you are seeking new or enlarged facilities, we ask the opportunity to serve you.

J. TATNALL LEA, Pres.
WM. A. LAW, 1st Vice Pres.
KENTON WARNE, 2nd Vice Pres.
THOS. W. ANDREW, Cashier
CHAS. H. JAMES, Asst. Cashier
FREAS B. SNYDER, Asst. Cashier

Capital, Surplus and Profits, $3,000,000

E. W. Clark & Co.
BANKERS

321 Chestnut 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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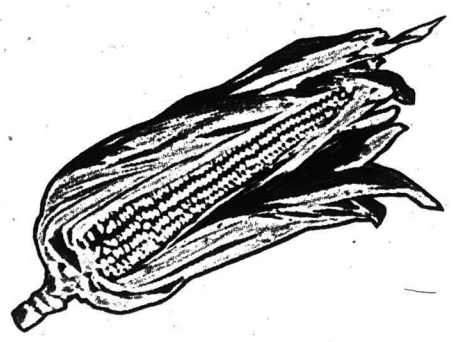

ALIVE, alert and sensitive to the present day needs of the business man and banker.

CORN EXCHANGE
NATIONAL BANK, Philadelphia

Cramp, Mitchell & Shober
BANKERS

1411 Chestnut St., Philadelphia

Members Philadelphia and New York Stock Exchanges
New York Cotton Exchange

Investment Securities

Drafts and Letters of Credit Issued on All Parts of the World

Deposits Received Subject to Check, and Interest Allowed on Daily Balances

LYBRAND, ROSS BROS. & MONTGOMERY
CERTIFIED PUBLIC ACCOUNTANTS

Audits, Investigations and Systems for Bankers, Manufacturers and Commercial Houses

NEW YORK	PITTSBURGH	CHICAGO	PHILADELPHIA
165 Broadway	Union Bank Bldg.	First National Bank Bldg.	Land Title Bldg.

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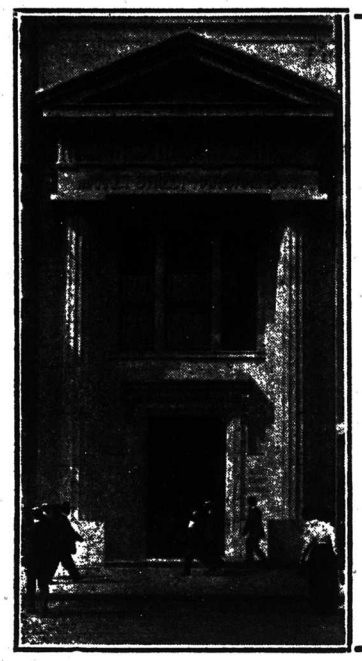

The Market Street National Bank

PHILADELPHIA

JAMES F. SULLIVAN, President
GEORGE H. EARLE, JR., 1st Vice-President
GEO. D. McCREARY, 2d Vice-President
WM. P. SINNETT, Cashier

Capital - - - $1,000,000
Surplus - - - 1,000,000

ACCOUNTS SOLICITED CORRESPONDENCE INVITED
COLLECTION FACILITIES FIRST CLASS

EDWARD B. SMITH & CO.

BANKERS

N. E. COR. BROAD AND CHESTNUT STS., PHILADELPHIA
27 PINE ST., NEW YORK

MEMBERS NEW YORK AND PHILADELPHIA STOCK EXCHANGES

INQUIRIES INVITED FOR HIGH GRADE INVESTMENT SECURITIES

The Trust Company of North America

505 CHESTNUT STREET, Philadelphia

Capital and Surplus - $1,850,000.00

HENRY G. BRENGLE, President.
JOS. S. CLARK, Vice-President.
CHAS. P. LINEAWEAVER, Secretary and Treasurer.

Pays Interest on Deposits. Executes Trusts
Takes Charge of Real Estate and
Furnishes Letters of Credit
Savings Fund Pays 3 1-2 Per Cent.

DIRECTORS

Adam A. Stull, Chairman.

Henry G. Brengle
James Crosby Brown
John Cadwalader
E. W. Clark, Jr.
E. B. Coxe, Jr.
Edwin S. Dixon
Eugene L. Ellison
Joseph C. Fraley
Harry C. Francis
Henry L. Gaw, Jr.
Howard S. Graham
Samuel F. Houston
J. Levering Jones
Malcolm Lloyd
John McIlhenny
Richard Waln Meirs
Clement B. Newbold
John W. Pepper
William F. Read
Edward D. Toland
Joseph R. Wainwright
William D. Winsor

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Thos. A. Biddle & Co.

MEMBERS

Philadelphia Stock Exchange
New York Stock Exchange

Private Wire to New York

326 Walnut Street

9-12 Real Estate Trust Building

PHILADELPHIA, PA.

ERVIN & CO.

BANKERS

INVESTMENT SECURITIES

Drexel Building

Philadelphia

MEMBERS OF THE NEW YORK AND PHILADELPHIA STOCK EXCHANGES
BRANCH OFFICE: 333-4-5 REAL ESTATE TRUST BUILDING

MELLOR & PETRY

STOCKS, BONDS, INVESTMENT SECURITIES

MEMBERS OF
NEW YORK STOCK EXCHANGE
PHILADELPHIA STOCK EXCHANGE

104 SOUTH FIFTH STREET
PHILADELPHIA

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Mellon National Bank

PITTSBURGH, PA.

PITTSBURGH, "The Nation's Workshop," requires vast amounts of money to finance its many varied industries. Pittsburgh banks can therefore afford to pay good interest rates on deposits. This bank invites your reserve account, offering you perfect service and liberal interest on your balances. An inquiry from any banker who is interested will be welcomed.

A. W. MELLON, President
R. B. MELLON, Vice-President
A. C. KNOX, Vice-President
W. S. MITCHELL, Cashier
B. W. LEWIS, Assistant Cashier
A. W. McELDOWNEY, Assistant Cashier
H. S. ZIMMERMAN, Assistant Cashier

CAPITAL AND SURPLUS, $7,200,000

W. E. BALLARD

D. V. McCONNEL

BALLARD & McCONNEL

INVESTMENTS

Members Pittsburgh Stock Exchange

COMMONWEALTH BUILDING
PITTSBURGH, PA.

We solicit out of town correspondents and furnish any statistical information desired on local securities.

THE BANK FOR BANKERS

THE PEOPLES NATIONAL BANK

PITTSBURGH, PA.

CAPITAL - - - - - -	$ 1,000,000
SURPLUS - - - - - -	1,850,000
RESOURCES - - - -	18,000,000

OFFICERS

President.....ROBERT WARDROP
Vice President.....D. E. PARK
Cashier....HERVEY SCHUMACHER
Asst. Cashier....W. DWIGHT BELL
Asst. Cashier.....S. CLARKE REED
Asst. Cashier.....FRANK R. FLOOD

With ample resources, an efficient organization and an experience of FORTY-SIX YEARS, this Bank can give you unusual service

WRITE US FOR A PROPOSITION

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J. S. & W. S. KUHN, Inc.

INVESTMENT BANKERS

WE DEAL IN BONDS FOR INVESTMENT PURPOSES ONLY

MUNICIPAL BONDS — RAILROAD BONDS
WATER WORKS BONDS — TRACTION BONDS
HYDRO-ELECTRIC BONDS

The correspondence of Banks, Institutions and private investors desiring to participate in original offerings is invited.

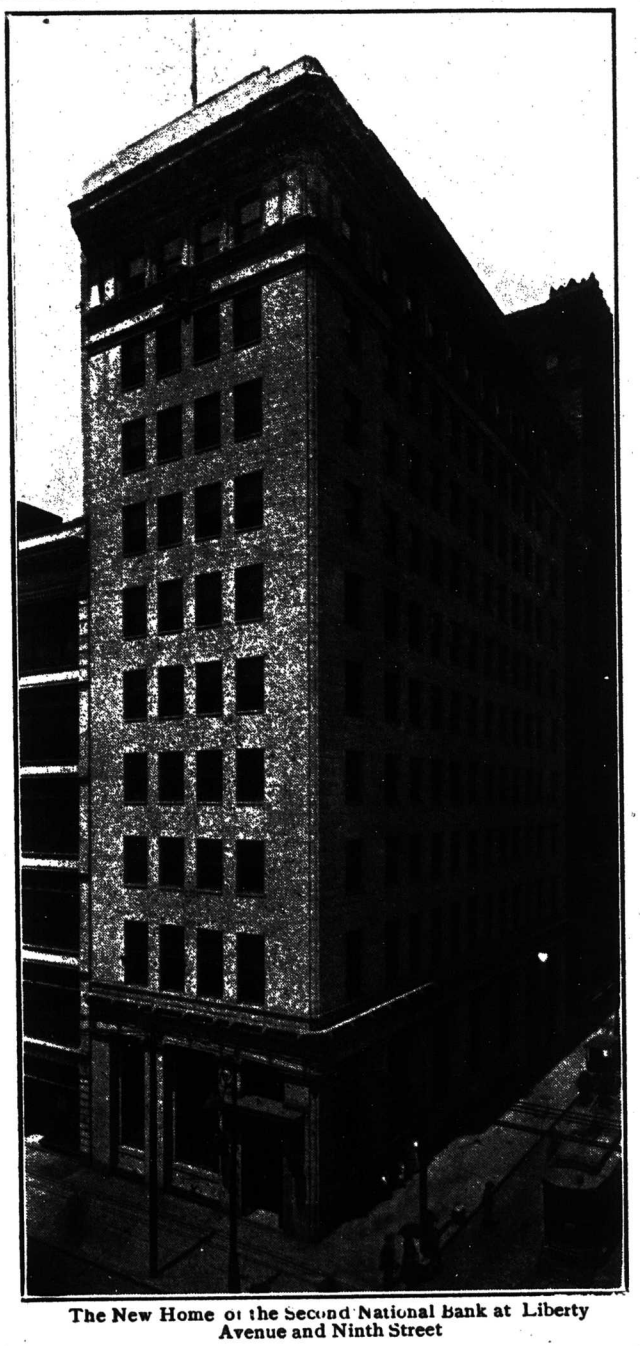
PITTSBURGH
Bank for Savings Building

CHICAGO
First National Bank Building

PHILADELPHIA
Real Estate Trust Building

NEW YORK
37 Wall Street

BOSTON
Kuhn, Fisher & Co., Incorporated, 15 Congress Street



The New Home of the Second National Bank at Liberty Avenue and Ninth Street

Second National Bank
OF PITTSBURGH

Depository of the United States
the State of Pennsylvania
and the City of Pittsburgh

Capital, $1,800,000
Surplus and Profits, $2,245,000
Deposits, $13,000,000

Accounts of Banks and Bankers Cordially Solicited

OFFICERS:

HENRY C. BUGHMAN, President

WILLIAM McCONWAY, Vice President

THOMAS W. WELSH, Jr., Vice President

JAMES M. YOUNG, Cashier

BROWN A. PATTERSON, Ass't Cashier

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http://fraser.stlouisfed.org/

SAFE DEPOSIT AND TRUST COMPANY

OF BALTIMORE

13 SOUTH STREET

Chartered 1864 Capital, $600,000 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.

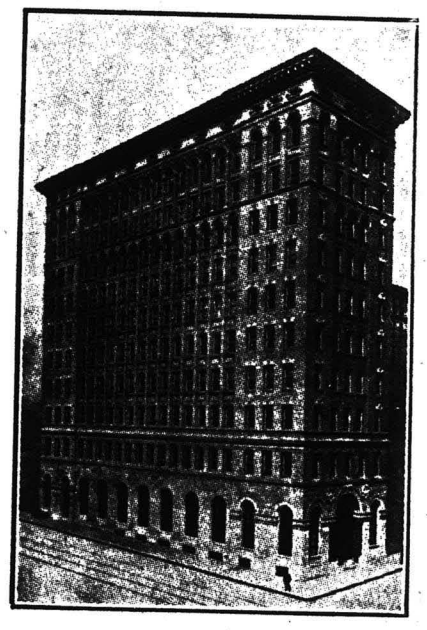
Securities held on deposit for Out of Town Corporations and persons.

DIRECTORS

MICHAEL JENKINS, President

H. WALTERS, Vice-Pres't	**WALDO NEWCOMER**	**SAM'L M. SHOEMAKER**
JOHN W. MARSHALL, 2nd Vice-Pres't	**NORMAN JAMES**	**BLANCHARD RANDALL**
JOHN J. NELLIGAN, 3rd Vice-Pres't	**DOUGLAS H. THOMAS**	**E. H. PERKINS**

ANDREW P. SPAMER, Treasurer **GEO. B. GAMMIE, Asst. Treasurer**



MARYLAND TRUST COMPANY

N. W. Corner Calvert and German Streets

BALTIMORE, MD.

CAPITAL, $1,500,000

Transacts a General Trust and Banking Business

Interest allowed on deposit accounts subject to check. Special rates on time deposit accounts. Acts as trustee under mortgages of railroads and other corporations; as depositary under plans of re-organization; as financial agent for the transfer and registration of stocks and bonds, and for the payment of interest and dividends. A Legal Depositary for Court and Trust Funds.

SAFE DEPOSIT BOXES FOR RENT
Correspondence and Interviews Invited

OFFICERS

L. S. ZIMMERMAN .....President
J. V. McNEAL .....Vice-President
CARROLL VAN NESS .....Secretary
JERVIS SPENCER, JR. .....Treasurer
IVAN SKINNER....Asst. Secretary and Asst. Treasurer

DIRECTORS

JOSIAH L. BLACKWELL.	GEORGE C. JENKINS.
JOSEPH R. FOARD.	J. V. McNEAL.
B. HOWELL GRISWOLD, JR.	HENRY C. MATTHEWS.
GEORGE GARR HENRY.	OSCAR G. MURRAY.
A. BARTON HEPBURN.	THEODORE E. STRAUS.
GRIER HERSH.	DOUGLAS M. WYLIE.
JOHN T. HILL.	L. S. ZIMMERMAN.

FIRST NATIONAL BANK

BALTIMORE, MD.

Capital - - $1,000,000
Surplus and Profits 550,000
Deposits - - 6,500,000

Accounts of banks and bankers solicited and handled on favorable terms.

CORRESPONDENCE INVITED

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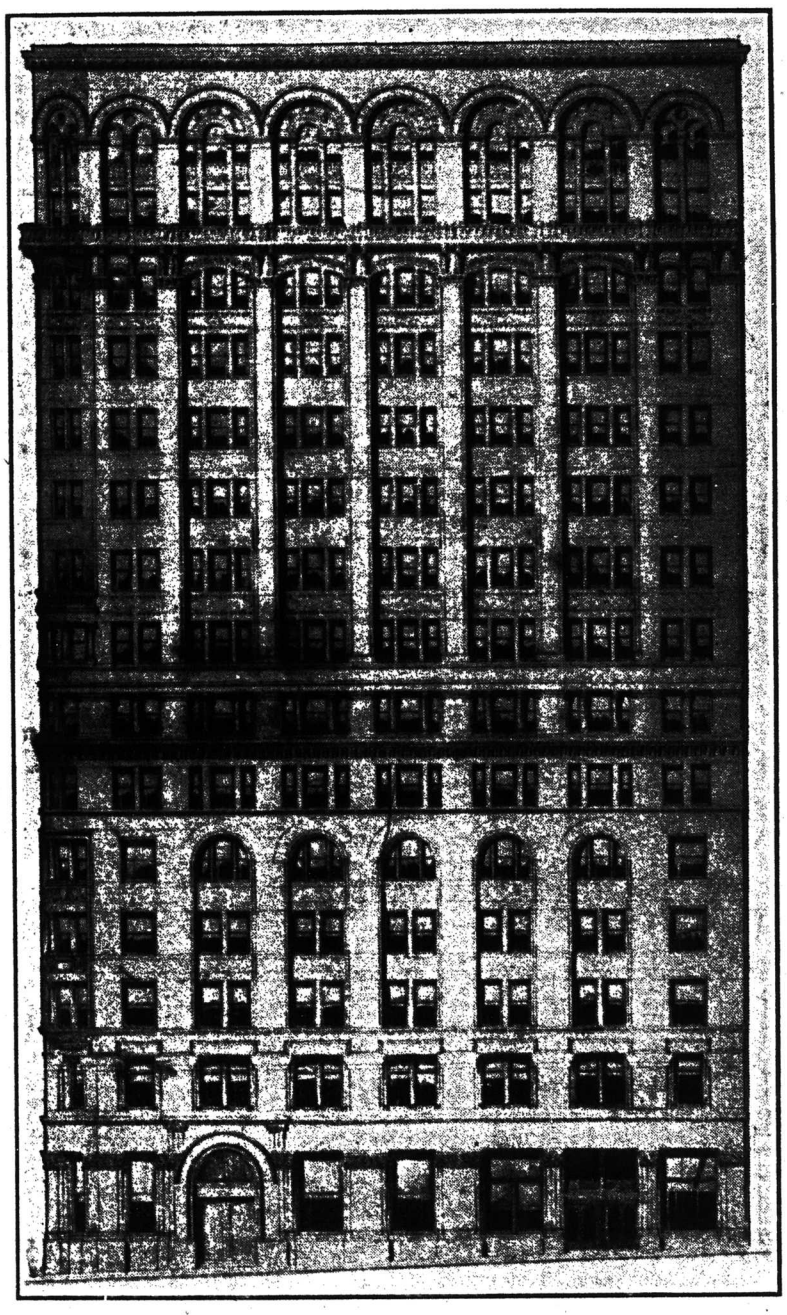
Fidelity Trust Company

BALTIMORE, MARYLAND

OFFICERS

EDWIN WARFIELD, President

VAN LEAR BLACK, 1st Vice-President
THOMAS A. WHELAN, 2nd Vice-President
JOHN H. WIGHT, 3rd Vice-President
HARRY NICODEMUS, Secretary and Treasurer
THOMAS L. BERRY, Assistant Secretary and Treasurer
GEORGE L. MAHLER, Assistant Secretary and Treasurer.
F. HOWARD WARFIELD, Trust Officer



FIDELITY TRUST CO.'S NEW BUILDING,
CHARLES AND LEXINGTON STS., BALTIMORE.

DIRECTORS

EDWIN WARFIELD,
President.
VAN LEAR BLACK,
Black, Sheridan, Wilson Company.
JOSEPH A. BOLGIANO,
Capitalist.
ALFRED E. BOOTH,
Capitalist.
HERMAN E. BOSLER,
Capitalist.
WILLIAM A. DICKEY,
William J. Dickey & Sons.
CHARLES E. FINK,
Attorney-at-Law.
SOLOMON FRANK,
Capitalist.
FRANK A. FURST,
President Maryland Dredging Company.
E. STANLEY GARY,
James S. Gary & Son.
JOHN S. GIBBS, JR.,
Gibbs Preserving Company.
LLOYD LOWNDES,
Banker.
J. V. McNEAL,
Vice-Pres. Baltimore and Ohio Railroad.
SEYMOUR MANDELBAUM,
Capitalist.
HARRY NICODEMUS,
Treasurer.
ROBERT OBER,
G. Ober & Sons Company.
GUSTAVUS OBER, JR.,
G. Ober & Sons Company.
JOHN WALTER SMITH,
Surry Lumber Company.
SIMON H. STEIN,
Banker.
GEORGE WARFIELD,
Capitalist.
CLARENCE W. WATSON,
Consolidation Coal Company.
THOMAS A. WHELAN,
Attorney-at-Law.
MORRIS WHITRIDGE,
Whitridge, White & Company.
JOHN H. WIGHT,
Sherwood Distilling Company.

Trusts. This Company acts as Trustee, Transfer Agent, Registrar and Fiscal Agent for Corporations, and as Executor, Administrator, Guardian and Trustee for individuals. Wills cared for in burglar and fireproof vaults, free of charge.

Banking. Deposits received subject to check, and interest paid on balances. Letters of Credit on Brown, Shipley and Co. of London, England, and Travelers' Checks of the United States Express Co. issued.

Real Estate. Dwelling and business property carefully managed. Rents collected for long or short periods. Properties rented or sold on commission.

Safe Deposit Vaults. Safe Deposit Boxes, affording absolute security for bonds, deeds and other papers, are rented at reasonable prices. Silverware and other valuables taken on storage.

Condensed Statement, June 30, 1910

RESOURCES		LIABILITIES	
Loans and Investments, .	$6,620,447.62	Capital, Surplus and Undivided Profits, . .	$1,736,962.64
Cash in Vault and in Banks, ...	1,163,895.66	Deposits, ...	6,047,380.64
	$7,784,343.28		$7,784,343.28

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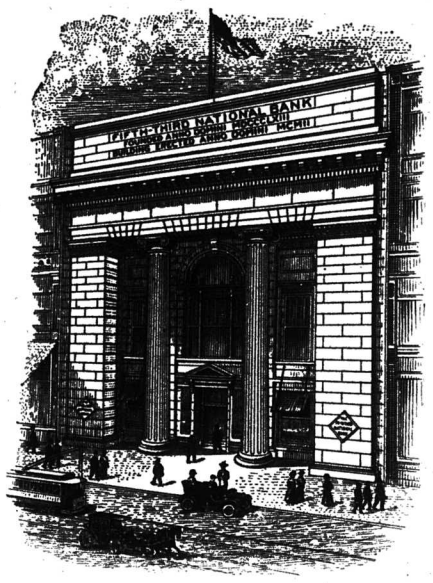


THE

Fifth-Third National Bank

IN CINCINNATI

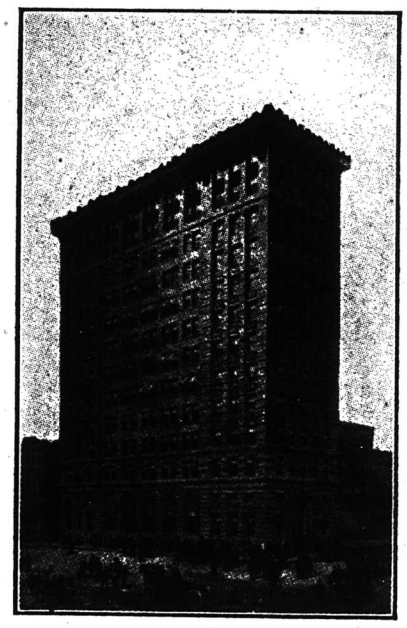
Capital, Surplus and Profits, $ 4,500,000
Resources Over . . . 22,000,000

Every facility for the satisfactory handling of bank accounts

CORRESPONDENCE INVITED

National Bank of Commerce

NORFOLK, VA.



CAPITAL
$1,000,000

SURPLUS
$650,000

WE INVITE YOUR ACCOUNT

NATHANIEL BEAMAN, President.
TAZEWELL TAYLOR, Vice-President.
HUGH M. KERR, Cashier.
M. C. FEREBEE, Assistant Cashier.
R. S. COHOON, Assistant Cashier.

MARKED FEATURES
Promptness, Courtesy, Safety and Reliability.

THE

Norfolk National Bank

Norfolk, Va.

U. S. DEPOSITARY

Capital - - - $1,000,000
Surplus and Undivided Profits $675,000

CALDWELL HARDY
President

E. T. LAMB
Vice-President

A. B. SCHWARZKOPF
Vice-President

W. A. GODWIN
Cashier

Accounts of Banks and Bankers Received on Most Favorable Terms.

National Savings and Trust Company

WASHINGTON, D. C.

CAPITAL - - $1,000,000

Incorporated by Special Act of Congress, January 22, 1867
Reorganized under Act of Congress, October, 1, 1890

OFFICERS

WILLIAM D. HOOVER, President.
WOODBURY BLAIR, 2nd Vice-President.
FRANK W. STONE, 3rd Vice-President.
GEORGE HOWARD, Treasurer.
CHARLES E. NYMAN, Secretary.
CHARLES C. LAMBORN, Assistant Treasurer.
FRANK STETSON, Assistant Trust Officer.

DIRECTORS.

WOODBURY BLAIR.
S. THOMAS BROWN.
JAMES A. BUCHANAN.
WILLIAM A. H. CHURCH.
WALTER C. CLEPHANE.
WILLIAM V. COX.
WILLIAM E. EDMONSTON.
GEORGE W. GRAY.
WILLIAM D. HOOVER.
REGINALD S. HUIDEKOPER.
THOMAS R. JONES.
O. H. P. JOHNSON.
VICTOR KAUFFMANN.
EDWARD McLEAN.
SAMUEL MADDOX.
WILLIAM F. QUICKSALL.
FRANK W. STONE.
WILLIAM H. WALKER.
JOHN L. WEAVER.
HENRY K. WILLARD.

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FIRST NATIONAL BANK

OF RICHMOND, VIRGINIA

Capital, $1,000,000 Earned Surplus, $1,000,000 Deposits, $6,000,000
Resources, $9,500,000

JOHN B. PURCELL, President JNO. M. MILLER, Jr., Vice-Pres. and Cashier FRED E. NÖLTING, Second Vice-Pres.

It would be advisable to those needing a Richmond connection to write to us for terms.

BILL OF LADING DRAFTS A SPECIALTY

John L. Williams & Sons

BANKERS

Cor. 9th and Main Streets, - - Richmond, Va.

Cable Address: Williamson Richmond

A. G. PLANT & CO.

BANKERS AND BROKERS

Members of Washington Stock Exchange WASHINGTON, D. C.

INVESTMENT SECURITIES

Correspondents

J. S. BACHE & CO.

BANKERS

Members of New York Stock Exchange NEW YORK, N. Y.

Extend the courtesies and facilities of their Bank to those visiting Washington, D. C.

LOCAL HIGH CLASS SECURITIES A SPECIALTY

RIGGS NATIONAL BANK

Pennsylvania Avenue---WASHINGTON, D. C.---Opp. U. S. Treasury

CAPITAL $1,000,000. SURPLUS AND UNDIVIDED PROFITS $1,910,000

LETTERS OF CREDIT ISSUED

Drafts ssued direct on principal cities of the world. Money transmitted by cable. Exchange bought and sold. Bankers Circular Notes. Investments and collections made. Stocks and bonds bought and sold.

OFFICERS

CHARLES C. CLOVER, President WM. J. FLATHER, Vice-President
M. E. AILES, Vice-President H. H. FLATHER, Cashier
JOSHUA EVANS, JR., Asst. Cashier

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://fraser.stlouisfed.org/

THE

HOLSTON NATIONAL BANK

OF

KNOXVILLE

UNITED STATES DEPOSITARY

Capital, $400,000

Surplus and Profits, $150,000

OFFICERS

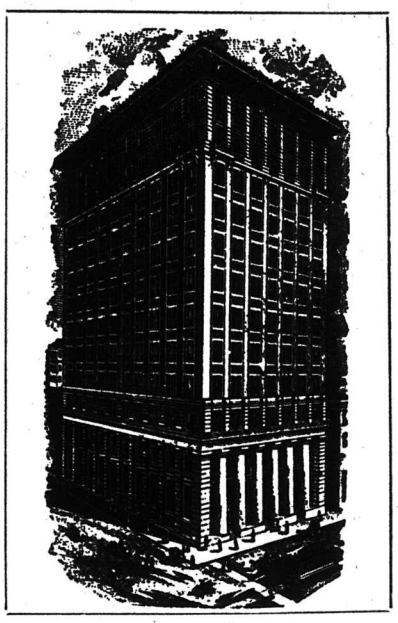
Joseph P. Gaut, President
D. A. Rosenthal, Vice-President
Ralph W. Brown, Cashier
A. C. Harmon, Asst. Cashier

Our Collection Department is one of the largest and best equipped in the entire South.

CORRESPONDENCE INVITED

Fourth National Bank

NASHVILLE, TENN.



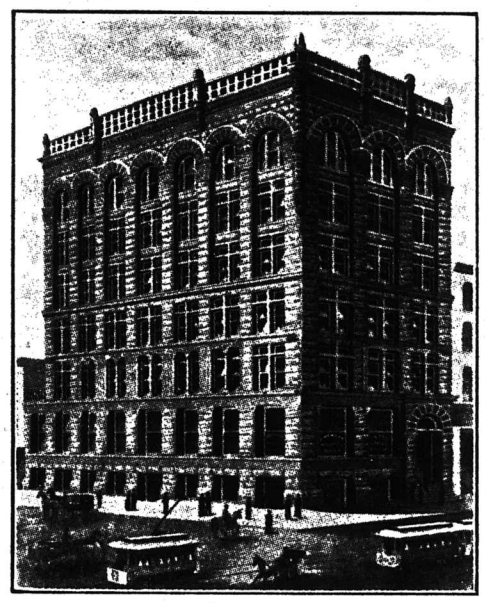
CAPITAL
$600,000

SURPLUS and PROFITS
$788,027

DEPOSITS
$6,308,889

We have excellent facilities for handling Tennessee items and respectfully solicit your business, assuring **Prompt Service and Reasonable Rates.**

J. T. HOWELL, President. WALTER KEITH, Vice-Pres.
J. H. FALL, Vice-Pres. J. S. McHENRY, Cashier.
W. C. DIBRELL, Vice-Pres. G. W. PYLE, Asst. Cashier.



THE

AMERICAN NATIONAL BANK

of LOUISVILLE, KY.

Capital $800,000 Surplus $250,000

United States Depositary

LOGAN C. MURRAY, Pres't CHAS. C. CARTER, Ass't Cashier
R. F. WARFIELD, Cashier F. L. MOSELEY, Ass't Cashier

We are at your service as reserve agent for banks and bankers, and have excellent facilities to handle collections on all parts of the country.

Union National Bank

UNITED STATES DEPOSITORY

WE INVITE THE BUSINESS OF BANKS AND BANKERS DESIRING EFFICIENT AND SATISFACTORY SERVICE

Louisville, Ky.

J. D. STEWART, President.
BASIL DOERHOEFER, 1st Vice-President.
W. P. OTTER, 2d Vice-Pres.
F. M. GETTYS, Cashier.
J. H. MERSHON, Asst. Cashier.

SPECIAL ATTENTION TO THE COLLECTION OF B/L DRAFTS WE REMIT ON DAY OF PAYMENT

Capital, $500,000 Surplus and Profits, $550,000

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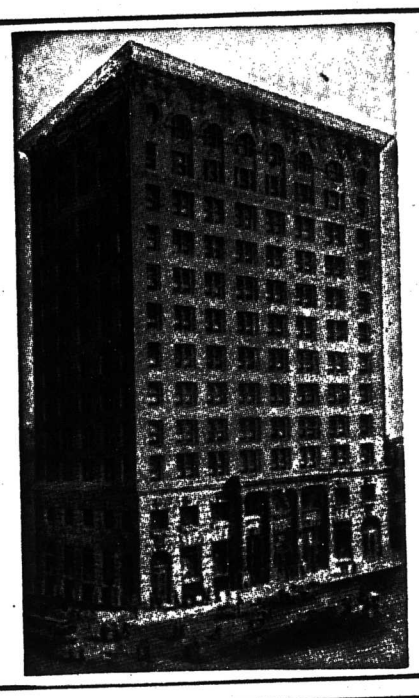

FIRST NATIONAL BANK
NASHVILLE

Capital $500,000 Surplus and Profits $375,000
Deposits $5,000,000

F. O. WATTS, President

D. S. WILLIAMS, Vice-Prest. E. A. LINDSEY, 2d Vice-Prest.
RANDAL CURELL, Cashier
FRANK K. HOUSTON, Asst. Cashier J. R. JOHNSON, Asst. Cashier

SEND US YOUR TENNESSEE COLLECTIONS

For we reach 85 per cent. of the banks direct through our reciprocal correspondents.

First Savings Bank & Trust Company
NASHVILLE, TENN.

CAPITAL - - - - $300,000

Transacts a General Trust Company Business

A. M. SHOOK .....President F. O. WATTS .....Vice President
W. R. COLE.....Vice President P. D. HOUSTON .....Cashier
M. E. HOLDERNESS.....Asst. Cashier

BOND DEPARTMENT

STOCKS AND BONDS BOUGHT AND SOLD

Local Quotations Furnished on Request

J. W. JAKES, Manager

THE HERMITAGE NATIONAL BANK
NASHVILLE, TENN.

CAPITAL
$300,000

FRANK DIBRELL .....President
W. J. CUDE.....Vice-President
JO. J. GREEN.....Vice-President
E. S. BRUGH.....Cashier
A. B. CUMMINGS.....Assistant Cashier

EXCELLENT FACILITIES
FOR
HANDLING COLLECTIONS
ON NASHVILLE AND
OTHER TENNESSEE
POINTS

Correspondence Invited

Isidore Newman & Son
BANKERS AND BROKERS
Established 1868

BONDS OF ESTABLISHED STREET RAILWAY, AND
ELECTRIC LIGHTING CORPORATIONS

CIRCULARS ON APPLICATION

Southern Securities a Specialty

212 CARONDELET STREET NEW ORLEANS

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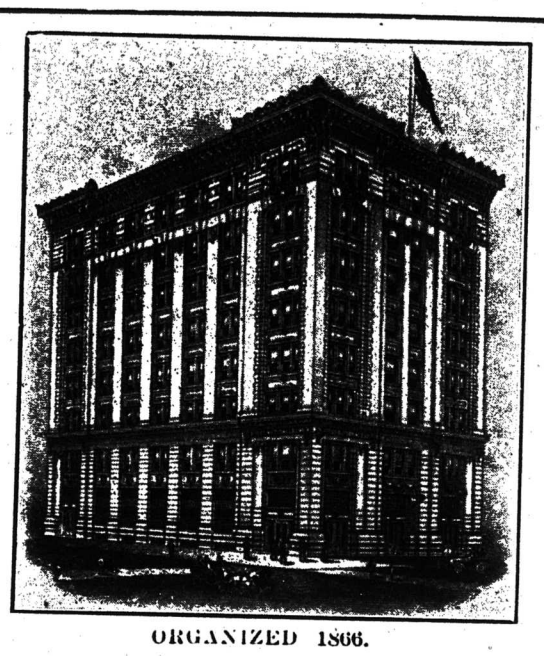


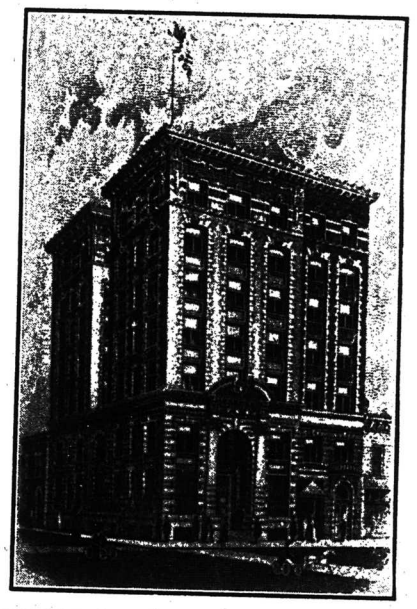
ORGANIZED 1866.

THE FIRST NATIONAL BANK
OF HOUSTON, TEXAS

CAPITAL, $1,000,000 **SURPLUS, $300,000**

O. L. COCHRAN, President.
J. T. SCOTT, 1st Vice-President. H. R. ELDRIDGE, 2nd Vice-President.
W. S. COCHRAN, Cashier.
W. E. HERTFORD, Asst. Cashier. F. E. RUSSELL, Asst. Cashier.

WE INVITE CORRESPONDENCE OF BANKS AND BANKERS DESIRING UNEXCELLED FACILITIES FOR HANDLING COLLECTIONS ON THE STATE OF TEXAS.



ESTABLISHED 1872

THE FORT WORTH NATIONAL BANK
FORT WORTH, TEXAS

Capital, $500,000 ($200,000 earned) ***Surplus, $700,000*** (All earned)

K. M. VAN ZANDT, Presiden
N. HARDING, Vice-President R. E. HARDING, Asst. Cashier
R. L. ELLISON, Vice-President E. B. VAN ZANDT, Asst. Cashier
ELMO SLEDD, Cashier W. M. MASSIE, Asst. Cashier

We cordially invite the correspondence of Banks and Bankers desiring efficient and satisfactory service in this territory

INCORPORATED MARCH 10, 1812. CHARTER PERPETUAL

THE PENNSYLVANIA COMPANY
For Insurances on Lives and Granting Annuities

517 Chestnut Street. Broad Street Office: Franklin Bank Building

CAPITAL - $2,000,000 **SURPLUS - $3,500,000**

(Trust and Safe Deposit Company)

Invites the accounts of Individuals and Corporations.

Acts as Executor, Administrator, Trustee, Guardian, Assignee, Receiver, Agent, etc.

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

Rents Safe Deposit Boxes in Burglar-Proof Vaults.

C. S. W. PACKARD, President
THOMAS S. GATES, Vice President and Trust Officer
JOHN J. R. CRAVEN, Secretary
JAY GATES, Ass't Trust Officer
A. V. MORTON, Treasurer
C. S. NEWHALL, Ass't Treasurer
H. W. GOODALL, 2nd Ass't Treasurer
CHARLES OSBORNE, Ass't Trust Officer
JESSE WILLIAMSON, 2nd, Ass't Secretary

DIRECTORS

C. S. W. PACKARD
EDWARD H. COATES
WILLIAM W. JUSTICE
CRAIGE LIPPINCOTT
EDWARD S. BUCKLEY
EDWARD MORRELL
ARTHUR E. NEWBOLD
GEORGE H. FRAZIER
ALBA B. JOHNSON
THOMAS DEWITT CUYLER
GEORGE F. BAER
J. PERCY KEATING
ALFRED C. HARRISON

PHILADELPHIA, PA.

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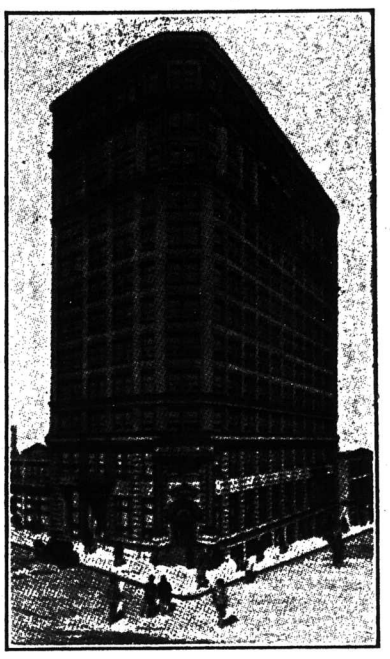

ATLANTA'S LEADING BANKING INSTITUTION

Atlanta National Bank

ATLANTA, GA.

UNITED STATES DEPOSITARY

CAPITAL, - - - - - - - $1,000,000
SURPLUS AND PROFITS, - - 950,000

CHAS. E. CURRIER, President.
HUGH T. INMAN, Vice-President.
GEO. R. DONOVAN, Cashier.

JAMES S. FLOYD, Assistant Cashier.
J. D. LEITNER, Assistant Cashier.
J. S. KENNEDY, Assistant Cashier.

Accounts of banks, merchants, corporations and individuals solicited. Every accommodation given which responsibility and balances warrant. Correspondence Invited.

Established 1906 as Hillyer Investment Co.

HILLYER TRUST COMPANY

Capital & Surplus $300,000.00

Cor. Broad and Luckie Sts. **ATLANTA, GA.**

This company transacts a general financial and trust business. It receives deposits and allows interest thereon; buys and sells approved investment securities; executes commission orders for stocks and bonds in New York, Boston, Baltimore and local markets. Real estate department takes entire charge of real estate holdings, with special attention to business property. Bankers and investors are cordially invited to correspond with this institution regarding quotations and appraisements of Southern securities, including Municipal, Railroad and Public Service Corporation Bonds, Bank Stocks and Guaranteed Stocks.

Officers and Directors

HENRY HILLYER, President
GEO. S. LOWNDES, Vice-President
SAMUEL N. EVINS, Attorney
DR. F. PHINIZY CALHOUN
JAMES S. FLOYD
R. L. FOREMAN
FREDERICK J. PAXON
WM. HURD HILLYER, Vice-Pres. and Treasurer
HERBERT L. WIGGS, Trust Officer
ARTHUR H. NEESON, Secy.
JACK J. SPALDING
DR. J. S. TODD
JOHN MORRIS

FOURTH NATIONAL BANK

ATLANTA, GA.

Capital, $600,000 ***Surplus and Profits, $750,000***

We cordially invite the business of Banks and Bankers desiring efficient and satisfactory service in this territory.

JAMES W. ENGLISH, President
JOHN K. OTTLEY, Vice-President
CHARLES I. RYAN, Cashier
WM. T. PERKERSON, Assistant Cashier
JAS. M. THOMAS, Assistant Cashier

WILLIAM O. ALLISON
President
R. W. JONES, JR.
Vice-President
THOMAS J. LEWIS
Vice-President and Cashier
ROBERT B. MINIS
Assistant Cashier

CAPITAL
and
SURPLUS
$1,800,000

EQUIPPED TO SATISFY EVERY REASONABLE WANT OF THE INTERIOR BANKER

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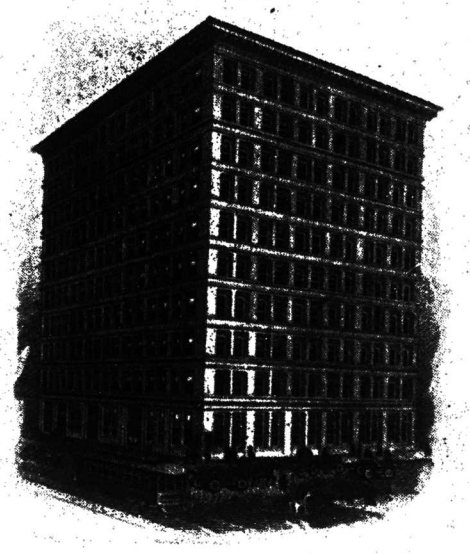
p://fraser.stlouisfed.org/



DEPOSITORY OF THE UNITED STATES AND STATE OF ALABAMA

FIRST NATIONAL BANK

BIRMINGHAM, ALA.

Capital $1,000,000 Surplus and Profits $900,000

Resources $12,000,000

W. P. G. HARDING, President — J. H. WOODWARD. Vice-President
J. H BARR, Vice-President
THOMAS HOPKINS, Cashier — F. S. FOSTER, Asst. Cashier
THOMAS BOWRON, Asst. Cashier — J. E. OZBURN, Secretary Savings Dept

COLLECTIONS RECEIVE CAREFUL ATTENTION

SEND US YOUR ALABAMA ITEMS

Birmingham Trust & Savings Co.

Birmingham, - - Alabama

Capital $500,000 Surplus $350,000

ARTHUR W. SMITH, President
TOM O. SMITH, Vice-Prest.
W. H. MANLY, Cashier
BENSON CAIN, Ass't Cashier
C. D. COTTEN, Ass't Cashier
E. W. FINCH, Ass't Cashier

Steady adherence to conservative banking is coupled with prompt attention to all business.

Collection accounts solicited.

CENTRAL TRUST COMPANY OF MOBILE

ROBERT O. HARRIS, President.
G. B. THAMES, Vice President.
S. A. TONSMEIRE, Secretary.
TOM C. McCORVEY, JR., Ass't Secretary.

Capital and Surplus, $350,000.00

TRUSTS OF ALL KINDS FAITHFULLY EXECUTED

Bonds, Stocks and Securities Bought and Sold

COLLECTIONS A SPECIALTY, CORRESPONDENCE INVITED

J. W. WHITING, President — J. W. LITTLE, Vice-Prest. and Cashier — B. W. PADGETT, Asst. Cashier

PEOPLES BANK
MOBILE

CAPITAL, $150,000 SURPLUS AND PROFITS, $675.000

Largest percentage of surplus and profits to capital of any bank in Alabama

WE COLLECT ALL ALABAMA, FLORIDA AND MISSISSIPPI ITEMS AT ACTUAL COST.
WE SOLICIT BUSINESS ON BANKING PRINCIPLES.

itized for FRASER

RHODE ISLAND HOSPITAL TRUST CO.

PROVIDENCE, R. I.

The Oldest Trust Company in New England

CAPITAL, $2,000,000 **SURPLUS AND PROFITS, $2,500,000**

HERBERT J. WELLS, President

EDWARD S. CLARK, Vice-President
WILLIAM A. GAMWELL, Secretary
CYRUS E. LAPHAM, Ass't Secretary
HENRY L. SLADER, Ass't Secretary

HORATIO A. HUNT, Vice-President
PRESTON H. GARDNER, Trust Officer
JOHN E. WILLIAMS, Ass't Secretary
G. A. HARRINGTON, Ass't Trust Officer

ALBERT P. MILLER, Jr.

Industrial Trust Company Building
PROVIDENCE, R. I.

Local Securities
Gas, Electric Lighting and Railway
Bonds and Stocks

THE MERCHANTS NATIONAL BANK

OF PROVIDENCE, R. I.

ESTABLISHED 1818 **U. S. DEPOSITARY**

Capital . . . $1,000,000
Surplus Earnings . 750,000

The largest RESOURCES of any National Bank in New England outside of Boston—COLLECTIONS on points in this State made direct and remitted for promptly at low rates

ROBERT W. TAFT, President
HORATIO N. CAMPBELL, Vice-President

MOSES J. BARBER, Cashier
FRANK A. GREENE, Asst. Cashier

ESTABLISHED 1792

One Hundred and Eighteen Years Old

HARTFORD NATIONAL BANK

HARTFORD, CONN.

Capital, ... $1,200,000
Accumulated Profits . 1,000,000

HAROLD W. STEVENS, President.

FRANK P. FURLONG, Cashier

W. S. ANDREWS, Assistant Cashier.

THE STRONGEST NATIONAL BANK IN NEW ENGLAND OUTSIDE OF BOSTON

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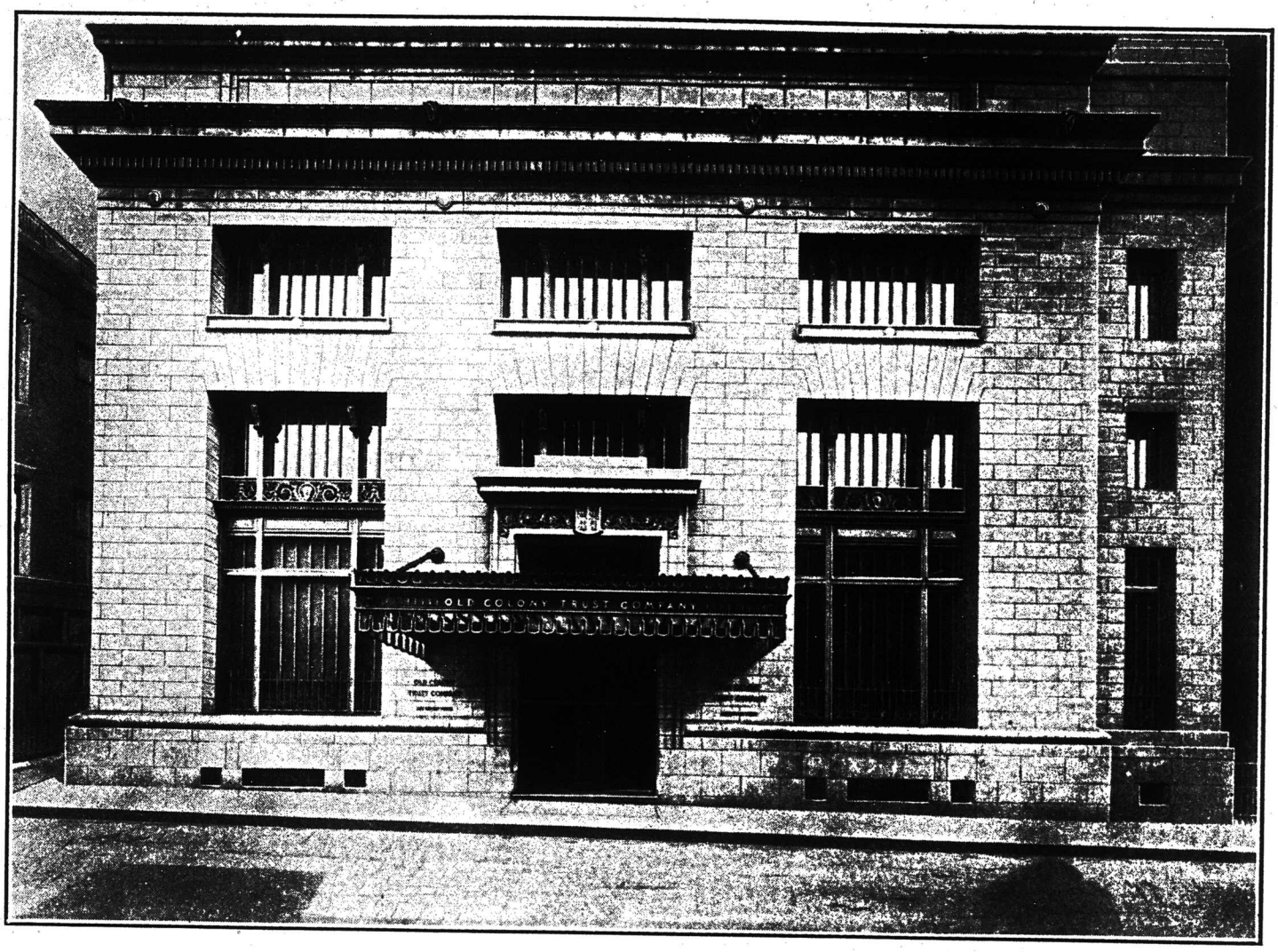
OLD COLONY TRUST COMPANY

BOSTON

CAPITAL, $2,500,000 **SURPLUS, $10,000,000**



MAIN BANKING BUILDING, COURT STREET.

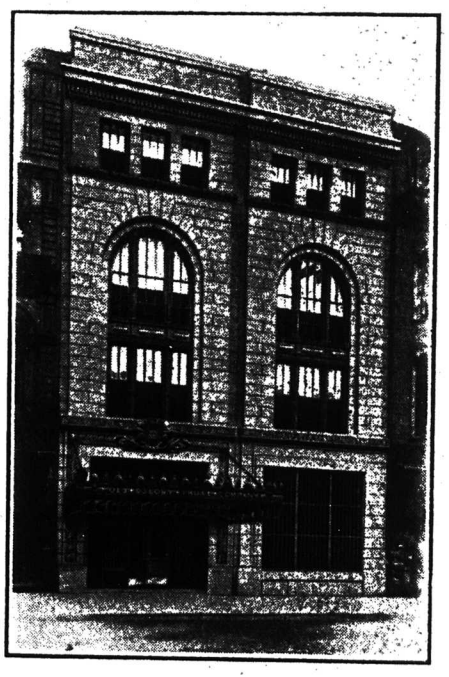
In addition to conducting a general banking and safe deposit business the Old Colony Trust Company acts as trustee under railroad and other mortgages and as agent for the transfer and registration of stocks.

The company is also authorized to act in the administration of estates in trust with all the powers that are given to individuals.

Authorized reserve agent for Maine, Massachusetts and Rhode Island Trust Companies.

OFFICERS:

T. Jefferson Coolidge, Jr., Chairman Executive Committee.
Gordon Abbott, Chairman Board of Directors.
Francis R. Hart, Vice-Chairman Board of Directors.
Philip Stockton, President.
Wallace B. Donham, Vice-President.
Julius R. Wakefield, Vice-President.
Frederic G. Pousland, Treasurer.
Geo. W. Grant, Cashier.
E. Elmer Foye, Manager Credit Department.
Chester B. Humphrey, Secretary.
Joseph G. Stearns, Assistant Secretary.
F. M. Holmes, Trust Officer.
F. M. Lamson, Manager Temple Place Branch.



BRANCH OFFICE, TEMPLE PLACE.

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Webster and Atlas National Bank
OF BOSTON

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

JOHN P. LYMAN, President.
JOSEPH S. BIGELOW, Vice-President.
JOSEPH L. FOSTER, Cashier.
ROBERT E. HILL, Asst. Cashier.

ACCOUNTS OF BANKS, CORPORATIONS, FIRMS AND INDIVIDUALS SOLICITED.

The Second National Bank
of Boston

ORIGINAL CHARTER 1832 NATIONALIZED 1864

Capital - - - - $2,000,000
Surplus and Profits - 2,800,000
Deposits - - - - 23,000,000

THOMAS P. BEAL, - - - - President
CHARLES F. FAIRBANKS, Vice-President
THOMAS P. BEAL, Jr., - Vice-President
T. HARLAN BREED, - - - Cashier
JOHN H. SYMONDS, Assistant Cashier
FRANK H. WRIGHT, Assistant Cashier

INCORPORATED 1792

THE NATIONAL UNION BANK
BOSTON

Capital, $1,000,000 Surplus and Profits, $1,455,000 Deposits, $10,144,000

OFFICERS

HENRY S. GREW, President
THEOPHILUS PARSONS, Vice-President
CHARLES P. BLINN, Jr., Vice-President
WM. S. B. STEVENS, Cashier

NEW ENGLAND BUSINESS OF OTHER BANKS SOLICITED

MERRILL, OLDHAM & CO.

BONDS FOR INVESTMENT

LISTS UPON APPLICATION

35 CONGRESS STREET - - - - BOSTON

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Marine National Bank of Buffalo

Capital { Paid in	$500,000.00	
Capital { Earned	1,500,000.00	$2,000,000.00
Surplus and Profits (Earned)		1,250,000.00
Total Assets (Over) - - -		28,000,000.00

OFFICERS

STEPHEN M. CLEMENT, President.
JOHN J. ALBRIGHT, Vice-President.
JOHN H. LASCELLES, Vice-President.
CLIFFORD HUBBELL, Cashier.
HENRY J. AUER, Assistant Cashier.
NORMAN P. CLEMENT, Assistant Cashier.

DIRECTORS

John J. Albright, Stephen M. Clement, Chas. W. Goodyear, Wm. H. Gratwick, Wm. A. Rogers, Edmund Hayes, Wm. H. Hotchkiss, E. H. Hutchinson, Chas. H. Keep, Hugh Kennedy, John H. Lascelles, George B. Mathews

Correspondence Solicited With a View to Business in New York State or Canada

THE FIDELITY TRUST CO.
of BUFFALO, N. Y.

Over 80% of Assets consists of Cash; State, Municipal and other bonds and Loans payable on demand secured by collateral. NO UNSECURED LOANS

GEORGE V. FORMAN, Pres. — EDGAR A. TAYLOR, Secretary.
ROBERT L. FRYER, Vice-Pres. — MYRON S. HALL, Asst. Secretary.
JOHN M. SATTERFIELD, 2d V. Pres. — WALTER L. CURTISS, Asst. Secy.
GEORGE D. SEARS, Trust Officer.

Accounts of SAVINGS BANKS and RESERVE or QUIET ACCOUNTS of Banks or Bankers are especially solicited and will receive most Liberal Rates consistent with Sound Banking

JOHN T. STEELE

FIDELITY BUILDING, BUFFALO

INVESTMENT BANKER

Government, Municipal, Railroad, Traction and Corporation Bonds and Stocks Bought, Sold and Appraised

LOCAL SECURITIES A SPECIALTY

MEMBERS { AMERICAN BANKERS' ASSOCIATION. / N. Y. STATE BANKERS' ASSOCIATION.

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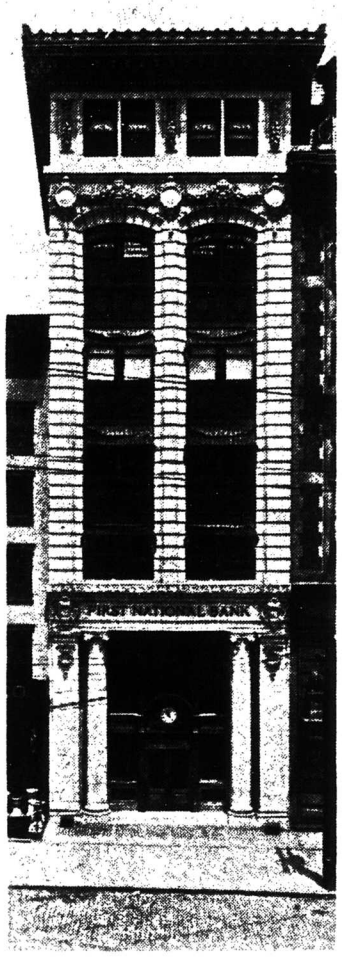
First National Bank

ALBANY, N. Y.



CAPITAL and SURPLUS,
$800,000.00

DEPOSITORY OF THE UNITED STATES
AND STATE OF NEW YORK

OFFICERS:

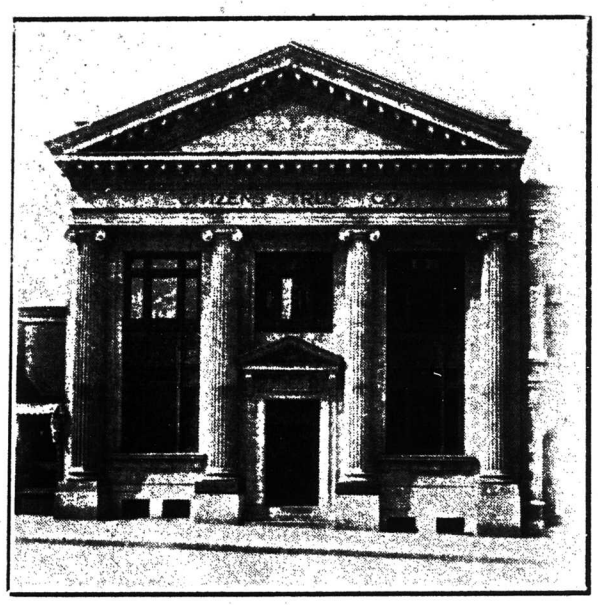
FREDERICK A. MEAD, Pres.

HORACE G. YOUNG, Vice-Pres. — JOHN J. GALLOGLY, Vice-Pres.

JOHN A. DIX, Vice-Pres. — HUGH A. ARNOLD, Cashier

KEEP PART OF YOUR RESERVE
WITH US

CORRESPONDENCE INVITED



Citizens Trust Company

UTICA, N. Y.

Capital, $300,000 — **Deposits, 1908, $1,700,000**

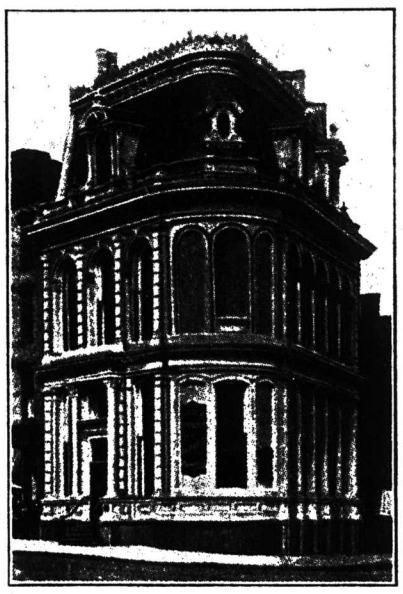
Surplus, 200,000 — **Deposits, 1910, 3,200,000**

WM. I. TABER, President — WM. P. WHITE, 2d Vice-Pres.

W. T. DUNMORE, 1st Vice-Pres. — F. H. DOOLITTLE, Sec'y

Transacts a General Banking and Trust Business

GIVES PROMPT ATTENTION TO COLLECTIONS



JAMES S. SHERMAN
President

J. FRANCIS DAY
Vice President & Secretary

UTICA TRUST & DEPOSIT CO.

OF UTICA, N. Y.

The Leading Trust Company in Central
New York State

Resources Exceed $7,000,000.00

gitized for FRASER
p://fraser.stlouisfed.org/

Canadian Investments

Government
Municipal
Industrial

BONDS

The enormous industrial development now in progress in Canada has created a demand for capital, very much in excess of the supply.

The outcome of this has been the issue of bonds by many of the best industrial companies at rates yielding from 5% to 6%.

We maintain a large organization for the purpose of investigating the security behind Canadian bond issues and only offer bonds in which we have ourselves invested and have implicit confidence.

We solicit correspondence regarding Canadian investments.

ROYAL SECURITIES CORPORATION, LIMITED

164 St. James Street, Montreal

TORONTO QUEBEC HALIFAX

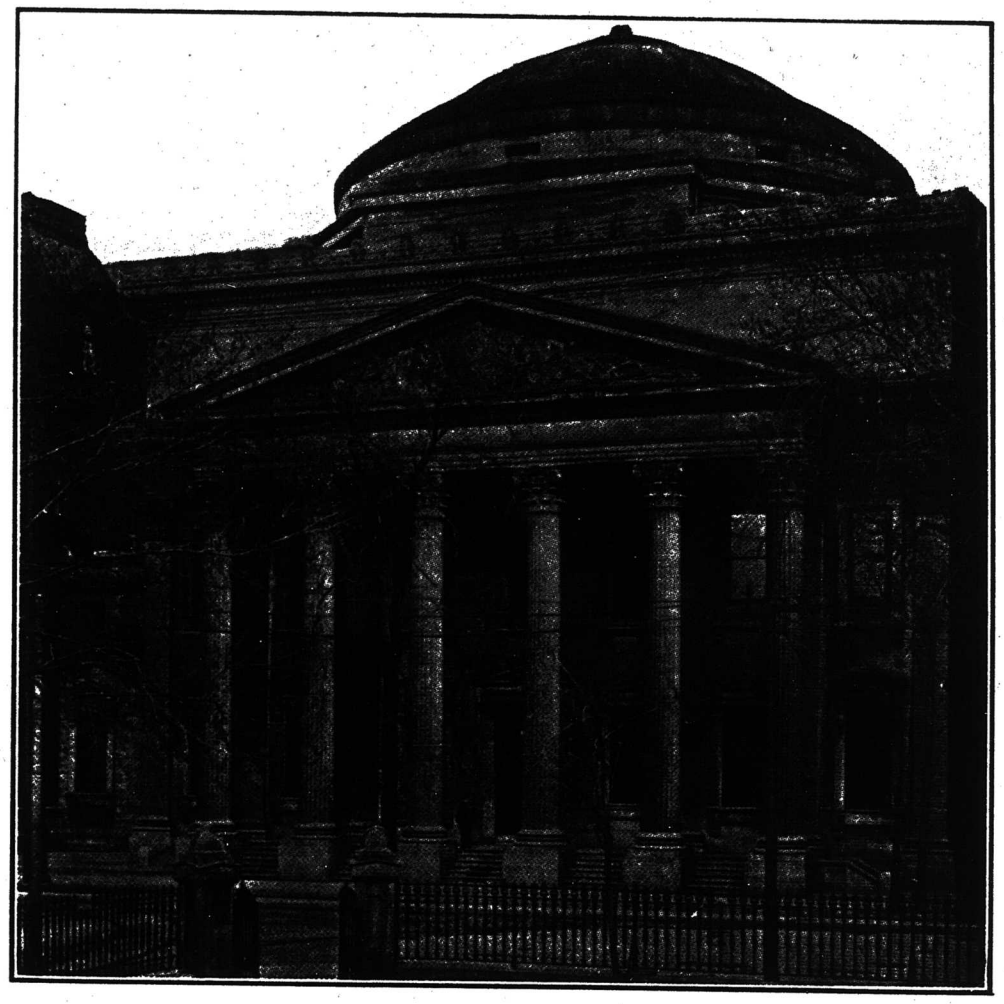
itized for FRASER

Bank of Montreal

ESTABLISHED 1817

Head Office :: MONTREAL, CANADA

Capital paid up,	$14,400,000
Rest, - -	$12,000,000
Undivided profits,	$681,561



BOARD OF DIRECTORS

RT. HON. LORD STRATHCONA AND MOUNT ROYAL, G. C. M. G., Hon. Pres.
R. B. ANGUS, President. SIR EDWARD CLOUSTON, Bart, Vice-President.
E. B. GREENSHIELDS, Esq. SIR THOMAS SHAUGHNESSY, K.C.V.O.
SIR WILLIAM MACDONALD DAVID MORRICE, Esq.
JAMES ROSS, Esq. C. R. HOSMER, Esq.
HON. ROBERT MACKAY A. BAUMGARTEN, Esq. H. V. MEREDITH, Esq.

SIR EDWARD CLOUSTON, Bart, General Manager.

The Bank of Montreal has Branches in the Principal Cities and Towns of Canada, from the Atlantic to the Pacific; in St. John's and Birchy Cove, Newfoundland; in New York, Chicago and Spokane, and in London, England

IT ISSUES COMMERCIAL AND TRAVELLER'S CREDITS, AVAILABLE WITH ITS CORRESPONDENTS IN ALL PARTS OF THE WORLD, MAKES COLLECTIONS AT ALL POINTS, AND BUYS AND SELLS STERLING AND CONTINENTAL EXCHANGE AND CABLE TRANSFERS.

NEW YORK OFFICE - - - 64 WALL STREET
R. Y. HEBDEN, W. A. BOG, J. T. MOLINEUX, Agents

LONDON OFFICE - - 47 THREADNEEDLE STREET
F. WILLIAMS TAYLOR, Manager

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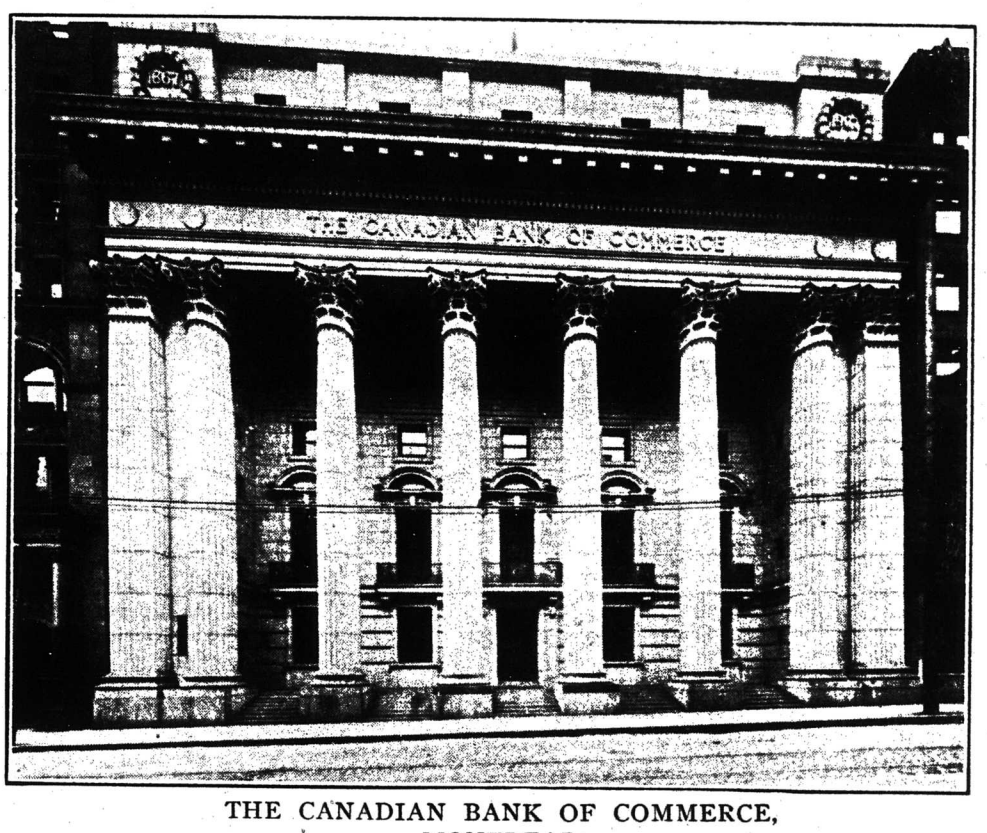
p://fraser.stlouisfed.org/
Reserve Bank of St. Louis

The Canadian Bank of Commerce

Capital $10,000,000 ***Rest $6,000,000***

SIR EDMUND WALKER, C.V.O., LL. D., D.C.L., President
ALEXANDER LAIRD, General Manager

Established 1867



Head Office: Toronto

THE CANADIAN BANK OF COMMERCE,
MONTREAL

Having 210 branches in Canada this Bank has unexcelled facilities for handling every description of banking business throughout the Dominion.

Accounts of American Banks received on favorable terms

NEW YORK AGENCY	16 Exchange Place
SAN FRANCISCO BRANCH	California and Sansome Streets
MEXICO CITY BRANCH	Avenida San Francisco No. 50
LONDON, ENGLAND, OFFICE	2 Lombard Street, E. C.

itized for FRASER

ESTABLISHED 1864

THE MERCHANTS' BANK
OF CANADA

Head Office: MONTREAL

Capital Paid Up, $6,000,000 **Reserve Fund and Undivided Profits, $4,602,157**

BOARD OF DIRECTORS

Sir H. MONTAGU ALLAN, President — JONATHAN HODGSON, Esq., Vice-President
THOS. LONG, Esq. — C. F. SMITH, Esq. — HUGH A. ALLAN, Esq.
C. M. HAYS, Esq. — ALEX. BARNET, Esq. — F. ORR LEWIS, Esq. — K. W. BLACKWELL, Esq.

E. F. HEBDEN, General Manager — T. E. MERRETT, Supt. of Branches and Chief Inspector

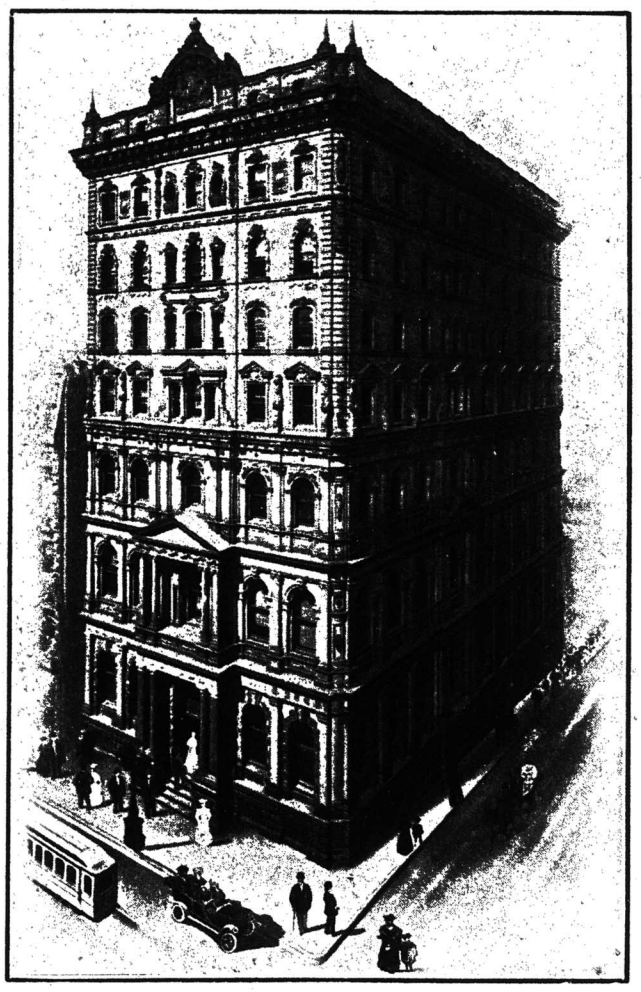
BRANCHES AND AGENCIES:

ONTARIO.

Toronto, Wellington St. West.
" Parliament St.
" Dundas St.
Acton
Alvinston
Athens
Belleville
Berlin
Bothwell
Brampton
Chatham
Chatsworth
Chesley
Creemore
Delta
Eganville
Elgin
Elora
Finch
Fort William
Galt
Gananoque
Georgetown
Glencoe
Gore Bay
Granton
Hamilton
Hanover
Hespeler
Ingersoll
Kincardine
Kingston
Lancaster
Lansdowne
Leamington
Little Current
London
Lucan
Lyndhurst
Markdale
Meadowvale
Meaford
Mildmay
Mitchell
Muirkirk
Napanee
Oakville
Orillia
Ottawa
Owen Sound
Parkdale
Perth
Prescott
Preston
Renfrew
Stratford
St. Eugene
St. George
St. Thomas
Tara
Thamesville
Tilbury
Walkerton
Watford
West Lorne
Westport
Wheatley
Williamstown
Windsor
Yarker

MANITOBA.

Brandon
Carberry
Gladstone
Griswold
Macgregor
Morris
Napinka
Neepawa
Oak Lake
Portage la Pr.
Russell
Sidney
Souris
Winnipeg



QUEBEC.

Montreal—Head Office, St. James Street.
Montreal—1255 St. Cath. St. E.
Montreal—320 St. Cath. St. W.
Montreal—1330 St. Law. Boul.
Montreal—1866 St. Law. Boul.
Beauharnois
Lachine
Quebec
" St. Sauveur
Rigaud
Shawville
Sherbrooke
Ste. Agathe des Monts
St. Jerome
St. Johns
St. Jovite

ALBERTA.

Acme
Botha
Brooks
Calgary
Camrose
Carstairs
Castor
Clive
Daysland
Edmonton,
" Nam. Ave.
Fox Coulee
Killam
Lacombe
Leduc
Lethbridge
Mannville
Medicine Hat
New Norway
Okotoks
Olds
Red Deer
Sedgewick
Stettler
Strome
Tofield
Trochu
Vegreville
Viking
Wainwright
Wetaskiwin
Wolf Creek (Edson)

SASKATCHEWAN.

Antler
Arcola
Carnduff
Gainsborough
Gull Lake
Kisbey
Maple Creek
Melville
Oxbow
Saskatoon
Unity
Whitewood

BRITISH COLUMBIA.

Elko
Nanaimo
New Westminster
Sidney
Vancouver
Victoria

Commercial and Travellers' Letters of Credit issued, available in all parts of the world. Travellers' Cheques issued in convenient denominations, payable at par in all parts of the world. Savings Department at all Branches. Interest paid on deposits at best current rates.

CANADIAN COLLECTIONS.

Having 149 branches in Canada, and very satisfactory arrangements at other points, this Bank's facilities for making collections throughout the Dominion are unsurpassed.

Canadian Cash Items negotiated at minimum rates at the New York Agency.

BANKERS IN GREAT BRITAIN.—The London Joint Stock Bank, Limited.
BANKERS IN FRANCE.—Credit Lyonnais.
BANKERS IN GERMANY.—Deutsche Bank.
BANKERS IN UNITED STATES.—New York—American Exchange National Bank. Boston—Merchants' National Bank. Chicago—Northern Trust Co. St. Paul, Minn.—First National Bank. Detroit—First National Bank. Buffalo—Bank of Buffalo. San Francisco—Anglo and London Paris National Bank.

New York Agency, :: 63-65 WALL STREET

W. M. RAMSAY, C. J. CROOKALL, Agents

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The Investment Trust Company

LIMITED

MONTREAL, CANADA

ACTS AS

Trustee
Transfer Agent

Registrar
Executor

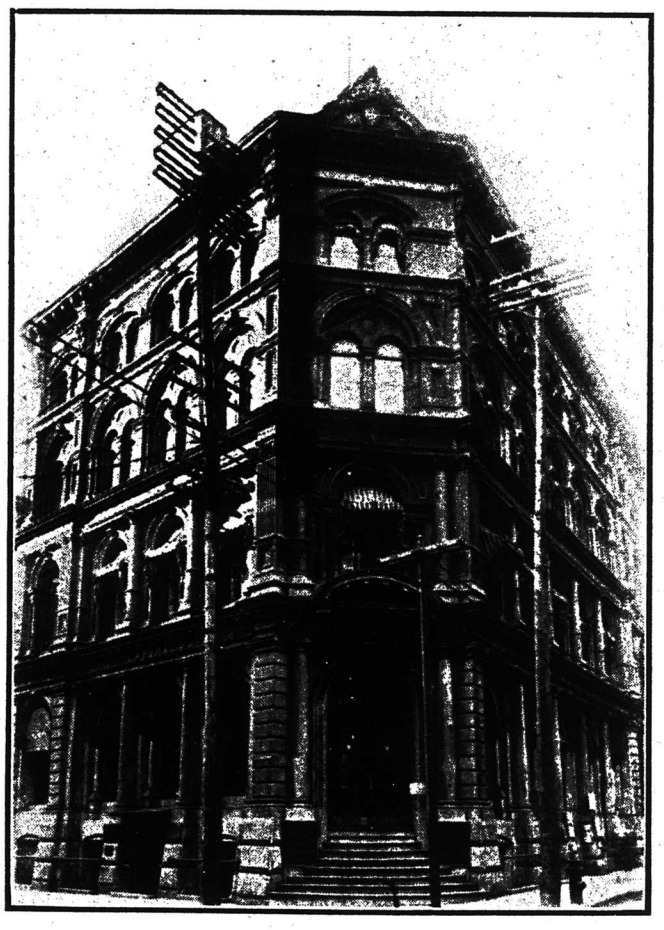
OFFICERS

K. W. BLACKWELL
President

J. P. BLACK
Vice-President

A. J. NESBITT
Man.-Director

N. B. STARK
Sec.-Treasurer



DIRECTORS

K. W. BLACKWELL

J. P. BLACK

JAMES R. WILSON

R. MacD. PATERSON

W. M. DOBELL

A. J. NESBITT

CANADIAN

Government, Municipal and Corporation

BONDS

To Yield from 4 to 6 per cent.

itized for FRASER

The Bank of British North America

Established in 1836. *Incorporated by Royal Charter in 1840.*

Paid-up Capital £1,000,000 ∴ Reserve fund £520,000

HEAD OFFICE — 5 Gracechurch Street, London, E.C.

A. G. WALLIS, Secretary. W. S. GOLDBY, Manager.

COURT OF DIRECTORS.

J. H. BRODIE, Esq.
JOHN JAMES CATER, Esq.
C. W. TOMKINSON, Esq.
FREDERIC LUBBOCK, Esq.
RICHARD H. GLYNN, Esq.
E. A. HOARE, Esq.
H. J. B. KENDALL, Esq.
G. D. WHATMAN, Esq.
J. H. MAYNE CAMPBELL, Esq.

HEAD OFFICE IN CANADA, St. James Street, MONTREAL.

H. STIKEMAN, General Manager.
H. B. MACKENZIE, Supt. of Branches.
J. McEACHERN, Supt. of Central Branches, Winnipeg.
JAMES ANDERSON, Inspector. O. R. ROWLEY, Inspector of Br. Returns.
E. STONHAM and J. H. GILLARD, Assistant Inspectors.

BRANCHES IN CANADA.

Agassiz, B. C.
Alexander, Man.
Ashcroft, B. C.
Battleford, Sask.
Belmont, Man.
Bobcaygeon, Ont.
Bow Island, Alta.
Brandon, Man.
Brantford, Ont.
Burdett, Alta.
Cainsville, Ont.
Calgary, Alta.
Campbellford, Ont.
Darlingford, Man.
Davidson, Sask.
Dawson, Yukon.
Duck Lake, Sask.
Duncans, B. C.
Estevan, Sask.
Fenelon Falls, Ont.
Fort George, B. C.
Forward, Sask.
Fredericton, N. B.
Girvin, Sask.
Greenwood, B. C.
Halifax, N. S.
Hamilton, Ont.
Hamilton, Ont., Victoria Ave.
Hamilton, Ont., Westinghouse Ave.
Hedley, B. C.
Ituna, Sask.
Kaslo, B. C.
Kelliher, Sask.
Kingston, Ont.
Levis, P. Q.
London, Ont.
London, Market Sq.
Longueuil, P. Q.
Macleod, Alta.
Midland, Ont.
Montreal, P. Q.
Montreal, St. Catherine Street.
North Battleford, Sask.
North Vancouver, B. C.
Oak River, Man.
Ottawa, Ont.
Paynton, Sask.
Prince Rupert, B. C.
Pumichy, Sask.
Quebec, P. Q.
Quebec, St. John's Gate
Quesnel, B. C.
Raymore, Sask.
Reston, Man.
Rossland, B. C.
Rosthern, Sask.
St. John, N. B.
St. John, N. B., Union Street.
St. Martins, N. B.
St. Stephen, N. B.
Saltcoats, Sask.
Saskatoon, Sask.
Semans, Sask.
Toronto, Ont.
Toronto, Ont., Bloor and Lansdowne.
Toronto, Ont., King and Dufferin Sts.
Trail, B. C.
Vancouver, B. C.
Varennes, P. Q.
Victoria, B. C.
Waldron, Sask.
Weston, Ont.
West Toronto, Ont.
Winnipeg, Man.
Wynyard, Sask.
Yorkton, Sask.

AGENCIES IN THE UNITED STATES, ETC.

NEW YORK, 52 Wall Street. ***SAN FRANCISCO, 264 California Street.***

CHICAGO, Merchants Loan and Trust Co.

Foreign Agents—LONDON BANKERS—The Bank of England and Messrs. Glyn & Co. LIVERPOOL—Bank of Liverpool. SCOTLAND—National Bank of Scotland, Limited, and Branches. IRELAND—Provincial Bank of Ireland, Limited, and Branches; National Bank, Limited, and Branches. AUSTRALIA—Union Bank of Australia, Limited. NEW ZEALAND—Union Bank of Australia, Limited. INDIA, CHINA and JAPAN—Mercantile Bank of India, Limited. WEST INDIES—Colonial Bank. PARIS—Credit Lyonnais. LYONS—Credit Lyonnais. MEXICO—Banco de Londres y Mexico and Branches.

Drafts on South Africa and West Indies may be obtained at the Banks' Branches.

Issues Travellers Credits available in all parts of the World.

Agents in Canada for Colonial Bank, London and West Indies.

Agents in New York for the Banco de Londres Y Mexico, Mexico City, and Branches.

Telegraphic transfers in Gold sold, and bills collected on all points in Mexico.

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THE DOMINION BOND COMPANY
LIMITED

Canadian Investment Bonds

We have numerous bonds on our list which we are offering to yield the purchaser from 4 per cent. to 6 per cent.

Owing to our having financed many of the recent important industrial mergers in Canada, we are in a position to make special offerings of this class of securities.

We invite correspondence in regard to Municipal, Railroad, Public Utility and Standard industrial bonds, and shall be glad to furnish enquirers with full particulars.

HEAD OFFICE: MONTREAL, Merchants Bank Building

TORONTO, Royal Bank Building

OTTAWA, Citizen Building

itized for FRASER

The Royal Bank of Canada

INCORPORATED 1869

Capital Authorized - - - - - -	$10,000,000
Capital Paid Up - - - - - - -	5,000,000
Reserve and Undivided Profits - - -	5,900,000
Total Assets - - - - - - - -	76,000,000

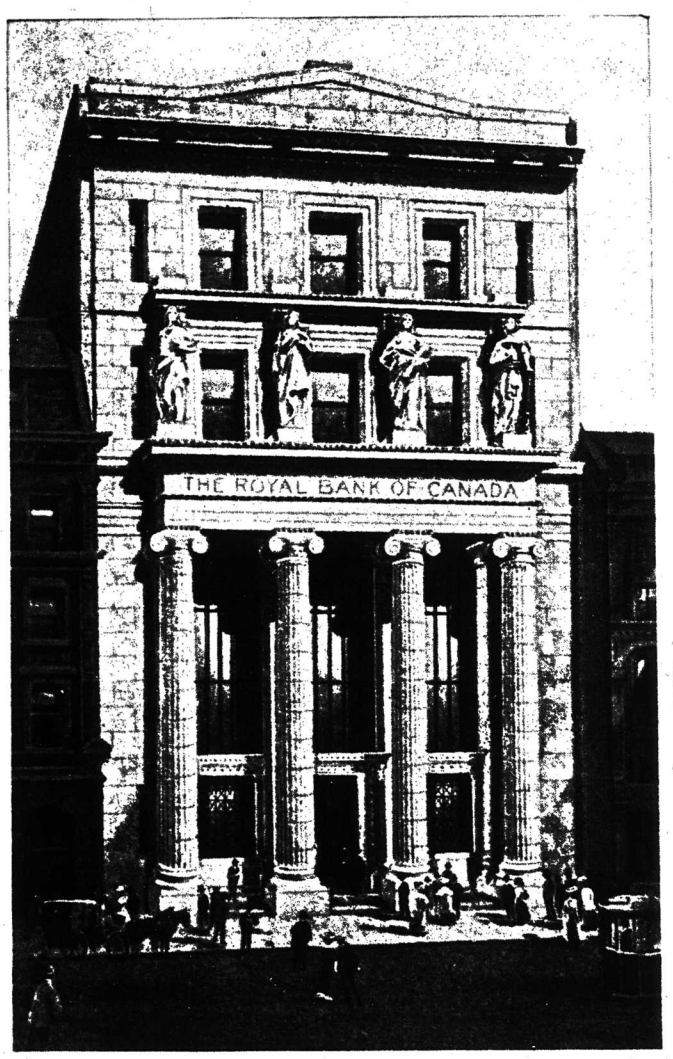
Head Office, Montreal

H. S. HOLT, *President* **E. L. PEASE, *Vice-President***

HON. DAVID MACKEEN, T. J. DRUMMOND, F. W. THOMPSON, G. R. CROWE, WILEY SMITH, D. K. ELLIOTT, JAS. REDMOND, W. H. THORNE, HUGH PATON, W. B. TORRANCE

E. L. PEASE, *General Manager*

W. B. TORRANCE, Supt. of Branches — C. E. NEILL and F. J. SHERMAN, Asst. General Managers



HEAD OFFICE, MONTREAL.

STATEMENT TO THE DOMINION GOVERNMENT

Showing Condition of the Bank on the

30th JULY, 1910

LIABILITIES

Capital, paid-up	$5,000,000.00
Reserve Fund	5,700,000.00
Undivided Profits	228,393.94
Notes in Circulation	4,435,443.65
Deposits	59,151,919.14
Due to other Banks	912,230.54
	$75,427,987.27

ASSETS

Cash on hand	$8,737,426.75
Notes of and Cheques on other Banks	2,920,351.59
Due from other Banks	2,402,363.65
Government and Municipal Securities	1,522,449.58
Railway and other Bonds, Debentures and Stocks	8,270,501.46
Call Loans on Stocks and Bonds	8,146,058.35
Deposit with Dominion Government for Security of Note Circulation	235,000.00
	$32,234,151.38
Loans and Discounts	41,504,418.60
Bank Premises	1,689,417.29
	$75,427,987.27

Collections Receive Special Attention

120 Branches throughout CANADA and NEWFOUNDLAND
13 Branches in CUBA, PORTO RICO and BAHAMAS, also

LONDON, ENGLAND
2 Bank Bldgs., Princes St., E. C.
JAS. MACKIE, Manager

NEW YORK CITY
68 William Street
S. H. VOORHEES, Agent

Every Department of Banking Business

CORRESPONDENCE SOLICITED

gitized for FRASER
p://fraser.stlouisfed.org/

BANK OF TORONTO

(INCORPORATED 1855) TORONTO, CANADA

Capital, $4,000,000 **Reserve, $4,750,000** **Assets, $48,000,000**

W. H. BEATTY, President. W. G. GOODERHAM, Vice-President.
D. COULSON, General Manager. J. HENDERSON, Assistant General Manager.

BRANCHES IN CANADA.

ONTARIO.
Toronto (9 Brs.), Allandale, Barrie, Berlin, Bradford, Brantford, Brockville, Burford, Cardinal, Cobourg, Colborne, Coldwater, Collingwood, Copper Cliff, Creemore, Dorchester, Elmvale, Galt, Gananoque, Hastings, Havelock, Keene, Kingston, London (3 Brs.), Millbrook, Newmarket, Oakville, Oil Springs, Omemee, Parry Sound, Peterboro, Petrolia, Port Hope, Preston, St. Catharines, Sarnia, Shelburne, Stayner, Sudbury, Thornbury, Wallaceburg, Waterloo, Welland, Wyoming.

QUEBEC.
Montreal (3 Brs.), Gaspe, Maisonneuve, Point St. Charles, St. Lambert.

MANITOBA.
Winnipeg, Benito, Cartwright, Pilot Mound, Portage la Prairie, Rossburn, Swan River.

SASK.
Kennedy, Churchbridge, Bredenbury, Sask. Elstow, " Glenavon, " Kipling, " Langenburg, " Montmartre, " Vibank, " Wolseley, " Yorkton, "

Vancouver, B. C. New Westminster, "

Calgary, Alta. Lethbridge, "

AGENTS IN UNITED STATES.

NEW YORK, National Bank of Commerce. BUFFALO, Manufacturers' & Traders' National Bank.
CHICAGO, First National Bank. ST. LOUIS, National Bank of Commerce.

Union Bank of Canada

HEAD OFFICE, QUEBEC

190 Branches Throughout Canada

ESTABLISHED 1865

Winnipeg Branch Building

Capital Paid Up - $3,244,800
Rest and Undivided
Profits, Aug. 31, 1910, 2,466,000

Hon. JOHN SHARPLES - President
WILLIAM PRICE, M. P., Vice-President
G. H. BALFOUR - General Manager
H. B. SHAW, Asst. General Manager

PRINCIPAL CORRESPONDENTS

LONDON—Parr's Bank Limited
NEW YORK—The National Park Bank
BOSTON—The National Shawmut Bank
CHICAGO—The Corn Exchange National Bank
SAN FRANCISCO—The Bank of California, N. A.

Excellent Facilities for making Collections on all points in Canada

THE DOMINION BANK

HEAD OFFICE, TORONTO, CANADA

CAPITAL PAID UP - - - - - - -	$4,000,000
RESERVE FUND AND UNDIVIDED PROFITS -	5,355,000
TOTAL ASSETS - - - - - - -	61,200,000

EDMUND B. OSLER, M.P., President. WILMOT D. MATTHEWS, Vice-President.
CLARENCE A. BOGERT, General Manager. H. J. BETHUNE, Superintendent of Branches.

Branches and Agencies throughout Canada and United States

Collections Made and Remitted for Promptly

AGENTS IN LONDON, ENGLAND
THE NATIONAL BANK OF SCOTLAND, Ltd.

DRAFTS AND LETTERS OF CREDIT ISSUED
UPON ALL PARTS OF THE WORLD

itized for FRASER

Canadian Government, Municipal and Corporation Bonds

Our lists comprise carefully selected offerings of Canadian Municipal, Government, and some of the best class of Corporation Bond issues, suitable for investment of the funds of Banks, Trust and Insurance Companies, Estates and Private Investors. The securities we offer combine the two essentials of a satisfactory investment, viz., safety and good interest return.

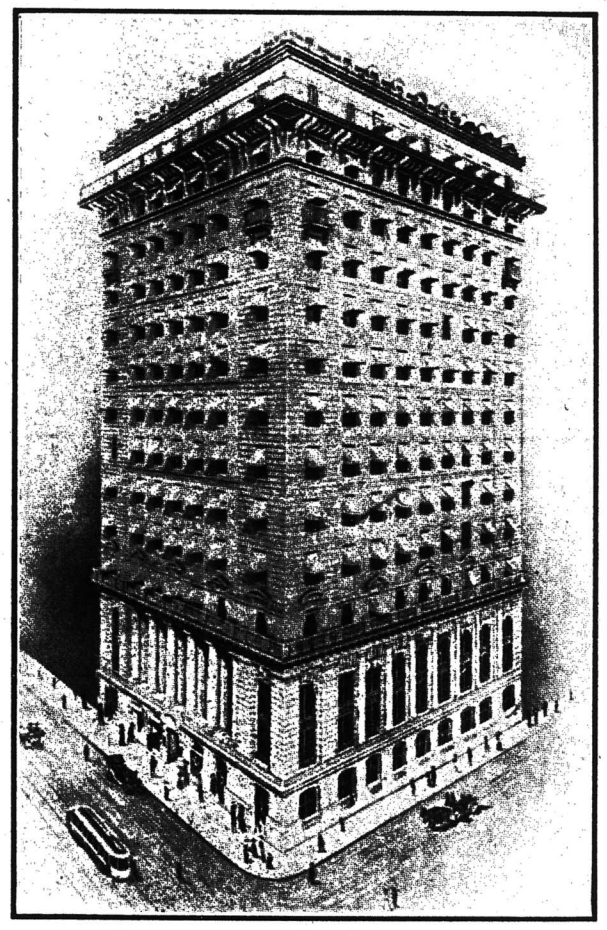
Correspondence Invited.

WOOD, GUNDY & COMPANY

46 THREADNEEDLE STREET
LONDON, Eng.

6 KING STREET WEST
TORONTO, Can.

THE TRADERS BANK of Canada



Traders Bank Building
Toronto, Canada.

CAPITAL and SURPLUS, - $6,550,000
ASSETS over - - $44,000,000

CORRESPONDENTS

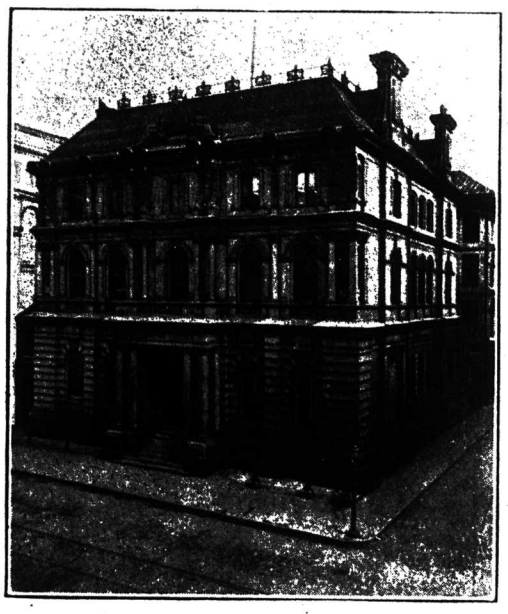
LONDON CITY AND MIDLAND BANK.....LONDON, ENG.
NATIONAL PARK BANK.....NEW YORK
MARINE NATIONAL BANK.....BUFFALO
FIRST NATIONAL BANK.....CHICAGO

Collections Made Throughout Canada

Write for booklet entitled
The Traders Bank of To-Day.

Head Office Toronto, Ont.

112 Branches throughout Canada



INCORPORATED 1855

THE MOLSONS BANK

Head Office: MONTREAL

78 BRANCHES IN CANADA

Capital Paid Up	$4,000,000
Reserve Fund	4,400,000
Total Assets Over	44,000,000

JAMES ELLIOT, General Manager

A General Banking Business Done

SPECIAL ATTENTION GIVEN TO COLLECTIONS RECEIVED FROM THE UNITED STATES

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ESTABLISHED 1874

HEAD OFFICE: OTTAWA, CANADA

THE BANK OF OTTAWA

Capital Authorized, $5,000,000. Capital Paid Up, $3,487,550 Rest and Undivided Profits, $3,943,469

This bank is in a position to undertake any kind of Banking Business and has special facilities throughout the Dominion for the collection of Commercial Paper.

NEW YORK AGENTS:

BANK OF MONTREAL NATIONAL BANK OF COMMERCE

Canadian Government Municipal and Corporation

BONDS

WRITE US FOR ANY INFORMATION DESIRED
REGARDING CANADIAN BONDS

Capital paid up, $1,000,000 *Reserve Fund, $500,000*

DOMINION SECURITIES CORPORATION

LIMITED

TORONTO (Head Office) MONTREAL LONDON, ENG.

THE METROPOLITAN BANK

Head Office :: TORONTO, CANADA

S. J. MOORE, President W. D. ROSS, General Manager

Capital Paid Up - - - - - $1,000,000.00
Reserve Fund and Undivided Profits 1,307,809.25

Correspondents { NEW YORK: BANK OF THE MANHATTAN COMPANY
LONDON, ENGLAND: BANK OF SCOTLAND

PROMPT ATTENTION GIVEN TO COLLECTIONS

OSLER & HAMMOND,

MEMBERS TORONTO STOCK EXCHANGE.

Stock Brokers & Financial Agents,

21 JORDAN STREET, TORONTO.

itized for FRASER

NATIONAL DISCOUNT COMPANY, LIMITED

35, CORNHILL, LONDON, ENGLAND

Cable Address: NATDIS, LONDON. ESTABLISHED. 1856.

Subscribed Capital, $21,166,625. Paid-up Capital, $4,233,325.
Reserve Fund, $2,200,000.

In 169,333 shares of $125 each, of which $25 have been paid up. Number of Proprietors, 3,419.

Directors

EDMUND THEODORE DOXAT (Dalgety & Co., Ltd.), Chairman.
W. MURRAY GUTHRIE, Deputy Chairman.
LAWRENCE EDLMANN CHALMERS. (Brown, Shipley & Co.)
FREDERICK WILLIAM GREEN. (A. Dünkelsbühler & Co.)
FREDERICK LEVERTON HARRIS, M. P (Harris & Dixon, Ltd.)
WALTER JAMES HERIOT. (C. J. Hambro & Son.)
SIGISMUND FERDINAND MENDL. (F. Mendl & Co.)
JOHN FRANCIS OGILVY. (Ogilvy, Gillanders & Co.)
CHARLES DAVID SELIGMAN (Seligman Bros.)

Manager

PHILIP HAROLD WADE.

WATKIN W. WILLIAMS. } Joint Sub-Managers.
FRANCIS GOLDSCHMIDT. }

Secretary.
CHARLES WOOLLEY.

Bankers

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

Dr. **PROFIT & LOSS ACCOUNT for the Half-year ending 30th June, 1910.** *Cr.*
$5 = £1 sterling.

To current expenses, including Directors' and Auditors' Remuneration, Salaries, Income Tax, and all other charges..		$67,041	By balance brought forward from 31st December, 1909..... $92,105
Rebate of Interest on Bills not due, carried to New Account.....		675,448	Gross Profits during the half-year..... 1,005,811
Reserve Fund.....		50,000	
Six Months' Dividend at the rate of Ten per Cent. per annum, free of Income Tax..$211,667			
Balance carried forward to next account.....	93,760		
		305,427	
		$1,097,916	$1,097,916

Dr. **BALANCE SHEET, 30th JUNE, 1910.** *Cr.*
$5 = £1 sterling.

To Subscribed Capital—**$21,166,625**			By Cash at Bankers..... $1,458,177
viz., 169,333 shares of $125 each.			Securities—
Capital, paid-up, viz., $25 per share....		$4,233,325	British and Indian Government. City of London Corporation Bonds, and Trustee Securities $12,477,385
Reserve Fund		2,200,000	Other Securities, including short dated Colonial Bonds 2,129,754
Deposits and Sundry Balances.....		77,400,897	14,607,139
Bills Re-discounted		20,572,731	Loans at call, short and fixed dates... 8,739,743
Rebate		675,448	Bills Discounted 79,544,076
Amount at credit of Profit and Loss Account		305,427	Interest due on Investments and Loans, and Sundry Balances..... 538,693
			Freehold Premises..... 500,000
		$105,387,828	$105,387,828

On behalf of the Board,
EDMUND T. DOXAT, *Chairman.*
W. MURRAY GUTHRIE, *Deputy Chairman.*

We report that we have obtained all the information and explanations which we have required.

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. 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 according to the best of our information, and the explanations given to us, and as shown by the Books of the Company, except that it does not state the amount of Investments and Bills placed as security against Deposits.

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

35, CORNHILL, 5*th July*, 1910.

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

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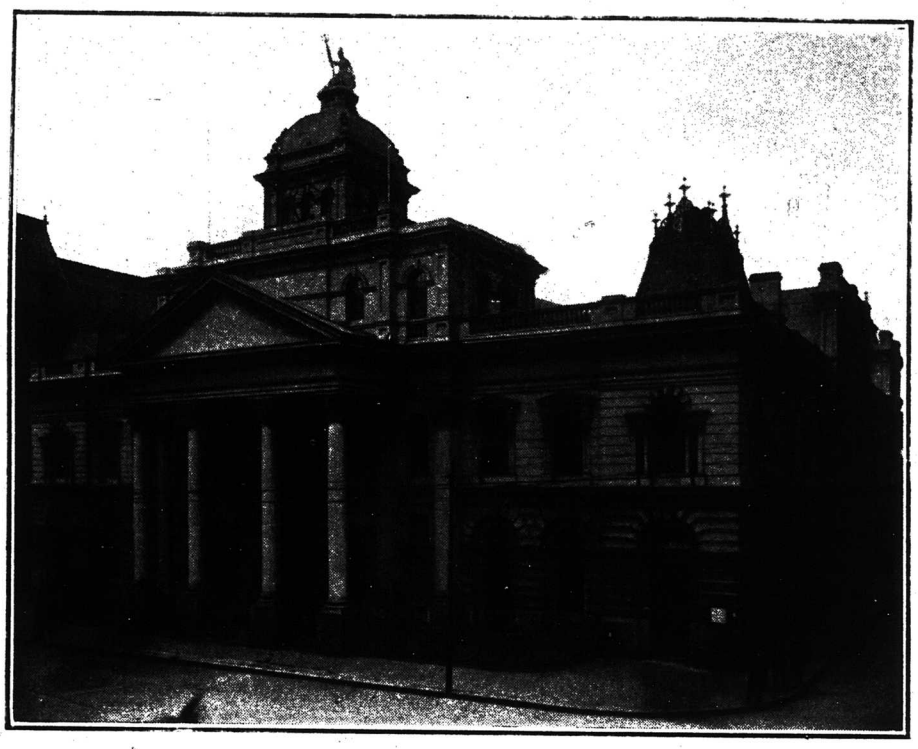
Standard Bank of South Africa, Ltd.

10 CLEMENTS LANE

Head Office—LOMBARD STREET, LONDON, E.C.

Paid-up Capital	£1,548,525 or	$7,536,153
Reserve Fund	£1,900,000 or	$9,246,666
Reserve Liability of Shareholders	£4,645,575 or	$22,608,468
Deposits	£17,690,565 or	$86,094,082
Total Resources	£26,509,190 or	$129,011,391



Bank Premises, Cape Town, South Africa

Bankers to the Government of the Cape of Good Hope and the Britsh Government in the Cape Colony and Transvaal.

One Hundred and Sixty (160) Branches in Cape Colony, Natal, Transvaal, Orange River Colony, Basutoland, Rhodesia, British Central Africa and East Africa.

W. H. MACINTYRE

AGENT

55 WALL ST., NEW YORK

Also representing

The Bank of New South Wales

with three hundred and six (306) branches throughout Australasia, Fiji Papua (New Guinea).

The Yokohama Specie Bank, Limited

YOKOHAMA, JAPAN

Capital Paid-up, Yen 24,000,000=Reserve Fund, Yen 16,600,000

HEAD OFFICE: YOKOHAMA

BRANCHES AND AGENCIES:

Antung-Hsien	Lyons
Bombay	Nagasaki
Changchun	Newchwang
Darien (Dalny)	New York
Fengtien (Mukden)	Osaka
Hankow	Peking
Honolulu	Ryojun (Port Arthur)
Hong Kong	San Francisco
Kobe	Shanghai
Liaoyang	Tiehling
London	Tientsin
	Tokyo

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DEUTSCHE BANK

BERLIN, W.

Behrenstrasse, 9 to 13

CAPITAL, $47,619,000 - **RESERVE, $25,172,895**
M. 200,000,000 M. 105.726,164

Dividends paid during last ten years: 11, 11, 11, 11, 12, 12, 12, 12, 12, 12½ per cent.

BRANCHES

BREMEN, HAMBURG, NUREMBERG, DRESDEN, LEIPSIC, AUGSBURG, FRANKFORT-ON-M., MUNICH, WIESBADEN, BRUSSELS, CONSTANTINOPLE,

and the

DEUTSCHE BANK (BERLIN) LONDON AGENCY, 4 George Yard, Lombard St., LONDON, E. C.

Banco Aleman Transatlantico

(Deutsche Ueberseeische Bank)

Subscribed Capital, $7,143,000 - **Paid Up Capital, $5,357,000**
M. 30,000,000 M. 22,500,000

Reserve Fund, $1,625,000
M. 6,827,000

Head Office: BERLIN

BRANCHES

ARGENTINA: Bahia-Blanca, Buenos Aires, Cordoba, Tucuman.
BOLIVIA: La Paz, Oruro.
CHILI: Antofagasta, Concepcion, Iquique, Osorno, Santiago, Temuco, Valdivia, Valparaiso.
PERU: Arequipa, Callao, Lima, Trujillo.
URUGUAY: Montevideo.
SPAIN: Barcelona, Madrid.

Bills sent for collection, negotiated or advanced upon. *Drafts, cable-transfers and letters of credit issued.*

LONDON AGENTS:

DEUTSCHE BANK (BERLIN) LONDON AGENCY. 4 George Yard, Lombard St., London, E. C.

The London City and Midland Bank, Ltd.

ESTABLISHED 1836

DIRECTORS:

SIR EDWARD H. HOLDEN, Bart., *Chairman and Managing Director.*
WILLIAM GRAHAM BRADSHAW, Esq., London, *Deputy-Chairman.*

The Right Hon. LORD AIREDALE, P.C., Leeds.
Sir PERCY E. BATES, Bart., Liverpool.
CHARLES G. BEALE, Esq., Birmingham.
ROBERT C. BEAZLEY, Esq., Liverpool.
Sir WILLIAM BENJAMIN BOWRING, Bart., Liverpool.
JOHN ALEXANDER CHRISTIE, Esq., London.
Sir G. F. FAUDEL-PHILLIPS, Bart., G.C.I.E., London.
FREDERICK HYNDE FOX, Esq., Liverpool.
H. SIMPSON GEE, Esq., Leicester.
JOHN HOWARD GWYTHER, Esq., London.
ARTHUR T. KEEN, Esq., Birmingham.
The Right Hon. LORD PIRRIE, K.P., London.
THOMAS ROYDEN, Esq., Liverpool.
WILLIAM FITZTHOMAS WYLEY, Esq. Coventry.

Joint General Managers - - - J. M. MADDERS S. B. MURRAY. F. HYDE.
Secretary - - - EDWARD J. MORRIS City Manager - - A. D. RUTHERFORD.

Head Office: 5, THREADNEEDLE STREET, LONDON, ENGLAND.

Telegraphic Address: "Cimidho, London."

PAID-UP CAPITAL .... $19,946,187 | **RESERVE FUND..... $17,951,568**

DEPOSITS $358,362,253

The Bank has Branches and Sub-Branches in London, the suburbs, and throughout the country. It also has Agents in all the principal Cities of the world.

THE FOREIGN EXCHANGE DEPARTMENT

Telegraphic Address: "Cinnaforex, London."

ISSUES Currency Drafts on all Cities, Circular Letters of Credit and Circular Notes payable all over the world; also makes Mail and Telegraphic Transfers to all Cities.
COLLECTS Foreign Bills.
PURCHASES approved Foreign Bills.

ESTABLISHES Commercial Credits on behalf of customers available anywhere against the usual shipping documents.

Drafts, &c., may be obtained direct from the Head Office or Branches, which are always ready to give quotations.

THE SHIPPING DEPARTMENT

Telegraphic Address: "Cinnaship, London."

Is specially organized to look after Shipowners' Freight Remittances from, and Disbursements to, all parts of the World by mail or cable.

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p://fraser.stlouisfed.org/

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 TRANFERS, 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

THE COMMERCIAL BANK OF SCOTLAND, Ltd.

Established 1810. **Head Office: EDINBURGH.**

Paid-up Capital, - - - £1,000,000
Reserve Fund, - - - £900,000
Pension Reserve Fund, - £110,000

ALEX. BOGIE, General Manager. JAS. L. ANDERSON, Secretary

LONDON OFFICE: 62 Lombard Street, E. C.

ALEXANDER ROBB AND GEORGE S. COUTTS, Joint Managers

General Banking Business transacted. Circular Notes, Drafts, and Letters of Credit issued, payable at banking houses in all parts of the world.

With its 168 Branches located all over Scotland, the bank is in a very favorable position to deal with remittance and all other banking transactions on the best terms.

The bank undertakes agency business for Colonial and Foreign Banks.

itized for FRASER

The Union of London & Smiths Bank, Ltd.

HEAD OFFICE

2 Princes Street, London, England

	STERLING.
AUTHORIZED CAPITAL	£25,000,000
SUBSCRIBED CAPITAL	£22,934,100
PAID UP CAPITAL	£3,554,785
RESERVE FUND	£1,150,000
DEPOSITS & CURRENT ACCOUNTS, 30 JUNE, 1910	£39,724,612

SIR FELIX SCHUSTER, BART., Governor.

JOHN TROTTER, Deputy Governor.

J. E. W. HOULDING, Manager.

H. H. HART, Country and Foreign Manager

H. R. HOARE, Secretary.

The Bank has Branches or Agents in all the principal Cities and Towns in the United Kingdom and Correspondents throughout the world and undertakes the Agency of Country and Foreign Banks, whether Joint Stock or Private, issues Circular Notes and Letters of Credit for all parts of the Continent of Europe, America and elsewhere, effects purchases and sales in all British and Foreign Stocks and Shares, collects dividends on Stocks and Shares and the half-pay of Officers, Pensions, Annuities, etc., and undertakes Executorships and Trusteeships.

NATIONAL BANK OF CUBA

CAPITAL, SURPLUS
AND UNDIVIDED PROFITS, $6,200,000.00

CUBAN GOVERNMENT DEPOSITARY
UNITED STATES DEPOSITORY WHILE IN CUBA

HEAD OFFICE, HAVANA 19 BRANCHES IN CUBA

NEW YORK AGENCY, No. 1 WALL STREET

EVERY CHARACTER OF BANKING AND TRUST BUSINESS

(SEE ADVERTISEMENT PUBLISHED IN THE CURRENT NUMBERS OF THIS PAPER)

KNAUTH, NACHOD & KÜHNE

New York **BANKERS** Leipzig, Germany

Members of the New York Stock Exchange

Make arrangements with Banks and Bankers enabling them to issue their own drafts on more than one thousand Cities of Europe and the Orient, and to issue Circular Letters of Credit in Pounds Stg. over their own signature.

LETTERS OF CREDIT AND TRAVELERS CHECKS

For Domestic and Foreign Use

FOREIGN EXCHANGE **COLLECTIONS** CABLE TRANSFERS

DEPOSIT ACCOUNTS, SUBJECT TO CHECK, RECEIVED ON FAVORABLE TERMS

INVESTMENT SECURITIES

Digitized for FRASER
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HODENPYL, WALBRIDGE & CO.

BANKERS

7 Wall Street, New York

Street Railway, Gas and Electric Light Securities

LADD & WOOD

Members New York Stock Exchange

INVESTMENT SECURITIES

7 WALL STREET, NEW YORK

HIGH GRADE RAILROAD BONDS

Suitable for Banks, Insurance and Trust Companies

GUARANTEED R. R. STOCKS

(EXEMPT FROM TAX)

Suitable for Executors, Trustees, &c.

Descriptive List of Offerings on Application

A. M. Kidder & Co

5 NASSAU STREET, NEW YORK
TELEPHONE 2780 RECTOR
Members of the New York Stock Exchange

Railroads — Public Service

G. K. B. WADE

BONDS

STOCKS

Investments for
Estates, Individuals

49 Wall Street
New York City

itized for FRASER

Organized 1882

THE LINCOLN NATIONAL BANK OF THE CITY OF NEW YORK

42nd STREET, OPPOSITE GRAND CENTRAL STATION

CAPITAL,	$1,000,000.00
SURPLUS AND UNDIVIDED PROFITS,	$1,422,690.00
DEPOSITS,	$22,317,763.00
TOTAL RESOURCES,	$26,116,920.00

THOMAS L. JAMES, President
E. V. W. ROSSITER, Vice-President — WILLIAM A. SIMONSON, Vice-President
CHAS. ELLIOT WARREN, Vice-President — DAVID C. GRANT, Cashier
JOHN S. SAMMIS, Jr., Assistant Cashier — HENRY E. STUBING, Assistant Cashier

DIRECTORS

Thomas L. James, Matthew C. D. Borden, E. V. W. Rossiter, Eben E. Olcott, James Stillman, William G. Rockefeller, W. K. Vanderbilt, Jr., Joseph P. Grace, M. Hartley Dodge, William Brewster, Harry J. Luce, Henry C. Phipps.

Depository of the United States, State of New York, City of New York
Accounts of Banks, Bankers, Trust Companies, Corporations and Individuals Invited

FREDERICK MÜLLER — WILLIAM SCHALL, Jr. — CARL MÜLLER — E. PAVENSTEDT

MÜLLER, SCHALL & CO.

BANKERS

44 Wall Street - - NEW YORK

Foreign Exchange

Members
New York Stock Exchange

ESTABLISHED 1860

SCHAFER BROTHERS

BANKERS AND BROKERS

National City Bank Building, 55 Wall Street, New York

Members New York Stock Exchange

LAMARCHE & COADY

INVESTMENTS

Gas, Electric Light and Street Railway Securities

A SPECIALTY

Special list of offerings upon application — Correspondence Invited

25 BROAD STREET, NEW YORK

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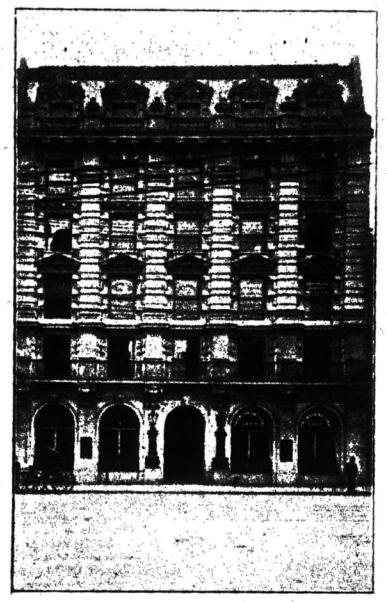

THE PATERSON NATIONAL BANK

PATERSON, N. J.

UNITED STATES AND STATE DEPOSITORY

Capital,	**$300,000**
Surplus and Profits,	**375,000**
Deposits,	**2,400,000**

JOHN W. GRIGGS, President
JOHN S. COOKE, Vice-President
ELMER Z. HALSTED, Cashier
DANIEL H. MURRAY, Ass't Cashier

Collections a Specialty **Accounts and Correspondence Invited**

ESTABLISHED 1873

CAMDEN SAFE DEPOSIT AND TRUST COMPANY

CAMDEN, N. J.

June 30, 1910

RESOURCES.		LIABILITIES.	
Time and demand loans	$2,061,409.84	Capital	$1,000,000
Mortgages on real estate	2,110,863.78	Surplus and undivided profits (earned)	1,020,287.38
Bonds and stocks	2,626,097.63	Deposits	6,585,599.29
Real estate	142,870.59		
Other assets, interest accrued	37,070.28		
Cash and deposits in banks	727,374.55		
	$7,705,886.67		$7,705,886.67

Trust funds not included in the above. Well equipped for the settlement of estates, care of trust funds and other financial business.

ALEXANDER C. WOOD, President.
WILLIAM S. SCULL, Vice-President.
JOSEPH LIPPINCOTT, Secretary and Treasurer.
GEORGE J. BERGEN, Solicitor.
EPHRAIM TOMLINSON, Trust Officer.

Transacts a General Banking and Trust Business. Interest paid on deposits. Liberal terms offered for the collection of out-of-town checks. Deposits are available as New York Exchange. . . . . .

CORRESPONDENCE SOLICITED

COMMERCIAL TRUST CO.

of NEW JERSEY

JERSEY CITY, N. J.

CAPITAL, SURPLUS and PROFITS over $3,000,000.00

OFFICERS

JOHN W. HARDENBERGH, President
ROB'T. S. ROSS, Vice-President
WM. J. FIELD, Secretary and Treasurer
JAY S. PERKINS, Asst. Treasurer
J. RICHARD TENNANT, Asst. Secretary

THE PLAINFIELD TRUST COMPANY

OF PLAINFIELD, NEW JERSEY

CAPITAL AND SURPLUS, $300,000 **DEPOSITS, $2,900,000**

OFFICERS:

O. T. WARING ..... President
A. V. HEELY ..... Vice-President
HENRY A. McGEE ..... Vice-President
J. HERBERT CASE ..... Vice-President
H. H. POND ..... Secretary and Treasurer
DE WITT HUBBELL ..... Asst. Secretary

DIRECTORS.

J. HERBERT CASE ..... Plainfield, N. J.
Vice-President Franklin Trust Co., New York.

FREDERICK GELLER ..... New York, N. Y.
Attorney and Counsellor-at-Law, New York.

AUGUSTUS V. HEELY ..... Plainfield, N. J.
Vice-Prest. The Farmers' Loan & Trust Co., New York.

JAMES W. JACKSON ..... Plainfield, N. J.
Executor of Jesse Hoyt Estate, New York.

EDWARD H. LADD, JR. ..... Plainfield, N. J.
Ladd & Wood, Bankers, New York.

CHARLES W. McCUTCHEN ..... Plainfield, N. J.
Holt & Co., Commission Merchants, New York.

HENRY A. McGEE ..... Plainfield, N. J.
Standard Oil Company, New York.

WALTER M. McGEE ..... Plainfield, N. J.
Standard Oil Company, New York.

CHARLES A. REED ..... Plainfield, N. J.
Reed & Coddington, Attorneys.

ISAAC W. RUSHMORE ..... Plainfield, N. J.
Dairy Products, New York.

FRANK H. SMITH ..... Plainfield, N. J.
Register Union Company, Elizabeth, N. J.

SAMUEL TOWNSEND ..... Plainfield, N. J.
President People's National Bank, Westfield, N. J.

CORNELIUS B. TYLER ..... Plainfield, N. J.
Tyler & Tyler, Attorneys, New York.

LEWIS E. WARING ..... Plainfield, N. J.
Edward Sweet & Co., Bankers, New York.

ORVILLE T. WARING ..... Plainfield, N. J.
Standard Oil Company, New York.

WE INVITE NEW JERSEY BUSINESS.

WE PROMISE PROMPT SERVICE.

itized for FRASER

CHARTERED 1804

THE TRENTON BANKING COMPANY

TRENTON, N. J.

IN BUSINESS OVER 105 YEARS

Statement June 30, 1910

RESOURCES.		LIABILITIES.	
Loans, Discounts and Investments	$3,771,092.14	Capital Stock paid in	$500,000.00
Due from Banks	663,197.47	Surplus and Profits	538,484.40
Cash and Cash Items	198,994.11	Due to Banks	121,363.67
		DEPOSITS	3,473,435.65
	$4,633,283.72		$4,633,283.72

All business intrusted to this bank will receive the most careful attention. Collections promptly made. Correspondents in all principal towns of New Jersey.

OFFICERS:

JOHN A. CAMPBELL, President — HENRY W. GREEN, Vice-President

ROBERT W. HOWELL, Cashier — IRA FROST, Asst. Cashier

Interest Paid on Deposits

UNION NATIONAL BANK

NEWARK, N. J.

Capital, $1,500,000 Surplus, $2,300,000 Deposits, $12,000,000

Government, State and City Depositary

Equipped to handle accounts of Individuals, Merchants, Manufacturers, Corporations, Banks and Bankers

WILLIAM SCHEERER, President

UZAL H. McCARTER, Vice-President — ERWIN D. FARNSWORTH, Assistant Cashier

ARCHIBALD W. CONKLIN, Cashier — WILLIAM C. PEARSON, Assistant Cashier

W. EUGENE KIMBALL — LEEDS JOHNSON

R. J. KIMBALL & CO.

7 NASSAU ST., NEW YORK

Stocks--Bonds Investment Securities

Members New York Stock Exchange
Since 1869

Established 1870

W. N. COLER & COMPANY

BANKERS

43 CEDAR STREET — NEW YORK CITY

WE DEAL IN BONDS—FOR INVESTMENT

Buying and selling for our own account. Carrying at all times a select list of municipal and corporation bonds, we offer to officers of banks, administrators of estates, savings banks, insurance companies and individuals opportunity of selection according to their wants:

Municipal, Railway and Corporation Bonds

SEND FOR SPECIAL CIRCULARS — CORRESPONDENCE INVITED

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WEST SIDE BANK

ORGANIZED 1869

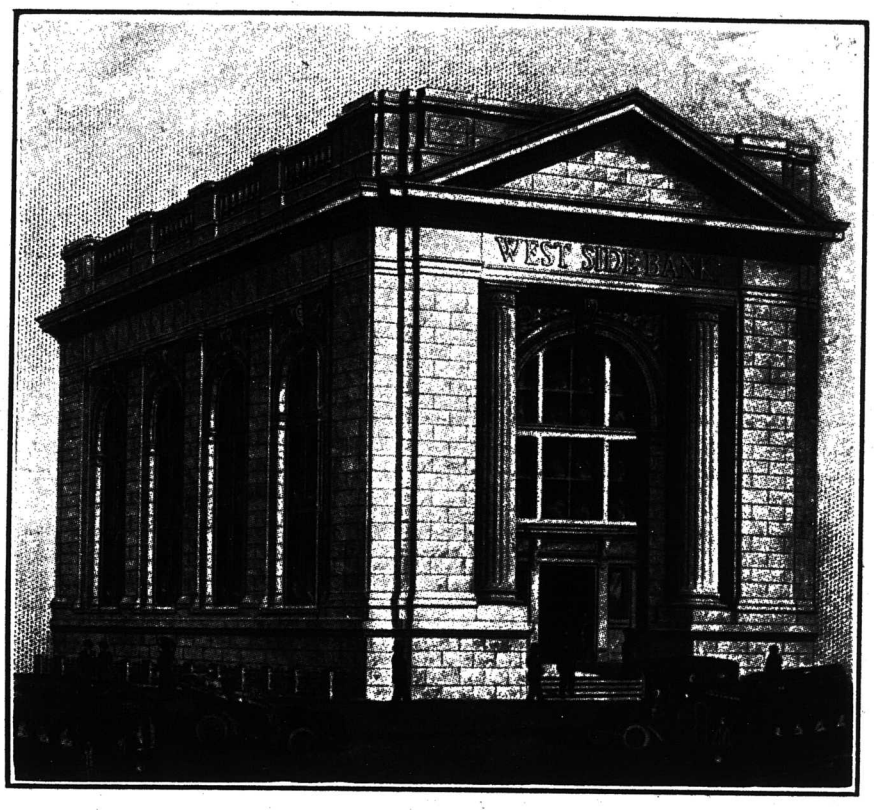
EIGHTH AVENUE AND 34TH STREET, NEW YORK CITY

DIRECTORS

CHRISTIAN F. TIETJEN
JOSEPH STERN
FRANCIS L. LELAND
W. EDGAR PRUDEN
THOMAS STOKES
CHARLES ROHE
GEORGE KARSCH
THEO. M. BERTINE
AUGUSTUS TIETJEN

OFFICERS

CHRISTIAN F. TIETJEN, PRESIDENT
FRANCIS L. LELAND, VICE PRESIDENT
CHARLES ROHE, 2D VICE PRESIDENT
THEODORE M. BERTINE, 3D VICE PRESIDENT
WALTER WESTERVELT, CASHIER



NEW HOME OF THE WEST SIDE BANK.

Capital, $200,000

Surplus, $1,000,000

Please note the close proximity of this institution's banking facilities and *Safe Deposit* Establishment to the new Pennsylvania R. R. station on Eighth Avenue and 33d Street.

Modern Safe Deposit Vaults

SEPARATE COUPON ROOMS INSURING SECURITY AND PRIVACY

Safe Deposit Boxes for Rent at a Moderate Yearly charge. Storage for Silverware and other Valuables.

Bonbright & Hibbard

ROCHESTER, N. Y.

Members New York Stock Exchange

Investment Securities

REPRESENTING

WILLIAM SALOMON & CO., NEW YORK

GEORGE LEASK. JULIAN W. ROBBINS. EDWIN M. LEASK.

GEORGE LEASK & CO.,

MEMBERS NEW YORK STOCK EXCHANGE,

Bankers,

37 WALL STREET, NEW YORK.

Stocks, Bonds and Investment Securities Bought and Sold on Commission.

INTEREST ALLOWED ON BALANCES, SUBJECT TO DRAFT.

DEALERS IN COMMERCIAL PAPER

Digitized for FRASER

New York County National Bank

Corner 14th Street and 8th Avenue, New York City

OFFICERS

Francis L. Leland
President

Christian F. Tietjen
Vice-President

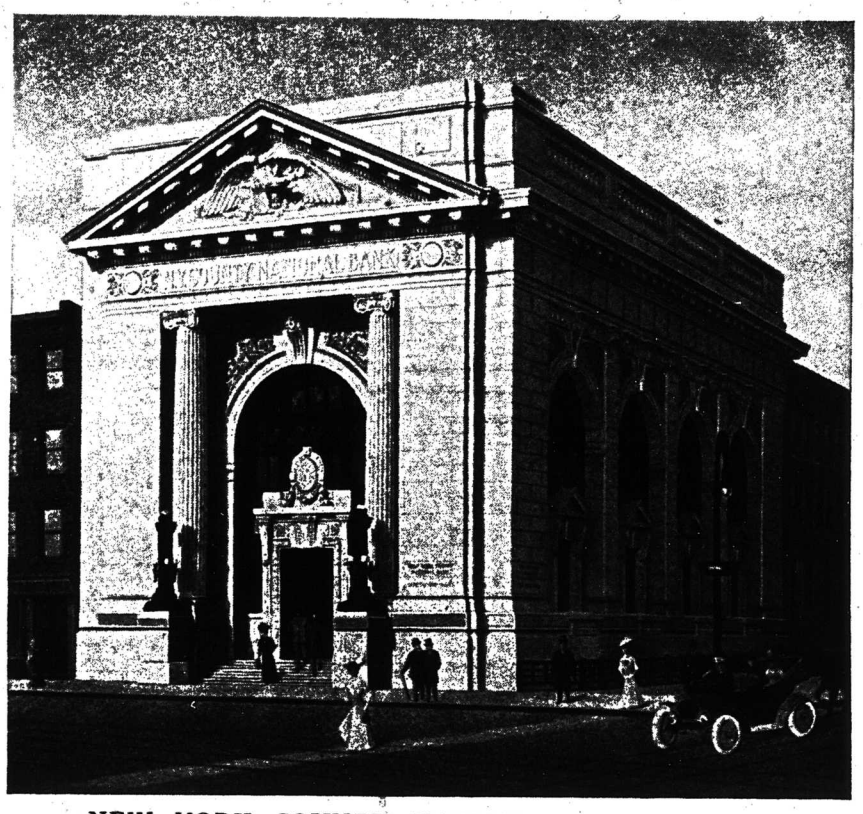
James C. Brower
Vice-President

E. J. Stalker
Cashier

Lawrence J. Grinnon
Asst. Cashier

DIRECTORS

WILLIAM CARPENDER
CHRISTIAN F. TIETJEN
FRANCIS L. LELAND
PEDRO R. DE FLOREZ
JESSE ISIDOR STRAUS
JAMES C. BROWER



NEW YORK COUNTY NATIONAL'S NEW HOME

Capital, $500,000

Surplus and Undivided Profits $1,600,000

Organized as a State Bank 1855

Entered the National Bank System 1865

Safe Deposit Vaults

Accounts of Banks, Bankers, Firms, Corporations and Individuals, Both Large and Small, Invited on Favorable Terms

National, New York State and City Depository

ESTABLISHED 1852

THE NASSAU BANK

OF NEW YORK

OFFICERS

EDWARD EARL, President
JAMES C. BELL, Vice President — W. B. NOBLE, Cashier
JOHN MUNRO, Vice President — H. P. STURR, Assistant Cashier

DIRECTORS

JAMES C. BELL, SAMUEL R. WEED, HENRY C. MILLER, JOHN MUNRO
HARRY BRONNER, RICHARD YOUNG, EDWARD EARL

Small as well as Large Accounts solicited and will receive the careful attention of the Officers. Collections made in every part of the United States, Canada and Europe.

LINCOLN TRUST COMPANY

208 FIFTH AVENUE, NEW YORK

BROADWAY and LISPENARD STREET — **Capital and Surplus, $1,500,000** — **BROADWAY and 72D STREET**

OFFICERS

ALEXANDER S. WEBB, JR., President
ABRAM M. HYATT, Vice-President — **OWEN WARD, Vice-President**
HORACE F. POOR, Treasurer — **BRECKENRIDGE CARROLL, Assistant Treasurer**

DIRECTORS

W. D. Baldwin
George C. Boldt
George C. Clark
William C. Conklin
Robert E. Dowling
Stuart Duncan
William Felsinger
Robert Goelet
Samuel V. Hoffman
Abram M. Hyatt
Arthur Iselin
Bradish Johnson
Clarence H. Kelsey
W. De Lancey Kountze
George Leask
William G. McAdoo
John P. Munn, M.D.
James Quinlan
Irving E. Raymond
William Salomon
B. Aymar Sands
Isaac N. Seligman
Louis Stern
Frank Tilford
Owen Ward
Alexander S. Webb, Jr.

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eral Reserve Bank of St. Louis

LONG ISLAND LOAN & TRUST CO.

INCORPORATED 1883

CAPITAL, SURPLUS AND PROFITS

$3,000,000.00

TEMPLE BAR, BROOKLYN, N. Y.

OFFICERS

EDWARD MERRITT, President
DAVID G. LEGGET, Second Vice-President
WILLARD P. SCHENCK, Assistant Secretary
CLINTON L. ROSSITER, First Vice-President
FREDERICK T. ALDRIDGE, Secretary
CHARLES R. GAY, Assistant Secretary

FLATBUSH TRUST COMPANY

MAIN OFFICE—FLATBUSH AND LINDEN AVES.
BRANCH—NEW UTRECHT AVE. AND 54TH ST.

BROOKLYN, N. Y.

Offers Unexcelled Facilities for
All Banking and Trust Business

SAFE DEPOSIT VAULTS

TOTAL ASSETS $5,000,000

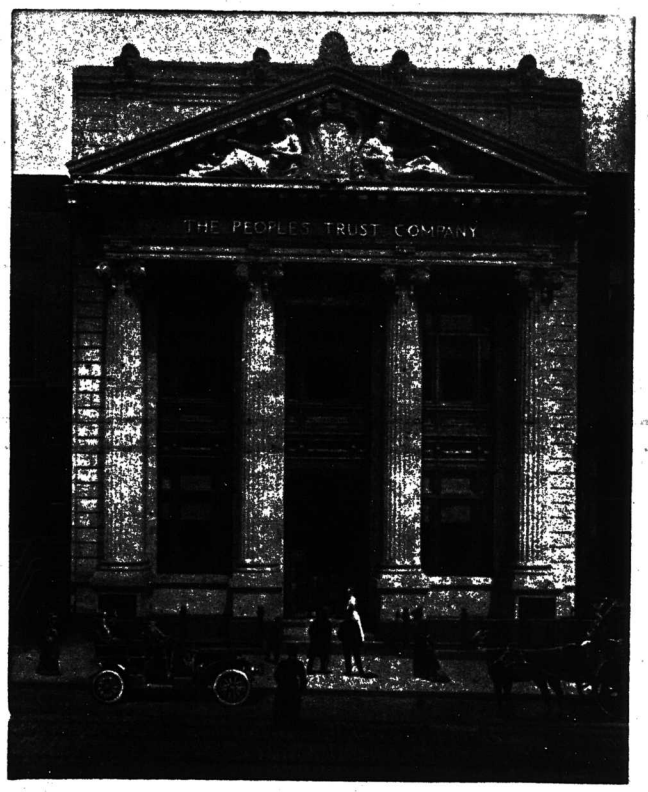
Officers:

JOHN Z. LOTT . . . . . President
WARREN CRUIKSHANK . . . Vice-President
ALEXANDER C. SNYDER . . . Vice-President
HARRISON S. COLBURN . . . Vice-President
FRANKLIN SCHENCK . . . . . Secretary
JOHN EGOLF . . . . . Assistant Secretary
FRED A. LIPPOLD, JR. . . . Assistant Secretary

THE PEOPLES TRUST COMPANY

BROOKLYN, NEW YORK CITY

Capital and Surplus, $2,600,000
Resources over - $22,000,000



CHARLES A. BOODY .....PRESIDENT
J. G. DETTMER .....1st VICE-PRESIDENT
HORACE J. MORSE .....2nd VICE-PRESIDENT
CHARLES L. SCHENCK.....3rd VICE-PRES. & SEC'Y
HENRY M. HEATH .....ASST. SECRETARY
WILLIAM A. FISCHER.....ASST. SECRETARY
J. FRANK BIRDSELL .....ASST. SECRETARY
CLARENCE I. McGOWAN.....ASST. SECRETARY

Invites deposits from individuals, firms and corporations, and seeks appointment as Executor and Trustee.

A. H. BICKMORE & CO.

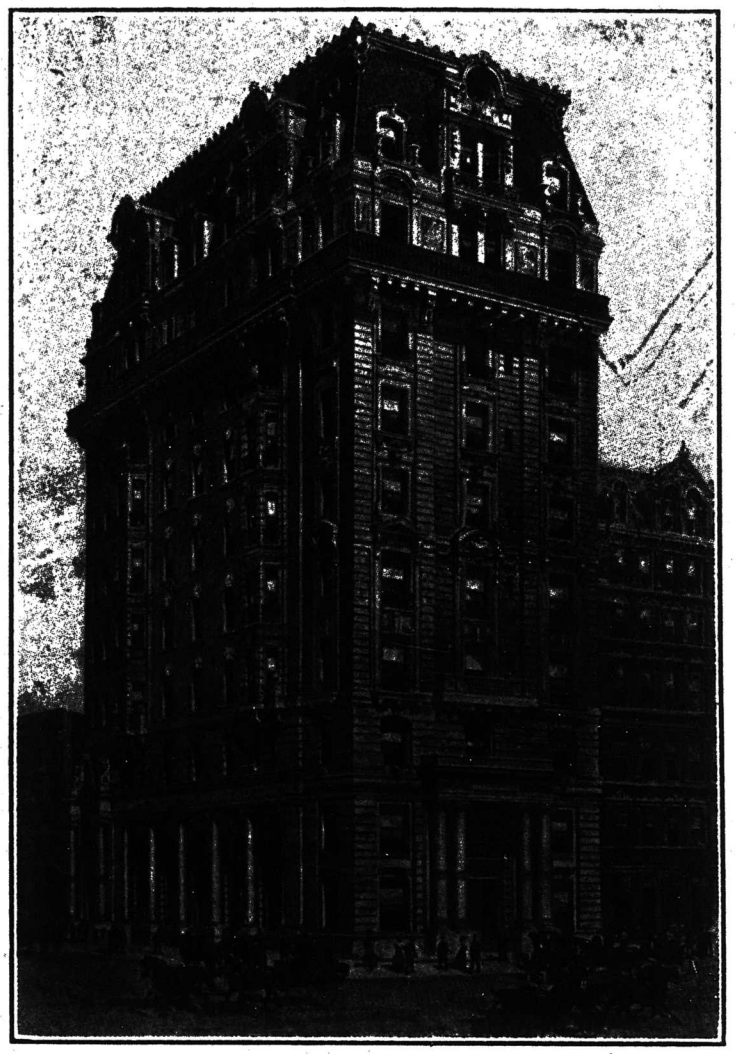
BANKERS

BONDS OF PUBLIC SERVICE CORPORATIONS
CAREFULLY SELECTED FOR CONSERVATIVE
INVESTMENT TO NET 5¼% TO 5¾%

30 PINE STREET NEW YORK

itized for FRASER

THE MADISON TRUST COMPANY
OF THE CITY OF NEW YORK



786 Fifth Avenue
East Side Branch, 122 Bowery

Capital and Surplus, $1,800,000

OFFICERS

WATKINS CROCKETT, President.
BRADLEY MARTIN, JR., Vice-Pres. and Treas.
WILLIAM W. ROBINSON, Secretary.
CHAS. A. FISHER, Ass't Sec'y and Ass't Treas.
GEORGE H. BARTHOLOMEW, Trust Officer.

DIRECTORS

Henry F. Shoemaker
Bradley Martin, Jr.
Tompkins McIlvaine
Edward R. Finch
Wm. J. Cummins
Martin J. Condon
J. B. Reichmann
Samuel H. Kress
Charles Arthur Moore, Jr.
Gustav Baumann
Watkins Crockett

¶ Invites the accounts of firms, corporations and individuals, assuring all of perfect service and courteous treatment.

ISSUES TRAVELERS' CHEQUES AND LETTERS OF CREDIT

¶ Acts as Executor, Administrator, Trustee, Assignee and Receiver. ¶ A General Banking Business Transacted.

THE MUTUAL BANK
Broadway at 33rd Street, New York

CHARLES A. SACKETT, President.
JOHN C. VAN CLEAF, Vice-President.
HUGH N. KIRKLAND, Vice-President & Cashier.
EUGENE GALVIN, Asst. Cashier.

Capital and Surplus : : : : $560,000

DIRECTORS:

RICHARD DELAFIELD, Chairman.

Andrew J. Connick.
Thomas Dimond.
Otto M. Eidlitz.
A. P. W. Kinnan.
C. W. Luyster.
E. A. McAlpin.
Samuel McMillan.
Stephen McPartland.
Charles A. Sackett.
Cornelius Vanderbilt.
Lee Shubert.
James Thomson.
John C. Van Cleaf.

HUDSON TRUST COMPANY
CAPITAL AND SURPLUS OVER $1,000,000
BROADWAY AND THIRTY NINTH STREET
(METROPOLITAN OPERA HOUSE.)

ELVERTON R. CHAPMAN, PRESIDENT.
LOUIS H. HOLLOWAY, VICE PREST.
HENRY C. STRAHMANN, VICE PREST.
JOHN GERKEN, VICE PREST.
HENRY G. LEWIS, TREASURER.
RICHARD A. PURDY, SECRETARY.

COUNSEL
HOLM, WHITLOCK & SCARFF.

Accounts solicited on the most liberal terms consistent with conservative Banking

SAFE DEPOSIT VAULTS

Depositary for New York State and City Funds

gitized for FRASER
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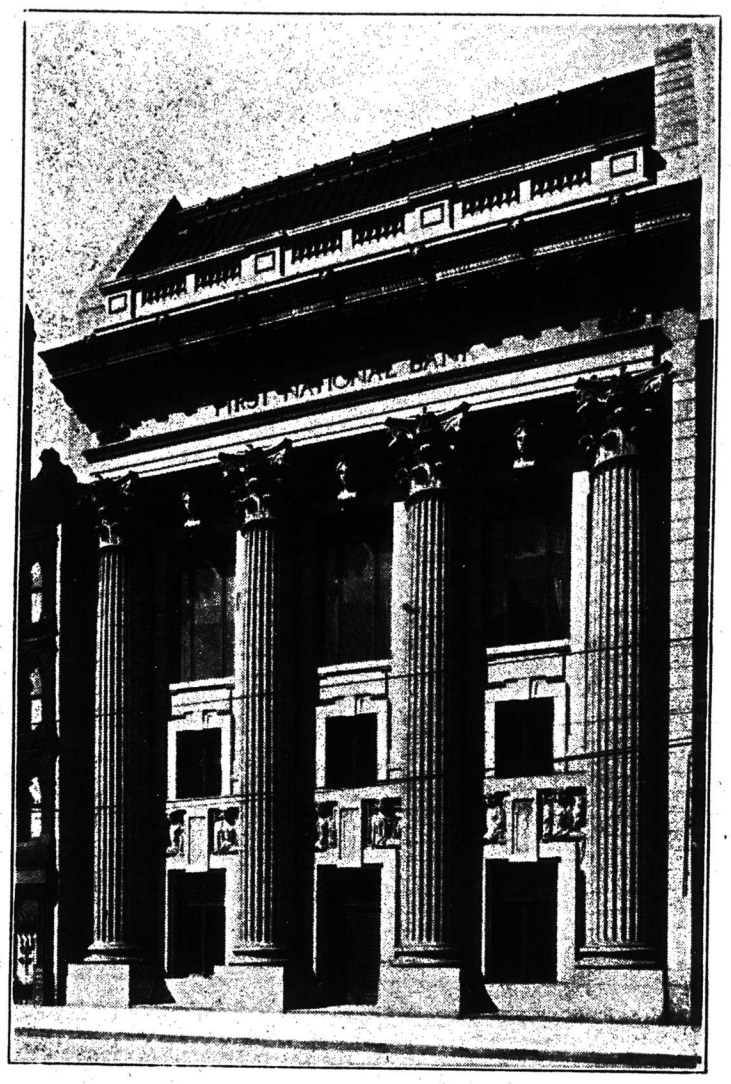
FIRST NATIONAL BANK



Euclid Avenue
CLEVELAND

THE FIRST NATIONAL BANK of CLEVELAND

has been assigned by the Comptroller the number seven, its original charter number, which designates this institution as one of the oldest national banks in the country.

¶ It has had an uninterrupted period of healthy, permanent growth since its organization in 1863, from which it is safe to conclude that the service rendered to its customers has been agreeable and satisfactory.

¶ Now ranking as one of the strongest financial institutions in the Middle West, and with an organization and equipment that embraces the latest and best methods of transacting all branches of business pertaining to banking, this bank solicits the accounts of banks, bankers, firms and corporations.

¶ It has a capital of $2,500,000. Surplus and profits of $1,350,000 and total resources of $34,000,000.

T. W. STEPHENS & CO.

BANKERS

2 WALL STREET, - - NEW YORK

Investment Bonds

INTEREST ALLOWED ON ACCOUNTS OF CORPORATIONS, FIRMS AND INDIVIDUALS, SUBJECT TO CHECK AT SIGHT

OTIS & HOUGH

CLEVELAND

Members New York Stock Exchange

DEALERS IN

GOVERNMENT RAILROAD **BONDS** MUNICIPAL CORPORATION

LISTS FURNISHED ON APPLICATION

BRANCH OFFICES: Columbus, O. Denver, Colo. Colorado Springs, Colo.

gitized for FRASER

ESTABLISHED 1888

Franklin Trust Company

140 Broadway, New York **166 Montague Street, Brooklyn**
569 Fulton Street, Brooklyn

CAPITAL, $1,500,000

A depositary for the inactive funds of individuals, firms, estates and corporations. Authorized by law to act as Executor, Trustee, and in every other fiduciary capacity.
Accounts and trust business invited.

TRUSTEES

HUGH D. AUCHINCLOSS
Auchincloss Bros., Merchants

UNION N. BETHELL
President, N. Y. Telephone Co.

JOSEPH E. BROWN
Blake Bros. & Co., Bankers

WILLIAM ALLEN BUTLER
Wallace, Butler & Brown, Lawyers

CHARLES B. DENNY
Treas. American Locomotive Co.

CROWELL HADDEN
Vice-President, Brooklyn Savings Bank

HENRY HENTZ
Henry Hentz & Co., Cotton Com. Merchants

HENRY C. HULBERT
Director, The Pullman Co.

WILLIAM B. LANE, M. D.
Vice-Pres., Manhattan Life Ins. Co.

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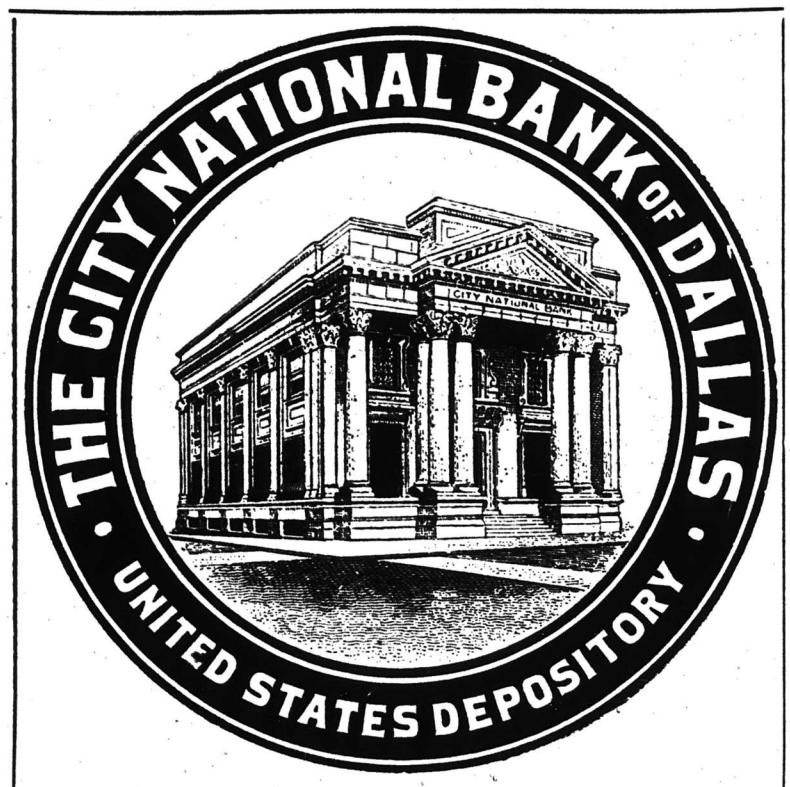

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RESOURCES.

Bonds and Stocks, at market value	$32,690,944.09
Real Estate	3,256,433.66
Bonds and Mortgages	3,421,443.40
Loans	56,909,559.61
Cash on hand and in Bank	32,596,219.99
Accrued Interest	952,953.88
	$129,827,554.63

LIABILITIES.

Capital Stock	$1,000,000.00
Undivided Profits	5,984,106.54
Deposits	121,983,372.58
Interest accrued, Unpaid Dividends, &c	860,075.51
	$129,827,554.63

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BANKERS' CONVENTION SECTION

OF THE

COMMERCIAL & FINANCIAL CHRONICLE.

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THE CHRONICLE.

THE COMMERCIAL AND FINANCIAL CHRONICLE is a weekly newspaper of 80 to 96 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 the scope.

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INDEX TO ADVERTISEMENTS

A complete index to the advertisements appearing in the present issue of the Bankers' Convention Section will be found on pages 119 and 120.

THE BANKERS AND THE CURRENCY REFORM PLANS.

The Currency Committee appointed by the American Bankers' Association at its St. Louis Convention, in October, 1906, carried on perhaps the most aggressive work in the direction of currency reform that has been witnessed in the recent history of the Association. The subject itself was uppermost in mind, not only because of a number of years of more or less futile legislative discussion which had preceded, but because of the manifest signs, that year, of an overstrain on bank resources, because of the exorbitant figure to which call money rates on the Wall Street market rose in the last days of 1906, and because of the general feeling that a critical emergency might be at hand, for which the existing banking system would be inadequate. The Committee then appointed, under the chairmanship of Mr. A. B. Hepburn, drew up its recommendations, which were subsequently submitted to Congress by Mr. Charles N. Fowler.

In general, the proposals of the Committee's report were that the national banks should be authorized to issue credit notes in an amount equal to forty per cent. of their respective bond-secured circulation, subject to a tax of two and a half per cent. per annum; that a further issue, up to twelve and a half per cent. of each bank's capital, should be authorized, subject to a tax of five per cent.; and that the same reserves as are now required against deposits should be carried against the credit notes. This plan was submitted to the Bankers' Convention held at Atlantic City in September, 1907—a memorable period in our recent financial history. Only a few weeks after the adjournment of that convention, the October panic of 1907 swept over the country. From one point of view, the grave derangement of credit which ensued created a situation favorable for currency reform; from another point of view, the moment was really unfavorable. Plans for currency reform, especially in the field of bank-note circulation, heaped up on the desks of Congressmen, of banking and currency committees and of the Government's fiscal officers. The Currency Committee of the Bankers' Association itself reported, at the Denver Convention of September, 1908, that no less than ninety-six different bills had been introduced in Congress during the preceding session, amending the national banking law.

Obviously, the difficulty created by such a situation was of getting Congress or any other body to agree on a single plan. The so-called Aldrich-Vreeland Emergency Currency Bill was put through as a makeshift, on the professed ground that another money panic might ensue in the following autumn. In its report to the Denver Convention of 1908, the Association's Currency Committee pointed out, as a result of their knowledge of banking history, that "no financial panic could immediately follow the crisis of last

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fall, and that it was the part of wisdom to enact no makeshift legislation, lest such an enactment for the purpose of supposed temporary relief should prove a serious stumbling-block in the way of legislation for a comprehensive and careful correction of the grave defects of our banking and currency system."

Congress, however, took a different view. It enacted the emergency currency bill, which up to this date has had no practical results. The prediction of the Currency Committee, as to the lethargy which would follow in the discussion of the subject, was realized. But Congress did follow up its makeshift emergency legislation by naming a Monetary Commission, on which it placed the task of devising a comprehensive plan of currency reform. That commission, consisting of Congressmen, and headed by Senator Aldrich, has now been in existence for something like two years. Reporting to the Bankers' Convention at Chicago in September of last year, the Chairman of the Currency Committee stated its hope "that the National Monetary Commission may suggest a plan that it may be able to endorse," and advised that the Bankers' Association should continue its own Currency Committee "for the purpose of representing it in watching developments, and in conferring with and affording such assistance to the National Monetary Commission as may be within its power."

This review of the National Bankers' Association's efforts to stimulate the movement for currency reform, during the three or four past years, explains the attitude of this year's convention at Los Angeles. The report of the Committee frankly states the present year that the matter must necessarily be left for the time being in the hands of the Government's Monetary Commission. This attitude seems to us proper and indeed inevitable. With the election over and a new Congress assembled next December, the Monetary Commission may reasonably be expected to outline its own position in the matter, and, if it does not at once propose a definite plan of currency reform, at all events to engage in thorough and practical hearings on the question. The attitude taken by the Committee of the Bankers' Association was reflected this year in the proceedings of the Convention itself. Speeches made to the Convention on the subject displayed wide range of opinion as to the proper expedient for reform; indeed, it may be said that the discussion was in the nature of a symposium on the various shades of opinion.

Mr. Irving T. Bush, Chairman of the New York Merchants' Association Currency Committee, expressed his individual conclusion that "control of our currency by a modified form of central bank will be the best, and that such a control can be made to meet all the objections which have been raised against the present system." The matter, he thought, seemed to resolve itself "into a limitation of the functions of the bank and a method of selecting a board of governors which would guarantee that no one of the three elements of politics, bankers or special interests could control." Addressing the Convention the same day, President Rhett, of the People's National Bank of Charleston, S. C., urged the expedient of an asset currency limited by the amount of the issuing institution's capital, and protected by a 25 per cent. gold reserve. "The best bank note currency for this country," he declared as his belief, "does not lie in a central bank, nor in any other organization where power and discretion vests in any man or body of men to discriminate in the issue. It is against the genius of our government; it is a step towards centralization that no ingenuity can ever safeguard. Moreover, it is entirely unnecessary." Senator Burton, of Ohio, a member of the Monetary Commission, in his address to the Los Angeles Convention, was much more non-committal as to the ideal plan than were the other Convention speakers, and some of his colleagues on the commission who have hitherto voiced their individual opinions. He laid emphasis on the principles which must be observed, "whatever method is adopted"; these principles being, first, provision for reducing a redundant bank note currency as well as for supplying a sufficient one; second, provision for adjusting amount and life of outstanding circulation to the needs of trade; third, provision for "the nearest possible approach to absolute security"; fourth, recognition by bankers of the fact that note issues should be a service to customers and not a source of profit.

Here is left open a sufficiently wide field for debate as to the actual plan of reform. It is sometimes asked, what is the attitude of the banking fraternity itself on the question? So far as can be seen, opinion is divided. Since the personal declaration by Senator Aldrich and Mr. Vreeland, a year ago, in favor of the plan of a central bank, and especially since the partial endorsement of that plan last autumn by President Taft, the central bank expedient has undoubtedly held the center of the stage. To what extent that particular solution of the question has gained ground in banking opinion is another question. Perhaps it would be fairest to say that the majority of thoughtful bankers have not yet made up their minds, and that they are not likely to do so until a definite and concrete report on the question is before them.

Even in New York City, there can be no doubt that opinion among important bankers is divided. Some of them strongly favor the central bank plan. Some of them appear to be opposed to it in principle. Most of them prefer to maintain a non-committal position. So far as can be judged from the various State banking conventions, interior bankers, in the West at any rate, are in a general way adverse to the central bank plan, unless their objections can be removed by definite modifications in the plan. Such considerations as possible concentration of the country's banking reserve in a single place, or the introduction of

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branch banking into fields already occupied, have, reasonably or unreasonably, influenced opinion very widely.

But this throws little light upon the future. It is easy enough to say that the plan of currency reform has reached a deadlock for the moment. But to argue from this that nothing whatever will be done, would be to stultify one's self; because even the hardiest opponents of the central bank plan concur in the opinion that the present system is gravely in need of reform, and that the existing plan of bank note circulation on the basis of Government bonds is imperfect and unfitted for the peculiar needs of our industrial system.

If it be asked, whether the aggressive movement for currency reform is shown by the recent convention proceedings to have been abandoned, the answer, we think, decidedly should be that nothing of the kind has happened. On the contrary, we believe that the problem is under more serious and intelligent consideration to-day than ever before. We believe, moreover, that its consideration is possible in a much more deliberate and judicious way, now that popular discussion has left behind it the numerous haphazard and fantastic theories which sprang into publicity after the troubles of 1907, as they always do in sequel to a credit crisis. For the present, as the Committee of the Association admits, the matter is in the hands of the National Monetary Commission. The time has nearly arrived when positive action by that body will be called for. Whatever their report, we may depend upon it that the discussion will at once be resumed with all necessary activity, and that tangible results may be anticipated all the more hopefully, because the discussion will converge on approval of or opposition to a definite plan.

HISTORICAL SUMMARY OF LOS ANGELES AND LOS ANGELES BANKS.

By STODDARD JESS, Vice-President First National Bank of Los Angeles.

Inspired by missionary zeal and with the object of converting the natives to the Christian religion, the Franciscan Fathers, headed by that man of indomitable will and courage, Father Junipero Serra, established the first mission in Southern California at San Diego in 1769. It was the first link in a chain of missions afterwards located, extending northward to the mission of San Francisco Solano, it being so arranged that each mission should be separated from its nearest neighbor by one day's ride on horseback, to provide the traveler passing north and south safe and comfortable accommodations in which to spend the night.

The mission of San Gabriel, just east of the present city of Los Angeles, founded in 1771, was the fourth mission founded in the State of California. The Pueblo plan of colonization so common in Hispano-American countries, adopted for protection against the hostile aborigines and for social advantages, quickly followed the founding of the missions. In 1781 the Pueblo of Los Angeles was founded, its site having undoubtedly been selected because of the advantages offered by fertile soil and an abundant supply of water both for domestic and irrigation purposes. While raised by the Mexican Congress in 1835 to the dignity of a "ciudad" (city), its form of government continued that of the Pueblo until 1850, some years after the American conquest, when an Act was passed by the State Legislature incorporating the City of Los Angeles.

While Los Angeles became an American city in name in 1850, it was not much of a city after all; its population was only 1,610, largely Mexicans and Indians, and there was not a graded street, a sidewalk or a water pipe within its boundaries. The growth and development of Los Angeles down to 1880 was slow, and the history of the city and of Southern California during that period would recount many disasters and disappointments. Land had little or no value. The cattle and sheep industries, the chief industries of the country, each in turn was practically destroyed as the result of successive droughts, and a severe financial depression was experienced.

INFLUENCE OF RAILROAD CONNECTIONS.

In 1880 the population of the city had increased to 11,183, and the assessable value of its property was $7,000,000, the greater increase both in population and wealth having taken place during the years just preceding the year 1880, and largely as the result of the completion of the Southern Pacific Railroad between San Francisco and Los Angeles in 1876, which gave the city rail communication with the outside world for the first time.

The true awakening of Los Angeles and the beginning of its rapid growth and development may be said to have occurred about 1885, on the completion of the Atchison, Topeka and Santa Fe Railroad, the second transcontinental line to build into Southern California; since which time the city has forged ahead at a rapid pace, with constant gain in population and wealth. In 1900 the population had increased to 102,000 and the total assessment to $67,000,000. The census returns for 1910 will give Los Angeles about 318,000 population, and the assessment value of property is now $332,000,000, showing an increase in population of 211 per cent., and in assessment value of property of 394 per cent. in the past ten years.

The Los Angeles of today is an up-to-date American city, its population is very largely from the States east of the Rocky Mountains, foreigners and even native sons being decidedly in the minority. The people who have been attracted to Southern California and have made Los Angeles their home are, generally speaking, people of culture and refinement and fairly well off financially, averaging as well as the communities

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from which they came. The men of Los Angeles are, as a class, active, energetic and loyal in the last degree to the city and its interests. The civic spirit of its citizens is among the best assets that the city has. You rarely hear of an Angeleno contemplating a change of residence; being satisfied here, he leaves a change to the ruthless hand of time, and would undoubtedly stay that if he could.

The building improvements of the city compare favorably with other cities of the same size. This is particularly true of the residences; while not pretentious, they are of varied and pleasing architectural designs. Lots in the residence sections are of good size, and all residences have for a setting a grass plot and a flower garden. Los Angeles is distinctly a city of homes; even the poorer classes have homes of their own and but very few are lodged in tenement or apartment houses. Los Angeles has challenged the admiration of the world by the courage and spirit of determination shown in reaching out a distance of two hundred and forty miles to the eastern slope of the Sierra Nevada Mountains in Inyo County for an unlimited supply of pure mountain water, at a cost of twenty-three millions of dollars, which will not only provide a supply of water for a city many times the present size of Los Angeles, but will incidentally allow the development of over a hundred thousand horse power of electrical energy along the line of the conduit.

By the consolidation of Los Angeles with the cities of San Pedro and Wilmington, Los Angeles has become a harbor city, and will develop at a nominal expense one of the best harbors in the world, securing all the advantages of ocean transportation.

HISTORY OF BANKS.

The history of banking and its development in Los Angeles has been along similar lines to the development of the city in general. The first bank in Los Angeles was organized early in 1868 by Alvinza Hayward of San Francisco and John G. Downey of Los Angeles, afterwards Governor of the State, under the firm name of Hayward & Company and with a capital of $100,000. Later in the same year the banking house of Hellman, Temple & Company was established. Hellman afterwards became associated with Downey in the Hayward & Company bank, which took the name of the Farmers' & Merchants' Bank.

The Hellman, Temple & Company Bank was reorganized as the Temple & Workman Bank, and in 1875 it closed its doors, having made a lamentable failure owing to gross mismanagement. The Farmers' & Merchants' Bank nationalized in 1903 as the Farmers' & Merchants' National Bank, and has continued down to this day a bulwark of financial strength. Its founder and President, Mr. Isaias W. Hellman, is also President of the Wells Fargo Nevada National Bank of San Francisco, and is still regarded as one of the ablest financiers in the State. The second bank in point of age in Los Angeles is the First National, organized as the Commercial Bank in 1875.

The number of banking institutions has gradually increased to meet the needs of the city's growth in population and in expansion of business, and in 1900 the capital and surplus of all the banks in the city had increased to $5,000,000, with a combined deposit of about $23,000,000. At the present time there are twenty-eight institutions in the city proper doing a banking business, including nine National banks, five banks doing a Commercial business under State Charters, nine Savings banks, and five doing a Trust business. The combined capital and surplus of all is $21,350,000, and the deposits now aggregate $120,432,000, showing the phenomenal increase in capital and surplus of 327 per cent., and in deposits of 423 per cent., for the decade. This leaves the ratio of capital and surplus to deposits well within the requirements of the wise provision of the new California Bank Act, that the total deposits of any bank shall not be greater than ten times the amount of its combined capital and surplus.

The Farmers' & Merchants' National Bank under the same management as its predecessor, the Farmers' & Merchants' Bank, is the oldest bank in the city, and by the last Comptroller's report was shown to have $3,419,826 capital, surplus and undivided profits, and a total deposit of $10,749,629. The First National Bank, with a capital, surplus and undivided profits of $3,018,980, and a total deposit of $14,998,851, has the most active business of any Commercial bank, doing about 25 per cent. of the business passing through the Clearing House. The Savings banks in Los Angeles are growing rapidly, and the city bids fair to come into prominence as a Savings Bank city. The two largest Savings banks—the Security and the German American—show deposits of $27,921,397 and $13,926,052, respectively, on July 1, 1910.

THE CLEARING HOUSE.

The Clearing House Association of Los Angeles was established in 1887, and now has ten members, the nine National banks and the Broadway Bank & Trust Company. The Savings Banks, Trust Companies and the other Commercial Banks clear through the Clearing House banks, but maintain a separate organization to control matters of mutual interest. The records of the Clearing House show that the clearings for the year 1900 amounted to $113,000,000, for the year 1909 to $673,065,726, and for the first six months of the present year to $406,599,444, or on a basis of $813,198,888 for the entire year—a gain of 619 per cent. for the ten years. The Clearing House Association employs a special Examiner to regularly examine all Clearing House banks

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and all banks that clear through Clearing House banks. The results obtained are considered to be of great value in protecting the financial welfare of the city as well as safeguarding the interests of the banks.

Believing that the provision of the National Bank Act, requiring that National banks should have a paid-up capital of not less than $200,000 before receiving a charter to do business in a city the size of Los Angeles, to be wise and proper, the Clearing House Association made an arbitrary rule not to grant any bank, whether operating under a National or a State Charter, the privileges of the Clearing House unless the bank has a paid-up capital of at least $200,000.

The banks of Los Angeles are universally prosperous, are conservatively managed, and make fair returns in dividends to their stockholders. Owing to the rapid growth and the steady expansion of business in all lines, money is always in active demand and at fair rates. The development that is taking place in Los Angeles seems to be measured by the amount of money available to finance it, and the main responsibility resting on the bankers is to counsel conservatism and use their influence to prevent a too rapid pace.

GROWTH OF BANKING IN SAN FRANCISCO SINCE THE FIRE.

By JAMES K. LYNCH, Vice-President First National Bank of San Francisco.

History in San Francisco naturally divides itself into two periods: before and after the fire of April 18, 1906, so that, in reviewing the banking situation, it is instructive to compare the bank statements of April, 1906, with those made on June 30, 1910. Before doing so it may not be out of place to touch briefly on the growth and development that brought about the conditions existing on that smiling April morning when the old San Francisco was blotted out to make room for a newer and greater city.

EARLY HISTORY OF BANKING IN SAN FRANCISCO.

The money that capitalized the San Francisco banks came in large measure from the soil; at first in actual gold, and then in the products of farm and forest. The growing commerce of the city contributed its share, and the banks were owned and directed by its citizens. At an early date in its history San Francisco became the financial center of the Pacific Coast to which it supplied coin, fresh minted from the gold dug from the California hills. This constant supply of gold, together with the machinery for producing coin, kept California on a gold basis while the rest of the country struggled with a flood of irredeemable paper of constantly changing value.

It is not to be understood that the San Francisco banks sprang into being fully grown and developed. The process by which banks have been evolved through commercial needs was gone through with, but the time required was much shortened. The beginnings were crude enough; buyers of gold dust, then money brokers; private banking firms, then incorporated banks. The national system took root slowly, for the very fact that California was on a gold basis made the people look askance on any kind of paper money, even on the gold notes specially prepared for their benefit.

Savings banks were started at an early date, and the deposits grew to proportions sufficient not only to care for the building demands of San Francisco, but to finance farm and irrigation enterprises througout the State, while some of the banks loaned extensively in the States of Oregon and Washington.

COMPARISON OF THE CONDITION OF THE BANKS OF SAN FRANCISCO APRIL 1906 AND JUNE 1910.

Class.	*Tot. No.*	*Capital & Surplus.*	*Bank Premises.*	*Loans & Discounts.*	*Deposits.*	*Tot. Assets & Liabilities.*
April 1906.		$	$	$	$	$
State (Apr. 14)	43	39,016,842	6,340,314	186,446,291	270,316,937	326,749,104
Nat'l (Apr. 6)	10	20,642,361	1,328,807	54,782,780	66,444,584	101,114,750
Total	53	59,659,203	7,669,121	241,229,071	336,761,521	427,863,854
June 30 1910.						
State	42	31,564,113	12,282,594	133,431,287	205,451,581	237,165,981
National	11	49,256,789	4,381,724	103,736,167	135,412,735	204,087,772
Total	53	80,820,902	16,664,318	237,167,454	340,864,316	441,253,753
Inc. since 1906	--	21,161,699	8,995,197	*4,061,617	4,102,795	13,389,899

* Decrease.

	Bank Clearings.	*Balances.*
Week ending April 14 1906	$43,989,807	$4,246,951
Week ending April 16 1910	47,199,342	4,718,155
Increase	$3,209,535	$471,204

GROWTH SINCE THE FIRE.

A gain of nearly thirteen and a half million assets in four years, is not so important until we remember that, within a few days after the April, 1906, bank statements were rendered, there occurred the most destructive fire of which we have record. Practically the entire business section of San Francisco, including the theatres, hotels, churches, public buildings and banks, was wiped out. Every bank was burned; the buildings being utterly destroyed, except in the case of six institutions located in modern steel frame buildings, which were restored, though at heavy expense.

The total loss has been estimated at five hundred millions, and the insurance on property destroyed amounted to two hundred and twenty millions, of which a little more than one hundred and ninety millions was paid. Not all of the insurance money was used in rebuilding; much of it was spent recklessly by the insured, who found themselves in possession of more money than they had ever seen before; much of it was invested in other channels, and a good deal was used in temporary building. The actual rebuilding was paid for by the remainder of the insurance; loans by three life insurance companies aggregating about twelve millions of dollars, and the rest came out of the general resources of the community. Remembering this, and also the fact that during the year after the fire came the panic of 1907, and that since that time we have experienced an active speculation in country land; that the oil development and exploration has absorbed a great deal of capital, the increase in bank assets is really a remarkable evidence of the prosperity of the people.

At the time of the fire the banks were, for the most part, housed in old-fashioned buildings of composite character, in which wood played an im-

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portant part. Now the bank buildings compare favorably with any in the world, and are a decided feature of the New City, which is as well built and has as large a proportion of fire-proof construction as any city in the country. The folly of allowing a city that is surrounded by never failing water, on at least 85 per cent. of its borders, to be destroyed by fire has been fully realized, and the auxiliary salt water fire protection, combining pumping stations at intervals along the water front, powerful fire boats and ample reservoirs excavated at street crossings in the elevated portions of the city, is already so far completed as to preclude a repetition of such a disaster.

THE NEW BUILDINGS.

The Bank of California, N. A., the Mercantile National Bank and the Anglo & London Paris National Bank, among the commercial banks, have erected buildings of so-called monumental character, which are beautiful examples of architectural design. The German Savings and Loan Society, the Hibernia Savings and Loan Society, the Savings Union Bank of San Francisco, the Security Savings Bank and the Union Trust Company own equally beautiful buildings of the same character.

The First National Bank and the First Federal Trust Company occupy offices in a combined bank and office building of special design, as does also the Humboldt Savings Bank and the Metropolis Trust Company.

The Wells Fargo Nevada National Bank, the Crocker National, the American National, the Western National, and the Mutual Savings Bank are all well located in steel frame buildings erected before the fire, and restored and improved since.

Special attention is perhaps due to the French and Italian Banks, which own and occupy buildings that are distinctive and in every way a credit to their builders.

INCREASED STRENGTH OF THE BANKS.

Without exception the banks have convenient, well arranged offices for which, it is true, they paid a heavy price, not only in money but in the work and worry of four strenuous years. Of more importance than the buildings, for the strength and security of the banks, is the increase of capital and the consolidation that has taken place; the tendency here, as elsewhere, being towards fewer banks and stronger ones.

A CLEARING HOUSE BANK EXAMINER.

Still more important is the employment of a Clearing House Examiner, for which responsible position the banks were fortunate enough to secure the services of a gentleman whose natural capacity, discretion and training qualify him for the work in an unusual degree. He has been given a free hand in organizing and conducting his office, and the results obtained are most satisfactory. The bankers know that such a disgraceful failure as that of the California Safe Deposit and Trust Company, which occurred during the panic of 1907, and did much to increase the feeling of unrest, cannot come again. Any bank that might become temporarily embarrassed, through unusual demands on the part of its depositors, would receive prompt assistance from the associated banks, which would be given with a full knowledge of conditions. The examiner (acting with the State Superintendent of Banks) has also much improved the situation by eliminating several weak and badly managed institutions, which were started during a lapse of the State banking laws, and had neither adequate capital nor competent direction to justify their existence.

PRESENT CONDITION SOUND.

The present financial condition of San Francisco is sound; loans for speculation or permanent investment have been generally refused, the result being that there has been money for all legitimate commercial needs, and that the harvesting and marketing of the abundant crop of grain and fruit has been provided for. Barring the absolutely unforseen and unexpected, the deposits in the San Francisco banks, and those throughout the State, should show a very substantial increase during the month of October.

THE PROGRESS MADE.

Contrasting the present outlook with that of four years ago, the bankers of San Francisco have reason to congratulate themselves on what they have accomplished, and still more have they reason to be proud of their city and of its citizens for one achievement which has received but little notice. In spite of the overwhelming nature of the disaster which overtook the city, the borrowers from the banks neither failed to pay, nor sought to avoid their debts. Failures and compromises were few, and the percentage of losses charged off for the four years following the fire, has not been much above the average. Time was, of course, needed, and was freely granted; but the proportion of slow paper has been steadily reduced, and is now not much above what might be considered normal. Viewed purely from the commercial side, it is an achievement which bears eloquent testimony to the character and financial strength of our mercantile community.

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BANKING SECTION

AMERICAN BANKERS' ASSOCIATION

Thirty-Sixth Annual Convention, Held at Los Angeles, Oct. 4, 5, 6 and 7, 1910

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Currency Reform from the Business Man's Standpoint.

By Irving T. Bush, Chairman Currency Committee of The Merchants' Association of New York.

When discussing our currency system and its needs—a subject which is as yet but little understood by the general public—it is a temptation to begin at the very beginning, when the idea of a bond-secured currency was conceived to make a market for the bonds of the Government, then difficult of sale, and show how, from this false start, the system has developed its all too apparent defects. In speaking today, however, I realize that I have before me an audience of trained minds who are not only familiar with the history of currency legislation, but who have suffered from its defects—1907 is too recent to have been forgotten, and no argument is necessary to convince those who were then conducting banks that something is wrong with the present system, and a change is needed. I will assume, therefore, that in asking me to speak to you upon the currency problem from the standpoint of a business man, you do not desire a repetition of arguments already familiar to you as to why and where our present system is at fault, but wish to know what the business man wants, and what he is doing to get it. I am here to-day as Chairman of the Currency Committee of The Merchants' Association of New York, but during the last three years that Committee has had extended correspondence and repeated interviews with the representatives of a large number of business organizations in other cities and I have some knowledge of their views, and the work that they are doing.

I wish it clearly understood, however, that I undertake to speak only for the Association which I represent. I have decided that the best way to give you our views and our reasons for them is to tell you as simply as possible how the Committee, of which I am Chairman, began its study of currency, convinced that a central bank could not be successfully adopted for this country, and how three years of hard study has forced us to the conclusion that a modified and restricted form of central control will best serve all classes. We have been a long time in coming to this conclusion and I wish to make it very clear that I am not going to argue for a central bank in its usual form, or as it is generally understood, but in favor of a bank so limited in its functions and safeguarded in its control as to be acceptable to the American people—and yet a central institution which will be recognized by other nations as representative of this country, and worthy of their respect. Such an institution must have some name and I prefer, in what I have to say upon the subject, to call it what it most resembles—"A Central Bank." The name makes little difference, perhaps. So far as I personally am concerned, any other name will do and a great variety have been suggested, but do we not owe some thought to our international relations? They are becoming each year more important. We have many interests and investments in other countries, and their peoples have many here with us. They marvel at the progress we have made, but our various experiments in currency are a source of wonder and some anxiety to them. If we are to have a central bank, even with its fangs drawn, do we not strengthen its position in the eyes of the world, and thus help ourselves, by giving it a name which will be understood at once abroad? Today I will, therefore, use the name "Central Bank," but the Association which I represent cares little about the title, provided sound principles are adopted, and will accept any name satisfactory to this country, which will command the full respect of our foreign friends.

Our Committee began its study of the problem in 1907. We found we were not facing a theory, but the hard fact that the business man cannot suspend payment and remain solvent, and that the final stress in time of panic is borne by those conducting the industries of the country. We made up our mind at the outset that the acute stage of the panic of 1907 was because money had been invested in fixed securities, which should have been held liquid to meet the requirements of trade. Some financial institutions were loaded down with securities and underwritings which could not be sold, except at ruinous loss, and—remember this—the very attempt to sell them to relieve the panic, only intensified it. It did not take us long to realize that such a situation was improper, and that we did not wish a bond-secured currency. We have continued our studies for nearly three years, and for a long period held daily meetings after

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the close of regular business. We have entertained a conference of business associations from all parts of the country, and have sent out several hundred thousand pamphlets and circulars. Two of the members of our Committee have written monographs for the National Monetary Commission by invitation. I recite these facts at the direct request of your Chairman, in order to show to you that business men are becoming alive to the importance of this vital question.

After deciding that we did not want a bond-secured currency, we endeavored to find out what basis was used by the great nations of Europe. We discovered—as you all have in looking into the subject, that, resting upon a redemption fund of gold, the banknote of Europe is largely secured by forms of commercial paper and bills of exchange representing merchandise in the process of production and manufacture, until it reaches the consumer. Up to this point the process is very simple and practically all students travel the same line of thought, and must arrive at the same conclusion. When, however, a remedy for our own troubles is sought, the difficulty begins. We learned that the nations of Europe had adopted a central bank as the best method of control of their currency, but were told that such control was impossible in this country, because of political and geographical conditions. The arguments advanced seemed to us sound. We dismissed the central bank idea as undesirable, and in common with many others began a search for some form acceptable to the American people. We held repeated meetings, and invited the authors of various systems to meet with us and discuss the methods which they advocated. As I look back, I remember with hardly an exception, these gentlemen prefaced their remarks by saying, "Of course, a central bank is the best method, if such a thing were possible in the United States." We still accepted this view. Finally, I said to one of the most eminent of these authors of currency reforms, "Why, what you have is a central bank under another name."—"Certainly," he replied, "the greatest central bank ever devised." "Why not call it what it is, then?" I asked, and was again silenced by the statement that the American people would not stand for that name. When I consented to speak here today, I asked what I should talk about and was told to talk to you as a business man, but to avoid the name "Central Bank." I answered that as a business man and representative of an association of business men, I have patiently studied all sorts of currency schemes, and am forced to the conclusion that a control of our currency by a modified form of central bank would be the best, and that such a control can be made to meet all the objections which have been raised. The assumption that a central bank has something to do with crowned heads is absurd. It is the method selected by the great nations with whom we are engaged in industrial competition. The details vary, but the general underlying principles are the same. It has proved itself a good piece of machinery, and as business men, we know that good work cannot be done without proper tools. The bankers of the country are not to blame for the recurring currency stringencies. We have not given you good machinery for currency, and our difficulties would be even greater, were it not for the marvelous system of unrecognized currency which you have made possible by your machinery for the collection and redemption of our bank cheques. No country has such a perfect cheque system, and no nation transacts so large a part of the business by means of cheques as the people of this country, and when I consider the work of relief which they have effected, I take off my hat to the American bankers. Are we, however, to be satisfied with anything short of the best? If we have methods better than those of other countries, let us keep them, and if other countries have methods better than ours, let us acquire them. Build a system containing the best features to be found here and abroad. First, let us protect what we have, and our best asset is our system of banks. A central bank operating as a bank, and dealing directly with the business community, can never take the place of the existing banking system in its close touch with every merchant in each small community. I care not whether the institution be National or State—a bank or a trust company—we need them all, and the various changes in operating methods which must from time to time be made to perfect the service, are no part of our currency. Let us keep our banking system, but provide those conducting it with efficient machinery to create the currency which the business man may require in the conduct of his business and payment of labor.

We finally began to ask ourselves what are these objections to a central control, which cannot be overcome? One by one, by process of elimination, we cleared the less important objections, and in the end were left with four which we could not dismiss, and which must be reckoned with. They were as follows: First, a clearly defined objection on the part of many to any central control in the hands of the general Government, or in any way subject to politics. Second, an equally decided fear on the part of others to a system which might pass under the control of so-called special interests. Third, a fear on the part of a smaller, but important part of the community that a central bank would be a creature of the present banks, and used to exact an additional toll of interest. Fourth, a natural doubt on the part of the bankers themselves whether a central bank would not become an important competitor for business. We were not content to accept as final the verdict that these objections could not be overcome. The fact that a central system had been adopted by all progressive nations influenced us to further study if certain modifications could not be adopted to assure to us the best features of all systems, under conditions which would meet the objections recited. It seemed to resolve itself into a limitation of the functions of the bank and a method of selecting the board of governors which would guarantee that no one of the three elements—politics, bankers or special interests could control. I will not weary you with the details of our discussion, but will ask you to picture to your minds as we have succeeded in doing, a central bank governed by a board composed of bankers, a limited number of Government officials, and the balance men engaged in business, and not identified with either banking or politics, with its functions limited absolutely to dealing in foreign exchange in order to protect or build up our gold reserves, rediscounting certain approved forms of short-term commercial paper, and bills of exchange for regularly organized financial institutions, and the issuing of banknotes. All profits above some fixed percentage—say 4 per cent.—to go to the Government, or be used for some public purpose. We would like to add the duty of financial agent for the Government, but that is really another question and it is my desire to avoid details today, and urge your consideration of such simple principles as all should agree upon. The details are really of less importance, and can and will be argued at the proper time. I shall not even attempt to suggest methods of assuring that the board of governors can be selected in the manner I have described. I can think of several, but surely we are not going to admit we cannot devise a system of selection which will accomplish the result desired. Membership on such a board will be as highly esteemed by the banker and the business man as a position on the bench of the Supreme Court of the United States is by the lawyer today. The one safeguards the final administration of our laws by the numberless courts of the country, and the other will supervise the use of our currency. Place the board in the limelight of public opinion and make membership worthy of the ambition of any man. The limitation of the functions can be absolute. The rediscounting can be limited to other institutions. The class of paper accepted can be prescribed, and certain endorsements required. The issue of notes can be completely safeguarded and an adequate gold reserve maintained. I avoid details, for they mean discussion. What we need now is agreement upon principles. I am, however, going to answer one question which will rise in the minds of many. It is—why we should adopt even a modified central bank, if the name and form is objectionable to the people, if some other method of control can be devised? There are

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a number of reasons, but I will give just two which have had great weight with us: First, a central bank is a proven success in many countries and any other form will be an experiment, and we have had enough experiments tried upon our currency system. The advocates of other systems point to Canada today, and the Suffolk system of long ago, as proof of their theories. Canada has a limited population, and its problems of international finance are insignificant, compared with those of the United States. The Suffolk system was in operation in a small territory in early days, and many of the present-day problems were then unknown. Both systems have in them much to admire, but they are as yet untried by any great nation. The second objection is: Who will exercise the necessary intelligence and power to protect or build up our gold reserve, unless some central body be given that right? A machine can be made almost automatic in its operation, but perpetual motion has never quite been achieved. The countries of Europe protect and increase their gold reserve primarily through the variation of the discount rate. Occasions will arise when somebody, or some body of men, must exercise judgment for all. This means central control. Without that exercise of judgment, the system will fall short of its full usefulness. Another point of the first importance is the centralization of the reserve against notes issued. Scattered among thousands of banks, they may be as large in the aggregate, but they cannot be so effective in preserving public confidence as centered in one great reservoir, where all can see and realize what stands behind the American banknote. In times of peace, an army may be garrisoned at many points, but in time of danger, the army is mobilized and the confidence of the people increased by the sight of a vast and effective force ready for instant use.

Nothing inspires public confidence as a reserve which can be measured in one great mass—a great reservoir ready for instant use in time of fire, an army mobilized in time of war, and a money reserve centralized where all can realize its immensity in time of panic. I should like to discuss with you many features, which I leave untouched today—to argue that this great problem, instead of being intensely complex, as is popularly supposed, is really based upon the most simple rules of business. Let us make up our minds to clear away our present false foundation, by the only direct course—a refunding of our Government bonds at an interest rate which will make them sought as an investment. We cannot get something for nothing and the people must pay the market rate of interest for the money the nation borrows. Today they pay it by increasing the cost of their currency, just as certainly as by an increase in the rate of interest upon the bonds of the Government. Let us be done with so-called "Clever Finance," and go back to simple methods of paying a fair rate of interest for money we borrow, and have a currency as nearly tax-free as may be—a tax upon currency is a tax upon industry. The geographical extent of the country will of course compel the administration of the bank through branches located at convenient centers. Each branch will act under the direction of the central board as a central bank for a zone tributary to it. The function of these branches will be limited by the powers given the central institution and the branches will exist in your midst, not as competitors, but as pieces of machinery controlled by a central station, by means of which you can, in time of need, convert your sound assets into currency to meet the trade requirements of the communities which you serve. Some power of central control is now included in nearly all plans for reform—either through a central board, or a general committee, and as a last word, I ask if it is not straining at a gnat and swallowing a camel, to attempt to develop an untried system for the control of our currency—the life blood of our industrial world—and then to put at the head of this system a committee, against which can be advanced all the objections which are urged against the board of governors of a central bank? If we cannot safely delegate the necessary power to one, we cannot to the other.

The Need of Banking and Currency Reform.

By Frank B. Anderson, President Bank of California, N. A., San Francisco.

I have been asked to talk to you on the Pacific Coast's need for banking and currency reform.

Our need of a better banking and currency system is as keen as that of the rest of the country—in some respects we feel the need more keenly than those of you who have your strain during the fall months, for the reason that we are called upon to finance moving crops throughout the entire year. Strikes, delays in transportation and other causes often complicate the situation seriously—one crop getting in the way of another, in spite of the utmost ingenuity the banks are capable of exercising under the present banking system. The crops must be moved, consequently the merchants and other clients must at times be curbed in the exercise of their legitimate business while the banker worries and wonders over a system which turns what should be his most liquid assets (drafts against moving products, sold and on their way to market) into fixed assets—as firmly fixed, for the time being, as though he he had loaned the money on real estate. Your cotton bill of lading situation is threatening to turn a liquid asset into fixed one and is causing the same anxiety that we patiently struggle under in connection with the movement of products to domestic points. You are moving heaven and earth to retain the liquid nature of your cotton drafts, but apparently fail to see that we can provide machinery to use our products, which are sold and moving within our borders, in just as intelligent a manner. The cotton shipper can sell his drafts because of the discount system in London, not by reason of any note issuing power of the Bank of England.

For years we have been aware that there was something radically wrong with our banking system, and your association from time to time, has appointed committees to evolve some plan which would make the system more responsive to the demands of business, and better able to exercise controlling influence on those demands so as to curb inflation before it reached a crisis. For one reason and another, none of the suggested plans has been adopted, and we have drifted along with the old system, periodically getting into trouble, and invariably abandoning the system when the crisis came. In desperation, with nothing on the statute books to justify us, we have turned our Clearing houses into crude central banks and saved the situation. It is true that we have forced ruinous liquidation and allowed many solvent clients to fail—I say solvent for the reason that many of us can call to mind concerns which have to suspend, resuming after the crisis had passed, and paying dividends within six months or a year. There is no question, however, that by throwing our restrictive banking system overboard and adopting an expansive one, we have restored confidence, put an end to the competition between the banks and the public, in which each had been trying to see which could lock up the most money—the one in its vaults and the other in the safe deposit boxes—and we have done so by supplying a circulating medium to replace that which has been locked up, and by giving ourselves the ability and courage to respond to the absolutely necessary demands of our clients.

As far as I know, no one has suffered any loss from these so-called Clearing House certificates; they have been

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used between the banks and by the public, have performed their work and been returned to be cancelled in a very few months. Perhaps the very fact that there was nothing on the statute books authorizing their existence has been their strongest safeguard, as that fact has driven them home the minute their work was done.

I am satisfied that we have a sufficient circulating medium as long as we have confidence, and we have confidence until we are forced to stop loaning to our clients. Our circulating medium is unquestionably improper, because it does not respond to the demands of business, and too large a proportion of it is based on debt, with no reserve of gold back of it. It is true that the Government is pledged to keep all forms of money on a par with gold, but it is also true that the great increase in National bank note circulation will jeopardize the Government's ability to redeem this pledge in any great international crisis, if, indeed, it has not already done so. If the National bank notes sought redemption when the strain of the fall demand throughout the country was over, they would cease to be a menace, but the banks take out the notes because it is profitable to do so. The margin of profit is very narrow, and can be made only when the notes are kept in circulation, consequently every ingenuity of the executive officers is employed to keep them from being redeemed.

Elasticity in National bank circulation can be accomplished, but the result would be further shrinkage in the value of Uunited States bonds, entailing great loss on the National banks, and these banks have already been called upon to assume a loss of many millions on their holdings.

To my mind the question of emergency currency or any additional currency is secondary to the main necessity. What we need is some plan that will make every idle dollar return to the central reserve cities or to a central bank, where it will naturally be sought by any section of the country that has work for it to do.

We need a reserve lending power to be called into use, not when a panic is in full swing, but to meet legitimate borrowing demands which, if not met, will lead us into a panic, and I believe we can obtain this power by taking steps to encourage and build up a discount system, which can be done without establishing a central bank, and without interefering with the banks now in existence.

We bankers who have to sit out on the firing line want the privilege of dealing with the central reserve cities, and particularly New York, with the same facility that we deal with London, Paris and Berlin. The central reserve cities are not performing the functions of financial centers to us; they are merely giving us safe places to keep part of our reserves and paying us 2 per cent. thereon. To earn this 2 per cent., they sometimes get our funds locked up so that they make the whole country feel uneasy when we begin to use our balances for the very purpose for which they were kept idle. Many writers deplore the fact that interest is paid on these balances, saying that it attracts money that would otherwise stay at home, but idle money will seek rewards where it can do so safely, and I do not criticise the central reserve cities for paying interest on balances, but for paying too much at one time and too little at another.

If a discount market were built up and the central reserve cities or a central bank adopted a discount rate, the banks could then adopt a rate on reserve balances of say one to one and a half per cent. below the official rate. If some other locality made a better bid for the money and the owners of it felt that it could be safely employed, it would go there. The ebb and flow would be controlled by the rate.

I believe that by an amendment to the National Bank Act, allowing National banks to accept time paper (confining this power, if you wish, to National banks in reserve cities and central reserve cities—and I believe that the central reserve cities would be sufficient), you will lay the foundation on which will spring up a large discount market, and at one stroke put New York and the other central reserve cities on a basis where they will become real financial centers. The banks throughout the country, State and National, will provide the largest market for first-class acceptances and discount companies will spring up in New York and Chicago as soon as the opportunities which will be developed are recognized, and I believe will attract money from England, Germany and France. The National Discount Company was established in London about 1856 and was received very coldly by the London banks as an unnecessary competitor; however, it grew and now has a paid-up capital of £850,000 and an earned reserve of £430,000. The Union Discount Company, another large factor in the London market, was established in 1885 and has, under able management, a paid-up capital of £750,000 and an earned reserve of £500,000. In addition to these powerful companies, there are large discount houses like Samuel Montagu & Co., Brightner & Co. and many others, who contribute as much, if not more, than the joint stock companies to the efficiency of the system. Re-discounting goes on from day to day and the facilities which they afford are of inestimable benefit to the commercial world and to the joint stock banks.

Why, gentlemen, we have millions of dollars locked up in crops and merchandise, moving to all parts of the United States (actually sold, not seeking markets) subject to all the vicissitudes of transportation, and placing us in a position where each year we are worrying and wondering if we are going to be able to find the means to keep these crops moving without forcing our merchants to curtail their legitimate business. This thought never enters our minds in connection with the same character of products when they are shipped to a foreign port. During the panic of 1907, we were forced to refuse to accept as cash, drafts against these products when moving to any part of the United States, but never hesitated a second when the products were going outside of the United States. Some of you will remember that there was a period when it was difficult to sell sterling in spite of the fact that the possession of it meant the power to draw English gold. We had to contend with this difficulty and cut the central reserve cities out of the circuit temporarily when confidence was so impaired that but few sterling bills could be sold, and we succeeded because we had the power to draw gold from England, the Continent, Japan, Australia and Central America and to pay for it in London with the sterling bills which could not be handled through our financial centers.

Give us the power to accept time drafts, and we will gradually cease to pay the tremendous tribute which we pay each year to London in connection with our commercial letters of credit. We are obliged to force London credits on many merchants who could use domestic credits and prefer to use them when they can, as it saves them from the uncertainty as to what the sterling quotations may be when they are called upon to make their payments, Gentlemen, we are one of the greatest contributors to the wealth and power of London. Every pound of our imports pays tribute to that center and every letter of credit creates a supply of exchange on London and a demand for exchange on that center.

We have the making of a handsome discount market in this country. Our banks (especially our country banks) have difficulty in employing their funds in what we all term liquid assets. They do not understand commercial paper, know nothing of the responsibility of the makers, are dependent upon their correspondents or upon the note brokers, and at best never feel comfortable over this form of investment, particularly as, should they want to use it, they would have to endorse it and lean on their correspondents and publish to the world and their competitors that they were using their credit to borrow money. They would jump at the chance to buy acceptances of well-known banks, especially when they found they could sell them and not be held up to the community as borrowers, as such acceptances would be sold on the credit of the ac-

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ceptor rather than on that of the endorser. I could name banks in the interior towns who are at this moment running with from 25 to 40 per cent. reserve, partly because they do not know how they can invest it and get relief in an emergency without being looked upon as a borrower, and partly because they have not been able to get over 1907.

Many of us are strong believers in a central bank, and will continue to do what we can to educate sentiment to a point which will ultimately give us one, but we feel that either before or after we get such an institution, we will have to encourage the issuance of bills of exchange, in order to use it intelligently.

I have faith in the Monetary Commission, and believe that it is performing a wonderful work in educating the bankers of the country—and as a class we need the education—but I believe that for the present, we have plenty of money, too many kinds of money, but plenty of it; and while we are talking about the best method of getting a central bank (or something that performs the functions of one without the necessity of calling it one), we need something that will help us maintain sufficient confidence among our clients to keep them from locking up what money we have, and from stampeding us into locking up more of it.

The Aldrich-Vreeland bill has not met with any great favor among bankers, and in my opinion the country banks of the United States (under which head I include all outside of the large cities) will have to lean on their city brethren, as they do not possess either the bonds or the proper character of notes to take advantage of the relief. By far the greater number of their bills receivable have maturity dates, but no definite times for actual payment, and in addition to that fact, paper money cannot be forced over the counters of the Pacific Coast banks. Any attempt to do so would emphasize an emergency. The authorities have been obliged to change the wording in the National bank note so that the emergency currency will not be detected when it makes its bow to the Eastern, Middle Western and Southern public, but no bank note looks like a twenty-dollar gold piece, and our people insist on gold.

The comptroller of the currency is alive to his responsibilities and can keep the reserve city banks in strong shape by using the power he has to exercise care in approving reserve agents. The power to exercise this control should make the acceptances of the reserve city banks all the more desirable, and I believe that your association would have the support of the comptroller in an effort to have the law amended to allow acceptances, if the advantages of the discount system were properly brought to his notice.

In my contact with the country banker and the public, I find that both fear that "Wall Street" or "politicians" would gain control of a central bank and that the country banker feels that he would have no standing with the central bank or any of its branches; the men in charge would have no sympathy with them and no knowledge of the securities which they had to offer. Convince the country banker that he would continue to deal with the same correspondent he now has and convince him that a central bank or a reserve bank could be formed which "Wall Street" or the "politicians" could not control. In addition, teach our bankers, large and small, that a central bank would minimize the influence which a group of wealthy men have it within their power to secure under our present system, and that central banks are the friends of the small banks and naturally antagonistic to the growth of large and powerful banks. Let us get to a point where we can go before the public agreed among ourselves, for until we can do that, we will not make much progress in any direction.

The good faith of the United States Government demands that the National banks be protected in their United States bond holdings. Future bonds need not be given circulation privileges and the National bank notes can be retired as the present bonds mature. In the meantime we can formulate plans to replace them with a currency which will do its work and retire in answer to business needs. We recognize the evils of a bond-secured currency. Why perpetuate it by continuing to issue bonds with the circulation privilege?

But few of us have what really should be used as a pledge for emergency currency and what it is necessary we should have to make any central bank a success, and that is "bills of exchange." Give us the machinery to encourage them and a bank act which will recognize their value and encourage the building up of a discount market and the needs for emergency or additional currency will not bother us very often.

In my opinion, gentlemen, Clearing House associations, emergency currency associations, or associations embracing the banks in certain geographical zones will never accomplish what we need; it will take a panic, and one that has had considerable growth, to make the banks go to their associations for aid, their clients will have been pretty badly pinched, and every method of building up again that twenty-five per cent. reserve will have been tried before the banks will be willing to appear before a board, composed of competitors, for the purpose of taking out emergency currency —for the reason that the competitors will see that the public knows of the application unless they are sufficiently scared to keep it to themselves.

The country banks need legislation that will provide a quick asset which they can buy and sell, and they need the ability to go to their correspondent in a reserve city as quietly and as freely as they make remittances, and the reserve city banks need the ability to go to their correspondent in the central reserve city in the same way. In time a National discount market will enable the central reserve city to perform the functions of a financial center, and all the time quiet and effectual education toward the necessity of a strong central institution will be going on.

In closing, gentlemen, I wish to urge upon your honorable body that you take up seriously the question of having the National Bank Act amended, so as to allow the banks, at least those of central reserve cities, to accept time drafts, and above all, so amended that it will encourage the building up of a discount market, and that if it meets with your approval, you take the necessary steps to have it done.

This legislation will not in any way interfere with the formation of a central bank later on. In my opinion it will give adequate relief and educate the bankers and the people to a point where they will realize the necessity for one.

"The Bankers and Bankruptcy Law."

By Harold Remington, New York.

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

I have no doubt there are many among you who will be skeptical when I say that there is no subject of more importance nor of more real interest to the bankers of America than precisely that of the National Bankruptcy Law. I appreciate that you have come to consider this law somewhat as the property of your brethren of The National Association of Credit Men, whose staunch defense of it in times of attack, whose persistent advocacy of it from the very beginning, and whose recent triumphant efforts for the betterment of its administrative features by Congress might be considered by you perhaps as vesting in them some proprietary right, were such a thing possible. But it is no more their law than it is your law. It is the law established, by the wisdom and foresight of our forefathers,

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in the Constitution itself, for the regulation by national authority of the vast subject of the relations of insolvent debtors to their creditors and to their respective communities throughout the United States. And when one comes to consider that the great bulk of litigation in which bankers, as well as other business men, are interested is caused by insolvency occurring somewhere along the line it becomes at once manifest of what transcendent importance this law is to you as well as to all other business men in the United States, and how proper it is that you should have right views in regard to its place and function. It is the great business law of the United States!

Bankers have to do with the business world. It is not in agricultural communities, not among the farmers, but rather in the cities and towns, teeming with population, smoky with manufacture, noisy with the din and hubbub of trade and commerce, that the banker finds his most appropriate field of action, the widest scope for the exercise of his talents, the greatest rewards for his skill and labor.

Business today, throughout the length and breadth of thee civilized world, is conducted on the credit system. Men buy, men sell, on credit, in reliance upon a future market demand which may or may not arise, in expectation of paying and of receiving pay out of the proceeds of the sales in the meantime made to the ultimate consumers. It is essentially a system of risk and venture—of guess work, if you will. The merchant is essentially a speculator upon the honesty and capacity of his fellow men, not to mention upon the erratic behavior of that mighty though invisible being he terms "future market demand."

The banker is the expert credit man of the community. Though he may not belong to that class whom we denominate "producers"—any more than does the doctor, the minister, or the lawyer—yet he, like them, has most important functions to perform. It is his function to be the guardian and protector of the credit system in his community. More than that, the banker is the father confessor of the business man. Secrets which ordinarily are known only in the privacy of the domestic circle are all laid bare to him. He has, locked up in his vaults, his account books, or in his memory, an accurate diagnosis of the credit condition of each and every business man in his community. His fingers are ever on the pulse of the business world about him. So it is, by virtue of his position of trust and confidence among his fellows, his power in the determination of the credit due to each of them, that the banker, in every community, occupies a unique position of trust, prominence, dignity, power and responsibility.

There is no place to-day for the narrow-minded banker, for the banker who, seeing some immediate, selfish advantage accruing to himself or to his bank, loses sight of the broader welfare of the community about him; who fails to realize that the business world is one vast organism—in which he and his bank are component, organic parts—every part of which is connected, by throbbing and vital nerves and arteries, with every other part, and that a harm to any part is felt in every other part. There is no place to-day for any but the broad-minded banker, the banker who rises to the full stature of his commanding position of trust and responsibility as the guardian and protector of the credit system about him.

Bankruptcy law is a business law. It is taken up with the relations of men in business life, in the world of commerce, manufacture and trade. It has little to do in agricultural communities. We are often reminded of the fact that there have been several previous bankruptcy laws in the United States, and that each of them has been of comparatively short duration; the first of them, of a little more than a hundred years ago, having been repealed after scarcely two years of existence upon the statute books, and without a single case under it of sufficient importance to have come down to us lawyers of the present generation in the law books; and, from this, it is argued that bankruptcy law in the United States is a mere temporary expedient! But I would remind you that, one hundred years ago, there were only four per cent. of the people of the United States gathered together in the cities and towns—only four per cent. of them who could be considered in any way dependent upon trade or manufacture or commerce—on *business* for their daily living and support! We are still a nation of farmers and had no need of bankruptcy law—and not much of bankers, either! But, as each succeeding decade unrolled its census figures before us, we found this ratio continually increasing, until the last census showed us that nearly forty per cent. of the people of the United States had left the farms and had crowded into the cities and towns! And I venture to predict that the next census, that which is being taken at the present time, will show us that nearly one-half of the people of the United States are in the cities and towns; nearly one-half of them are directly dependent on trade and manufacture and commerce, upon *business*, for their daily living and support, their welfare inextricably interwoven with the welfare of the credit system of doing business! And so it came about in these later years, quite naturally, that there came to be felt a need and want among business men for some great law adequate to take care of the growing business world and its credit system. Thus was enacted the present bankruptcy law. And I venture to say that that law will remain upon the statute books of our country, as a permanent part of our jurisprudence, as long as business shall continue to be conducted on the credit system, and as that system's chief defense and bulwark.

I have been astounded, particularly during the last eight or nine months while engaged in the active work, as attorney for the National Association of Credit Men, of aiding in the betterment of the bankruptcy law, to learn the profound ignorance—for no lesser term is adequate—that prevails among our citizens, our men of prominence, our business men, our lawyers, yes, even among some of those who have been elected to make our laws themselves, concerning the true scope and function of bankruptcy law in our midst. The prevalent idea of it is that it is a mere arbitrary statute, an invention of recent years, devised for periodical application after times of crisis and depression for the relief of the multitude of insolvent debtors found stranded upon the rocks of business disaster; thereupon to be repealed and not again to be re-enacted until similar occasion arises. This is the prevalent, the well-nigh universal idea. And yet it is a totally inadequate idea. Were bankruptcy law mainly or essentially a law for the release of debts, why is it, I would ask, that that class of our citizens to-day who are the most earnest in its support, who are the most insistent upon its being retained as a permanent part of American jurisprudence, are precisely the credit men of our country, whose very name implies that at any rate they would not be particularly interested in a law whose chief function was the discharge of debtors from their obligations? Were the chief or essential idea of this law the release of debts, why is it, again I would ask, that in nearly one-half of the bankruptcies to-day where there are any assets, a discharge is not even asked for? In corporate bankruptcies (and I would remind you that nearly all business to-day is coming to be done under corporate form) a discharge is seldom, if ever, applied for, and a discharge would be a vain and useless thing for a corporation denuded of all its assets! Were this law a mere poor debtors' statute, I would ask you, finally, why is it that during nearly the entire first half of its four centuries of existence as a jurisprudence among English-speaking peoples there was no provision to be found in it looking to the discharge of the bankrupt, but, on the contrary, there were provisions always to be found there declaring that nothing therein should be even construed to work a release of the bankrupt from the unpaid remainder of his debts? No, release from debts is not the main, nor the essential, idea of bankruptcy law!

To be sure, one of the wisest and noblest of the provisions of modern bankruptcy law is precisely that one which grants to the honest bankrupt a discharge from the unpaid remainder of his debts. It makes a rift in the gray and sombre clouds of business disaster and lets the

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sunlight filter through! It brings new hope to the heart of the business man, who, perhaps past middle life, with the gray already tinging his hair, after years of earnest effort with such capacity and with such opportunities as God may have granted him, finds himself at last face to face with the terrible doom of the business man, "*bankruptcy*," staring him in the face! It brings new hope into his heart that, notwithstanding all this, he may yet keep his familiar place as the head and support of his little family; may, perhaps, once again, take his seat with his associates in business enterprise! The statisticians tell us that, according to the tables of business mortality, one out of every four or five business men must expect, at some time or other during his business career, to fail, so terrific is the stress and strain and strife of business warfare—a rate of casualty greater than that of the bloodiest war of history! The bankrupt is as much entitled to his discharge as is the soldier to be carried from the field of battle to the hospital--be it only that his wounds be found in front and not in the back! Let us never be found scoffing or sneering at the discharge of bankrupts!

But, as I have said, discharge is not the main nor the essential idea of bankruptcy law. The more adequate conception of it is that it is a great system of jurisprudence, naturally developing out of the wants and needs of men in business life; originating in the credit system of doing business itself; originating back in the very beginnings of that system, when men first began to produce great quantities of goods for the open market in reliance upon a future demand that might or might not arise, when they first began to entrust these great quantities of goods to other men, retailers, by way of sales upon credit, for more minute distribution among the ultimate consumers; a system of jurisprudence originating in the beginnings of the credit system of doing business and developing along on down the generations with that system, ever expanding and readapting itself to the changing wants and conditions of business life; a system of jurisprudence whose chief function it is to take care of the credit system of doing business when that system has broken down at some particular point, when, owing to miscalculation of future market demand, or to lack of capital or of capacity, to sickness or other untoward accident. or to the not seldom *fraud*, it is found that credit has been misplaced and that that phenomenon, which I fear is ever to accompany the credit system of doing business. has occurred that men term "business failure": a system of jurisprudence whose function it also is to protect that insolvent fund which is the sole legacy left by the failing debtor to his creditors, protecting it not only from depletion through fraud, but from depletion through the efforts of some creditor to gain advantage out of the insolvent fund over his fellows; a system of jurisprudence furnishing a code of remedies, swift, efficient, searching—more so than any other system of jurisprudence ever given to man; a system of jurisprudence, which, in the United States, was planted by the wisdom and foresight of our forefathers, as I have said, in the Constitution, in the very first article of it, as being one of the things on which all were agreed, North and South alike, namely, that the central government, the nation, should enact uniform laws on the subject of bankruptcy throughout the United States; planted there at a time when the United States was nothing but a narrow strip of real estate lying along the Atlantic coast—as if our forefathers saw, in vision, a vast continent, filled with populous cities, busy with the hum of trade and enterprise, bound together with the thousands of interlacing bands of railroads, telephones, telegraph and post roads, into the one huge business world of America; a system of jurisprudence which, in the United States, has superimposed upon the forty-eight differing and confusing systems of State jurisprudence its one vast, uniform network of rights and remedies, making it possible for men to deal together in business in the most distant parts of the land, in the full confidence and knowledge of what will be their rights and remedies in the event of business failure; a system of jurisprudence that is bringing credit and confidence to the outlying parts of our country, bringing added strength to the new South in its manful struggle towards prosperity, for which so such it needs credit and confidence —such is the better conception of bankruptcy law!

And now let me bring your attention to some of the particular features of bankruptcy law in which you might have special interest.

First of all, bankruptcy law is the most democratic of all laws. It is not a law simply for lawyers. It recognizes that a business failure, a bankruptcy, is something more than a lawsuit; that there is something more to it than the lawyer's work; that there is the work of the business man also, the conducting of the business, the selling out of the assets, which are the duties of business men, not of lawyers. And it invites the business men to participate. To this end it requires that notices be sent to all creditors of each and every important step taken in the progress of bankruptcy administration, from the election of a trustee to the selling out of the assets. And the business men of the United States are coming more and more to understand and appreciate that it really is, as it was intended to be, *their* law—the business men's law. And I am confident enough to say that today, after its twelve years of service upon the statute books, it is more firmly established than it has ever been before, and that no Congress will ever venture to repeal it.

Again, bankruptcy law believes in letting in the light of truth. It believes in "investigation first and lawsuit afterwards." It believes in "fishing expeditions," as the opprobrious term of the lawyers expresses it, by which they designate the investigation of facts before the framing up of the issues in the litigation. Such investigation is unattainable in any other court. If you try it in another court your opponent will quickly rise and object, and say, "Your honor, this is nothing but a 'fishing' expedition." And His Honor will look over his spectacles at you and say, "How is that?" And then you will reply, "We are trying to find out what the facts are. We think there is fraud, but we want to be sure before starting a lawsuit." Thereupon His Honor will gather about him his robes of ermine and sententiously declare, "Fishing expeditions are forbidden." But, in bankruptcy, the very first thing that happens is that we are all invited to go "fishing," to go fishing for the truth. The bankrupt is put upon the stand, so also are his wife, his relatives, his friends, everybody who can tell us anything about his acts or his affairs. Bankruptcy law believes in investigation first and lawsuits afterwards; believes that in this way wrong, improvident, improper, unjust lawsuits may be avoided and righteous litigation be promoted. In short, it believes in the rather unique doctrine for courts of law, that the "discovery of the truth can hurt no just man."

There is one provision, however, of bankruptcy law, with which I know some of you bankers sometimes find fault. It is that provision which prohibits preferences. One dear old banker acquaintance of mine once said to me: "That bankruptcy law is a great, good law, but it has one serious defect: it will not permit bankers to keep their preferences. Now, it is the banker who supplies the money with which the business man is kept running, and he ought to have a right to keep whatever preferences he may get out of the insolvent estate." Charming candor! Would that all bankers who advance reasons for opposition to the law were equally as frank! But let us see. Bankruptcy law proceeds upon the theory that as long as a man is solvent he is doing business on his own money, and may do with it as he will—may pay one creditor in full and let the others wait and draw interest—so long as there is plenty to pay all in the end; but that, as soon as he becomes insolvent he has ceased to be doing business upon his own money and has begun to do business on his creditors' money, and that the insolvent fund left in his hands has thereby become a trust fund in which each and all his creditors are equal beneficiaries in proportion to their respective claims, like children of a common father. So arise the peculiar provisions of bankruptcy law for the protection of the insolvent fund,

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for its protection from depletion, not only through fraud, but through the giving of preferences to one creditor over the rest, or through the attempts of some creditors to obtain by legal proceedings advantage out of the insolvent fund over their fellows. But is there anything wrong in this prohibition? Has it not rather the ring of Eternal Right? To be sure, the banker loans money and does not sell goods, but the goods have *money value*, and that money value is quite as precious to its owner as is the money itself to the banker! And, moreover, it must never be forgotten that, all the time, the banker does have a natural advantage over other creditors, for all the time he has known, or has had the means of knowing, the accurate credit condition of the failing debtor, which other creditors could only guess at. You bankers of America do not want to ask to be put on a better footing than other creditors! Is it not more in conformity with your high position of trust and responsibility, as the guardians and protectors of the credit system, that you say, manfully, We ask no special privileges over other business men?

And then, finally, bankruptcy law tends towards industrial peace, towards doing away with wasteful litigation. You know how it used to be before there was any bankruptcy law! No mutual confidences were possible between the debtor and his creditors, nor among the creditors themselves. The debtor dared not breathe to any one a suspicion of his failing condition lest it bring down upon him an avalanche of creditors and bury him under a life-long load of debts. At the first breath of suspicion began a mad race for priority among the creditors—creditors with attachments, executions, receiverships vying with assignees and chattel mortgages to see who could get hold of the assets first. It was the reign of the unmitigated law of the "survival of the fittest"—the law of savages and brutes! "The law favors the diligent creditor" was the specious cry of the courts, which, translated, simply meant, "the law favors the favored creditor, the wife or friend." "First come, first served," the "Devil take the hindmost," were the real rules of conduct in those days. Into this realm of savagery and barbarism came bankruptcy law, and all was changed! Under the protecting arm of bankruptcy law, prohibiting one creditor from getting an advantage over other creditors out of the insolvent fund, and granting to the honest debtor a discharge from the unpaid remainder of his debts, mutual confidences became possible. The debtor could assemble his creditors and they and he could talk together, like men of sense, about the common disaster, and could consult together as to the best way of lifting themselves out of it. And this, indeed, has come to be the order of the day. Particularly during times of crisis and depression has the beneficient effect of bankruptcy law been felt in ways like this, in sustaining credit and bringing about sensible settlements.

Utopians have pictured to us a society whose laws were so clearly written, so plainly just that they had become self-executing. So here, bankruptcy law, without court action, without the waste of litigation, is silently and powerfully working in every community today, tending to bring about settlements of business failures and promoting concord among men—a quiet, mighty influence towards Commercial Peace!

This is the message of the bankruptcy law which I bring to you, bankers of America! May I have the right to hope that from this time forth, whatever may have been the feeling of some of you heretofore, the bankers of this Association may be counted on as a solid unit, to be staunch defenders and faithful friends of bankruptcy law!

The Banker as a Public Servant.

By Benjamin Ide Wheeler, President of the University of California.

I am neither a banker nor the son of a banker. I have been all my life a teacher, and my tangencies with the banking business have been accordingly inconsiderable and transitory. My acquaintance with bankers also has been regrettably limited, though it has been my regular practice for many years to loan them a sum of money at the beginning of each month on short time. My training in the banking business has been limited to a vigorous schooling in that department of arithmetic known as partial payments, and to certain instruction in bookkeeping. Neither of these branches of a liberal education has, however, proved of much practical value to me. The system of partial payments has appeared to involve no ultimate advantage, but only a certain postponement of the evil day with added bitterness; and I have never kept books, except my cheque-book—and that only to learn, with the accumulating and painful experience of the years, that the banks, on the whole, keep books more reliably than I do.

Being charged, therefore, with the honorable duty of giving counsel to the assembled bankers of the nation, I must from the outset deny myself all right to speak from your common point of view with the voice from within, but must rather take the position of the onlooker from the outside and assume the voice of one crying in the wilderness. How do bankers and banking look to the outsider, and what have he and public opinion to say about them?

Perhaps the bankers do not care to know. They deal with complicated interests and recondite problems which plain people of the general public cannot be expected to understand. They have acquired by long experience insight and skill which make them judges unto themselves, with the possible right to resent and reject the interference of alien opinion. By a sort of semi-inheritance they may have established themselves into a guild or profession or priesthood with its own standards and rules, which they may feel the uninitiated are bound to accept and regard as the solemn mysteries of an order. They may even have come to consider themselves in the possession of certain recipes for health, welfare, and salvation, which the public may use on payment of a fee, but whose ingredients the public must never inquire into, and whose health-giving virtues the public must never question. Or, to make it concrete, Wall Street knows what is good for the country; and if only those miserable interlopers, the socialistic sociologists who write articles for *Muck and Slum;* the college professors who write books about finance, without having any finance of their own, and those godless profaners of the temple, the windy insurgents from Wisconsin and Kansas, the long-haired advocates of parcels-post, postal-saving, rate-regulation, bank-guarantee, trust-control and conservation—if only these men might be muzzled, and everything referred to the care and keeping of a safe and sane Wall Street, then all would be well with the State, and all the people would be more or less saved, and a certain few still more so.

These are all well-recognized earmarks of the guild-sense. They are as old as the medicine-man, the augur, the soothsayer and the dervish. The chief stock-in-trade or capital of these rudimentary "professions" was full and complete ownership of the orthodoxy patents. The old Roman college of augurs interpreted the flight of birds according to rules of its own, and its complete possession of the oracles of orthodoxy consisted in this, that no one outside the college ever ventured to raise a question of why or wherefore. When a man held the seat of supreme authority so securely that no one quite knew why, or would even think of asking why, he called himself king

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by divine right. The business of being augur or king was largely dependent for success upon the other fellows not raising the question.

This is a principle of wide validity in human affairs—especially is it fundamental in determining the institutions of the early world. The myth-maker was the one who asserted so surely and well that no one thought of asking him how he knew; and the leader was the one who commanded so confidently that no one thought of asking for his credentials.

The schools of the prophets, the associations of dervishes, of rhapsodes, of healers and of diviners I have called rudimentary professions. They were bound together by the supposed possession of mysterious knowledge and powers and by the exclusion of the rest of the public from the right of visitation, inspection and criticism.

The so-called professions have in some form continued this down into the broadening daylight of modern life, but in a steadily losing fight against the two great influences which create the spirit of that modern life; namely, (1) the spread and establishment of objective scientific tests, i. e., real knowledge, and (2) the democratization of intelligence in human society.

We can still remember when the guild of the physicians was believed to be in possession of certain mysteries of therapeutics, and when the doctor was not expected to give account to others, and for that matter could not to himself either, of what disease really was or what his medicines actually did to it. The old order survives in the quack and the fakir and the patent medicine man, but a new science of medicine based on pathology and physiological chemistry has banished the mystery, brought in the objective test, and made the individual physician open and responsible to the question why. The wide diffusion of scientific knowledge throughout the community makes it also possible for the average man to understand in substance the answer of the physician to the question why. Now and then even among the best physicians we find the old guild-sense surviving, when another physician is called in consultation who feels it in courtesy to the profession necessary to shield his colleague and cover up some partial error of diagnosis by some statement like, "We find the condition of the patient as stated, but would suggest some changes in the treatment." Enough of this all too customary and baneful usage survives in the practice of the profession so that at least we may appreciate what is meant by the "guild-sense."

The profession of teaching has been only in late years escaping from the limbo of this guild-sense. The tradition that certain subjects were pre-eminently or exclusively suited to the nurture of the mind and that certain traditional methods were the divinely appointed way of effecting it have gradually yielded to what we may call a new physiology and pathology of education. Direct scientific tests as to what we wish to accomplish and why a certain course will do it have slowly pushed their way forward to dispel the haze of traditional mystery. And the new education has made its way largely through pressure from outside. It was often a pain and a shock to the staid respectability of the old guild-sense to hear the old education vehemently criticised by insurgents and outsiders, by men who knew no pedagogy and perhaps had little edution themselves, but only knew what they thought they wanted their own children to learn in the schools; and much of it was forthwith branded as demagoguery. But the rapid democratization of intelligence has made it possible for enlightened public opinion to establish a victory over the guild entrenched behind its mysteries. Public opinion knew better what it wanted the guild to accomplish and what it ought to accomplish than the guild knew itself.

It is a much mooted question whether a good citizen may venture to criticise the courts. The courts constitute our ultimate assurance for the right of possession, and their decisions offer the only attainable basis for order in society. The law which issues from their interpretation and application of legislation and from their unfolding of the principles inhering in the historical structure of social life constitutes the body of rules according to which the game of life in human society must be played. If there are no rules, there is no game. The bottom goes out from under society. It must therefore be evident that any toleration of disrespect for the law or for the agency which brings it to statement must lead directly toward anarchy.

When it comes, however, to individual decisions of a court it can hardly be expected, and is not in fact by the judges themselves expected, that the intelligence of the community shall be estopped from forming an opinion concerning them. The decision of a court can no longer be regarded as a voice issuing from out behind the clouds of Sinai. It would be a peril to society to seek to give it such a value. A decision is supported by argument and is subject to definite objective tests. It is not an arbitrary statement issuing from mysterious sources. It is not, or ought not to be, a merely technical product fabricated from exclusive recipes in possession of a guild, but will conform to good and righteous usage and good and common sense. In the long run it will assert its validity, though indirectly, by its appeal to a final public opinion. To deny the laity all right of opinion, to take from them, for instance, the right of reading and estimating the minority opinion rendered perhaps by four judges against five, involves an artificiality not to be contemplated in these days of public intelligence and public opinion. It involves a return to the college of augurs, when it was only an augur who might wink at an augur.

It now remains to be considered whether a plain and unfinancial citizen may venture to have an opinion about banks and bankers. It may be reasonably inferred from what has just been said regarding other professions, and particularly the teaching profession, that the bankers are being gently led toward the perception that it might be of value also to them to see themselves as others see them, or at least to give the outside world a hearing now and then, seeing that the proceedings of banks and bankers are of large importance to the well-being of society and men.

Last winter, during a five-months' residence in Berlin, I kept an account at one of the leading banks, and on the basis of my experience there I felt myself in a position to give the officers of the bank some very serviceable suggestions and advice. Such tentative movements, however, as I made in that direction seemed to reveal to me an utter lack of desire on the part of the bank to profit by the opportunity. I may then tell you, who do not need them, some of the things I would have feign told them, who I am sure did need them. On presenting a draft or drawing by letter of credit there was no way provided for transferring the proceeds to my call account than that I should receive the amount in cash and carry it boldly over to a distant wicket-window to be there deposited. After the money had been carefully counted by being laid out in a great rectangle of five twenty-mark pieces to the row and checked off on the large and elaborate sheet upon which I had made my entry, accompanied by the number of my account, my name, and other personal allusions, I was very courteously asked to retire to a seat in the centre of the hall and await events. I duly awaited them some five to ten minutes, when my name was called out loudly from behind the wicket. I went over there, confessed to the name, and received, I think it was from another clerk, an elaborate and thoroughly signed and stamped receipt, which after being twice folded fitted into my large pocketbook. Whenever I drew money from the account I was obliged to go through a similar process, always waiting for five minutes or more until my cheque had been to the bookkeeper and been duly entered on the books. My cheque-book, which was far too large for anything but desk use, I had purchased at the time of opening the account and receipted for under explicit mention of the number of cheques it contained and their inclusive

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numbers. When I came to closing my account at the end of my stay I found that as the amount reported as standing to my credit was too large, certain of my cheques had probably not been presented for payment. There was, however, no mechanism provided for giving me a copy of my account, and the only recourse was for the bookkeeper to bring to the window the ponderous ledger and cast it up so that I could read it through the wicket, and make a rude copy of the entries. This was done for me; I mean the ledger was supported, very patiently and courteously. I have no reason to suppose the arrangements any more convenient in England. A friend of mine who had a draft on the Deutsche Bank in London sought to cash it at a well-known bank in Bartholomew's Lane where he had been doing business and was fully identified by his letter of credit; but there was no other way than for him to go in person to the Deutsche Bank—where he was not "identified."

But you will say, "None of these inconveniences would happen at an American bank." That is precisely what I want to bring out; and the reason for the difference is that the American banker has gone much further in adopting the point of view of the public than has the German or English banker, who, hobbled by the traditions of the guild and swathed in the bands of self-sufficiency, refuses to learn from the needs or the demands of those who stand without the pale.

The American bank is, in a very large and real sense, a public institution. Its capital stock is, of course, private property; it is itself a private corporation; it is, as the legal phrase goes, privately controlled. But still, in its relation to the life of its community, in what we might call its social relation, it is a public institution. The typical conditions can be found best in the smaller cities, and there the bank ranks with the post office and the public library.

One chief purpose of a bank, perhaps its chief purpose, is to take cognizance of existing property values in its community, with a view to being able at need to transfer these values from their special form to the universal form of money. If this task of taking cognizance is not to be fulfilled in a very mechanical, gross and wholesome manner, the bank must be closely adjusted to its relatively narrow community; its officials must have wide and intimate acquaintance with the living beings of that community; the bank must be close to its constituency; it must be near the people.

It is of great importance to this nation that the bankers, and especially the representatives of the great metropolitan institutions, whose constituency is wider than the city and practically national, should know their constituency. The more intimately they know and understand the American people, West and East, the better it will be for all concerned. To those who do not understand this people, its moods, especially its pre-election moods, are often disconcerting. One who knows only certain classes of the population, especially the wealthier classes, may well be pessimistic, and generally is. But one who knows a good mixture of farmers, laboring men and shopkeepers in a mixture of localities, for instance in California, Wyoming, Nebraska, Indiana and New York, will always, I venture to say—always, unless he be some sort of a sick man—declare his faith in the soundness and right-mindedness of the American people. No one who really knows the people will gather any solicitude from the prevailing unrest concerning tariff, trusts and conservatism, or the demands for direct legislation and direct election. It is true the people are just at present somewhat "on the rampage." The recent tariff measure was a disappointment to them. They refuse to be governed by consolidated wealth, and have no idea of giving money in any form a vote. They oppose burning up the resources of the country under forced draft, where the gilded phrase "development of the country" hides a concentration of vast wealth and power into single hands at public cost. They are not satisfied with the present representative system as giving proper effectiveness to the popular will in party and nation. There is no possible doubt as to their desire and intention in these matters. They will get what they want. But there is no reason for gloom in the premises. A certain portion of the governmental mechanism does not work right, and the people propose to change it. The result they wish to attain by the change is the result that was originally sought in the mechanism about to be discarded—nothing more or less—namely, the plain and accurate expression of the public will. It goes not further. Property rights are not menaced; the pillars of the State are not undermined. They are both being rendered more secure. It will only be when the government does not express the people's will and the people cannot change it that real peril will arise.

We are, as compared with all the other great nations of the world, a conservative people. We seek after a state and an order of society in which the family, based on cleanliness and the assured possession of goods, may thrive; in which the individual man may establish the highest purposes of his single life and being, and in which the light and the truth may in all their simplicity increasingly prevail, and we shall find it in a state where farmer and artisan, banker and teacher shall live and work together, abasing the rule and maxim of the guild and craft before that high, all-human doctrine: The welfare of the people is the highest law.

A Southern Banker's View of the Currency Question.

By R. G. Rhett, President of the People's National Bank of Charleston, S. C.

Mr. President and Gentlemen of the American Bankers' Association: Forty-six years ago Congress assembled in Washington to face a stupendous task. It had difficulties to solve which seemed insurmountable. It had a financial system to devise which would uphold the credit of the nation and cement it so that it should part no more. And well it did its work. And no one is more happy in that result today than we who live in the South. Not only did it devise a system which made impossible any further severance of this country, but it succeeded in raising the credit of the nation beyond the wildest dreams of its advocates. The debt of the Government at that time was about seven per cent., and on it went until the system has actually caused the United States two per cent. bonds to sell at one hundred and ten; at least, I should say, twenty points beyond what they are intrinsically worth.

Now, gentlemen, if the men who proposed that bill and carried it through were here today, none of them would be more astounded than the most astonished of us that this temporary measure should still be held on to by the American people after the purposes for which it was given to the Government had been accomplished. They say this currency is not elastic, that it does not expand and contract. Gentlemen, that is a mistake. It does expand and contract, but it expands and contracts exactly in the opposite direction from what a sound currency should do. Mr. Alexander Dana Noyes prepared a history of this in a pamphlet issued by the Monetary Commission in which he reviewed the expansion and contraction of this currency since its inception, and he demonstrates that that is exactly what took place. Between 1883 and 1891 there was a period of great prosperity. Business expanded 54 per cent., but in the same period, on account of the fact that the Government accumulated funds and bought bonds and raised the price,

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the currency actually contracted 53 per cent. Think of it! While trade was expanding 54 per cent., the currency contracted 53 per cent., and prepared the way for the panic of 1893. And yet in 1893, exactly the reverse happened. Business began to decline after the panic decreased, and just the opposite was the result. Bonds went down. The banks bought the bonds for the profit there was in it, and while business was decreasing 26 per cent., the currency increased 18 per cent. He winds up:

"The immediate sequel to the panic of 1907 was even more impressive, * * * so clumsy and inelastic did the apparatus again turn out to be, that at the end of May, 1908, the outstanding bank notes actually showed an increase of $8,000,000 from the unprecedented total reached at the end of December, 1907, and exceeded by no less than $86,500,000 the figure reported at the end of May, 1907, when trade activity had fairly been at its maximum."

Gentlemen, I think we all agree on that. The time has come when some change must be made. Why, this is only one of the troubles. The United States Government to-day is tied hand and foot by this system. It cannot pay up its debts, because if it does it contracts the currency and will cause another panic. It cannot engage in any great project such as has been proposed by the Deep Waterways, an issue of four or five hundred millions of dollars. Why, gentlemen, the threat of an issue of four or five hundred million dollars would bring the bonds below par and cause every bank to get rid of them and bring on another panic. This country is actually limited in paying up its debts, and by this currency system it is tied hand and foot.

There is no question that something must be done, and something must be done quickly. While we all agree on this, the great question is a question of construction—what shall we put in its place? Naturally we turn to the old country. We go over to the mother country, England, and there we find the Bank of England, the foundation for the currency system of that country, and yet we find that the English currency is almost as inelastic as our own.

They are obliged to have the cold gold for every dollar that is issued after a certain amount. But that does not seem to make much difference to them, because they deal almost entirely in checks. We cross over the channel to France. There, indeed, we find a country which deals largely in currency. We find the Bank of France for a half a century has been dealing out currency. It seems to be very satisfactory. We go to Germany, and it has a central bank; Belgium has another central bank. But when we examine into this we find that their methods of doing business are not the same as ours. We have not been trained up into a way of doing business for a century. They will form habits of doing business which are exactly the reverse of the habits we have formed, and we have to change all of our habits in order to adapt ourselves to that kind of a system. Then we look around. We come across the waters and we look to our neighbor on the north. We find there is a country with about the same expanse as our own, but having about one-tenth the population. When we look at the countries in Europe, Germany with its sixty-six million people has only two hundred and eight thousand square miles, only about thirty per cent. larger than California. France has two hundred seven thousand square miles, only about thirty per cent. larger than California, and not as large as one of our States, the State of Texas. Belgium is not as large as one of our smallest States. You can get from one portion of that country to another over night. And yet, there is the Bank of France with one hundred and eighty-eight branches. Their deputies are continually compelled to go to one branch here and another branch there. That is important for us to consider, whether all those things are going to adapt themselves to our condition. Here is Canada doing business in a great many respects on the same lines on which we have been brought up to do business. We have never been brought up to have these methods changed. Our banks take promissory notes; we have been dealing with them since we were born, since our children were born. Everything is on a bill of exchange. We would have to begin all over again. Let us look at the Canadian system. What do we find there? We find there that they have a free banking system. Any bank that wants to perform and comply with the conditions imposed by the government can issue currency. Now, we say to ourselves: Do we want to come to a central bank if we can accomplish the purposes of a central bank in any other way? We cannot help but look back on the fact that twice before we had a central bank and twice it has been destroyed by political parties. The last time the central bank was in the midst of a great period of prosperity, being governed as we would think it ought to be governed, yet it was destroyed. We talk about putting safeguards about it. We have laws to prevent consolidations and prevent competition from being stifled. We have laws which require persons to be put in jail if they do such things, and yet we know they do them every day. We have a limitation on stock in order to prevent its being sought after, especially Equitable life stock—$100,000, with a limitation of seven per cent. dividends, and yet bought for $9,000,000. Why? Because it controls $500,000,000. I do not care what safeguards you throw around central banks. If it is to the interest of any party or any set of men to control that central bank they will sweep it aside like chaff before the wind. If we have to come to it, if we can get no other system which is going to give us expansion, or which is going to relieve us of the present system, I say: Yes, do it. If we can secure for ouselves a currency that is sound, a currency that is secure, a currency that is elastic, a currency that is as good in one part of the country as in another part of the country, and if we can secure it by giving to each the right to issue that currency within certain limitations so that we can serve the needs of the community, then why should we want a central bank? Now, let us see if it can be done. What is the system that Canada has? Any bank that has a capital of $500,000, of which fifty per cent. has been paid up, can issue currency up to the amount of its capital stock. That currency is a first lien on its assets. It contributes five per cent. to a safety fund to be put in the hands of the Canadian government to further protect that currency. Is that practicable? It is further to be called on for not more than one per cent. to fill that five per cent. fund in case it is depleted. That is all. No reservation required, no further restrictions. What has been the result? Not a single dollar has ever been lost since that system was put into effect; not a single dollar has ever come out of the safety fund since it has been put into effect twenty-five years ago.

Let us go back to the history of the Canadian currency. They have had their troubles. They first started issuing this kind of currency to the specially chartered banks, and then all other banks. Every time there was a proposal of a central bank they looked to the mother country. Then there was a proposal of currency based on the system of the United States. Each time it was rejected, and they continued perfecting the system which they had, because they felt its advantages. They felt that it expanded and contracted automatically again. They actually did pass and the government forced through a currency based on our assets. They tried their best to force it. The bank would not adopt it. They offered bonuses, and after five years they repealed it and they came back simply to perfecting their system, simply allow them to increase this issue from fifteen per cent. of their capital and surplus during the period when they were gathering their crops, to meet that necessity. But these banks have branches. They are required to see that their notes circulate at par everywhere in the country, and branches are opened at certain points to see that they do circulate at par. Now, let us do a little supposing ourselves. Suppose we allowed any bank which had a paid up capital of $250,000 and a surplus of twenty per cent. to issue currency to the extent of its capital, and more in cases of emergency, and fix the same stipulation that it shall be a first lien on the assets of the bank, and that it should bear five per cent. interest at maturity. Let us look back at our history. Out

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of the 508 banks that have failed since the system went into effect 41 were banks of issue; of these, eight were restored to solvency and went on with business, twelve paid their creditors and stockholders in full, leaving only twenty-one out of the 508 from whom any creditor lost a dollar.

The full extent of that loss in the forty-six years was $9,600,000. That is all the depositors lost. Now, just suppose that they had been issuing the notes to the extent of their capital stock at the same time for the first year; an examination shows that there would not have been one single dollar lost in all the forty-five years—not one single dollar. It seems remarkable, but it is a fact. That is a very significant fact for us to start with, and a very good starting point to make.

But let us stop and ask ourselves the question: What is currency? What is money? Now let us just get straight to start with. Money is that commodity which a government has adopted as its medium of exchange, and which is intrinsically worth that which is stamped upon it. In this country it is gold. It is gold 25.8 ounces, nine-tenths fine to the dollar. What is currency? Currency is that representative, that credit representative, of money, which circulates for the convenience of the public; and in order for to the dollar. What is currency? Currency is that represents. Nothing more and nothing less. If money was wheat, why, it must be based upon a reserve and a cover of wheat, so that when a man who holds its representative wants wheat he can take it to the proper depository and get it. So in this country we must have some cover or reserve of gold somewhere, to some extent, to have that representative redeemed. That is the foundation.

Now, let us see where we should have it, in order to have a strong system. We are trying now to work out a system. I think it is the strongest in the world; I think it will be ten times stronger than a central bank, because it has the banks of the United States behind it, and without risk and liability. Where shall we keep that reserve? What shall be the amount? Suppose we make it 25 per cent. What shall we do? It is a well-known fact in respect to credits that the bank note should represent a fixed value, so that when a man comes to you and says, "I want $10,000," you should on his book give him credit for $10,000, just the same as if he should ask you to give him ten thousand one-dollar bills. It is just the same thing, so far as you are concerned.

So far as you are concerned, that may be the case; but the bank check is also taken with some feeling that if it don't turn out good you can redeem it. But when these currency notes get to passing from hand to hand over the country, you cannot trace them, and it is essential that every one of those notes everywhere in this country and everywhere else should be worth par at all times. In order to do that it is essential that the government should come in and have a protecting hand. Therefore I say that the reserves should be such as to protect us in these ways. By a deposit of five per cent. in the treasury of the United States, you accumulate a great fund, a reservoir, which can throw out to the other sources. Then establish as many currency districts as may be necessary to bring the issue to the bank in twenty-four hours of the sub-treasury funds. Or maybe you can bring them in fifteen or twenty.

Have the sub-treasury clearing house also hold in hand the currency of every bank of its capital stock ready to be sent to that bank when twenty per cent. in gold is sent back. There you have your twenty per cent. in gold within twenty-four hours of you, and your central reservoir standing ready at all times to flow where it may be needed.

Now, where, then, would your currency be payable? Payable at the sub-treasury clearing houses and not in your bank. In the first place, there is where you preserve it. The public have no confidence in anything that the government is connected with paid out of a government office. In the second place, the government will see that there is no overissue. In the third place, your government has your reservoir and has the power to draw on that central reservoir whenever your reserve goes below the twenty per cent. which may be needed. It don't matter whether there is a run on your bank. The creditors of the bank holding the notes won't be able to get the notes from you at your bank. They have to go to the government clearing house, which, irrespective of anything happening to the bank, will simply pay out as long as your twenty per cent. lasts and the reservoir lasts. Nobody can accumulate your bank notes and hand them over your counter to embarrass you. They have to go to the sub-treasury and you still have an opportunity. It is a great safety valve.

Now, these sub-treasury clearing houses being within twenty-four hours of each bank, are every day in communication with every bank in the district. The government will furnish you with a currency envelope marked with every day of the year for your currency district. Every night you put into that every bill of every other bank in the district. It will go to the currency clearing houses through the mail without expense to you. It goes to your credit on your gold reserve. There is a clearance next morning, and you are sent the checks which come in from other banks, and you are informed by every mail what your gold reserve is, and the government insures the currency at the expense of the bank that issues it. Now, that insures this currency at par everywhere, because it does not matter where it is in all this country. The moment you put it in the bank and put it in the mail, it moves at the expense of the bank that issues it.

There is nothing which so insures this elasticity, which so prevents inflation, as quick redemption. Here is a system where every bank is trying to get the notes of every other bank out of its hands in order to make a place for its own notes on which it can earn a profit.

But I am not content at all with the security on that. The fact that it is a first lien is very little security in preparing a system which I would prepare so as to put it at the head of the currency of the world. I would tax that currency, say, two per cent. I would have the government lay one-fourth of that aside as a primary guarantee fund, to accumulate two and three million dollars a year, upon which you should call first in case by some accident, which had not happened in forty-six years, the assets of the bank on which this guarantee is a first lien do not prove sufficient to pay it.

I would have piled on top of that the five per cent. guarantee which every bank has put in Washington—$50,000,000. I would have on that that every bank that issues currency would be obliged to contribute toward that five per cent., if that is depleted, to the extent as it is depleted, one per cent of the currency which has been issued by it in the past year. Why, then you have a currency based first on twenty-five per cent. reserve held by the government; on top of that a first lien on its assets; then on top of that a primary gaurantee fund accumulating at the rate of two to five million dollars a year; then on top of that, $50,000,000 deposited with the United States government in Washington; then on top of that the guarantee of the banks that are in the banks of issue, that they should contribute if it happened to be used up. Now, can you get anything stronger than that? A billion and a half of capital behind these notes ultimately, if by some accident it should pass over some four or five stations.

Now, I would go further than that. I don't like that first lien on the assets of the bank. I would like to see some way in which there would be some guarantee for the depositors, provided it did not work any liability on the primary guarantee. When that primary guarantee fund reaches a certain point, say three per cent, then you can release that first lien. What does that amount to? We find that if in the forty-six years there had been no prior lien on the bank, the loss would have been on the guarantee $2,000,000 in forty-six years. A bank with a million dollars would only have a loss of $100. That is all

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that would have had to come out of the central reservoir. Now, you have $30,000,000 to protect it. The greatest loss that would happen in any one year would be something like three or four hundred thousand dollars, and you have $30,000,000 for protection. When that fund accumulated—it is a fund gradually accumulated by the tax, and it is a benefit that the banks and the people are all sharing—when that accumulates to five per cent., the excess should go to guarantee deposits that draw no interest. And why? If any panic comes, and the people want to take their money out of the banks where they have it drawing interest, instead of locking it up in the safety vaults, they would have a place to put it out until things were allayed, and it would not be long until they could get it back, and it would be where they could get it. Now, there is one other feature which is very important. I would add a little more. I would not only make this currency of the bank with a deposit of twenty-five per cent. reserve; I would give the banks the right to increase the twenty-five per cent. twenty-five per cent. more provided they put up a fifty per cent. reserve. That would strengthen it. That makes you feel that you cannot go too far. At the same time it puts up a stronger safeguard against the currency. I would give them the right to increase it to sixty-six and two-thirds per cent. Then in case a panic came on the country, in case we could not get the gold from abroad, then there would be this reservoir to draw on. It should lie in the government of the United States. It should be for the administration, in charge of the President and his cabinet, to say, "Is this country in such a condition that we can authorize the banks to have a further fifty per cent. increase upon the pledge of its assets to the sub-treasury, satisfactory to the sub-treasurer, who is there, and to the committee in that district?" That means $350,000,000 for which no gold is gotten. That is an emergency currency if a crisis comes on the country and it becomes necessary to devise something in order to take the place of the clearing house certificates.

Now, how are you going to get your gold? In ordinary times I find in Canada that there is an expansion and contraction in quantity of about twenty per cent. between the spring and winter season, $66,000,000 lowest last year and $80,000,000 was the highest. That in our country would mean $125,000,000. It is very easy in ordinary times to get this $125,000,000 to put up as a reserve. But the question is, when times get tight, when the threat comes to the country, you must have some large central force to get that gold. How are you going to get it? I would get it from the Secretary of the Treasury of the United States. He is in touch with what is going on. He knows how much the banks have issued. He knows just exactly in all portions of the country how tight money is and how much necessity there is for it. Let him invest his primary funds. Let him draw on the foreign exchange. Let him invest all of that accumulating primary fund in what they call prime foreign bills of exchange. That is what the foreign banks do in order to get in the gold when they find that the currency is expanding. You can discount that short paper and bring the gold in.

I would go still further than that. I would say that the government deposits of these United States, instead of being based on government bonds, as they are now, let them be based on prime foreign bills of exchange in the hands of the Treasurer, which he at any time can call in. There is nothing safer than commercial paper at short time. We know in times of panic bonds we cannot get rid of. They go down and down and we have no market for them. But bills of exchange mature themselves. Let him put in place of it foreign bills of exchange. You can create a bureau, and let that bureau buy for him and hold for him against that reserve prime bills of exchange. When he finds the gold is needed, all he has to do is to substitute for it such assets of the bank as may be taken in place of it and free that gold.

Now, gentlemen, that would secure the currency in a way that I don't see how any central bank could secure it. You have it elastic. Any community can organize its own bank by fulfilling the conditions, and issue its own currency for its own needs. If it needs more currency there, it can add to its own capital. It has to ask no board or bureau anything about whether money is tight in other parts of the country, whether we should cut down the issue of currency, whether your town should be held down to what another town is because we start to make a rule that only so much currency should be issued. You have to have the dictation of no one. You simply are allowed to issue currency, which is permitted here by paying the tax and putting up the reserve.

But, gentlemen, I don't think that yet would be safe enough, and there is one thing in our banking system which ought to be improved, and which it is necessary should be improved, and that is the bank examination. All of you know that the bank examination is today nothing but a mater of form. I would have each of these subtreasury districts pay bank examiners on a paid salary, who would have to report on the substance just as well as on the bonds, who would have to make a report that he has examined the bank and that he can certify that its capital has not been impaired, and if it is impaired, and it is discovered afterwards that it was not reported by reason of his failure to attend to his duty, he should be discharged from government service and never employed again. I would have this examination made three times a year, and never made twice by the same examiner, so that a corps of expert examiners could be formed in each of these currency districts who would know the condition of banks within that district. You would have all the elements of a good currency, security, elasticity, stability and a par circulation.

Now, gentlemen, as to the effect upon three people—the public, the government, and the bank. But before I take that up, I want two or three minutes of explanation as to the manner of the transition, which will be very simple, in this way. After a fixed date the present bond-secured currency will be reduced fifty per cent. Every national bank will be only allowed to issue fifty per cent. as against the present bond-secured currency, and each year a reduction of ten per cent. until it is wiped out. The capital of the banks of the country is about a billion dollars. There is only about $675,000,000 worth of currency notes now issued. A great many banks won't issue them because they fear the two per cent. government bonds may go down. Make your provision for retiring the bonds, and then all the banks will be willing to get the one per cent. profit there is in the change. If they have five hundred million dollars of a bond-secured currency, each year it will be reduced ten per cent. until it is wiped out. That will leave a difference of $150,000,000 of bonds which they will have to resell. Now, just suppose they have resold those bonds at three per cent. We want to get rid of this threat which hangs over the banks, that is, that through war or any disaster which may come to the country a large portion of those securities would depreciate in value.

Now, here is one per cent. Let us see what it would mean. The government would get two per cent. on $700,000,000, or $14,000,000, which would lose one-half per cent., and would still come out three million and a half ahead—more than the expense of operating the clearing houses, from half a million to a million, and the government would still come out two millions ahead. There is nothing for the government to lose in this.

Now, how about the people? Why, gentlemen, every fall in our part of the country, and I suppose this extends clear across the land, we are sending into New York an appeal to send us thirty or forty or fifty thousand dollars, and of course we are obliged to charge up the rate which we have to pay; the farmer has to pay the outrageous rate because we have to charge them with it, and they are obliged to throw their product on the country and get out of it what they can get.

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Now, suppose we can get into every community just that amount of currency that they need. Instead of sending $106 on and getting $100 back, you send $25 of currency and you get $100 back. The resources of every portion of the country are expanded seventy-five per cent., and in the other case they are decreased six per cent. What would be the result? You are expanding your resources just that much. When the people don't want it, you can keep it out. Talk about inflation! You send your currency out into one district, and if they don't want it they send it to another district, and if they don't want it they send it to another, or send it back, and the insurance is added to it all the time that it has been out, between eight and ten per cent. You get it out, and unless the people of the country want it, you can't keep it out, and that is the experience of every country—France, England, everybody else.

Now, gentlemen, so far as the transition in detail works out, it is all explained here in this pamphlet, and I am not going to say anything more on that, because anyone who is interested to know how the details will work out can find it all explained there. Now, gentlemen, I have worked out this plan because it has seemed to me that the central bank was not just in accordance with the genius of our government, and it seemed to me that some other system could be worked out, and if anything which I have suggested here can form the foundation in any way for the working out of a system whereby each community is allowed to get its currency just as it is required, without the supervision of any bureau or any central organization, I think that the government of this country would like to see it done, that the people of this country would like to see it done. Therefore I have made these suggestions in the hope that they may form the foundation for enabling us to get another system than the central bank in this country. I thank you, gentlemen. (Applause.)

Work of the United States Monetary Commission.

By Hon. Theodore E. Burton, United States Senator from Ohio.

Gentlemen of the American Bankers' Association, I thank you for your very cordial invitation to address you. It is my desire to ask your earnest co-operation in the work of the National Monetary Commission, and then to add a few suggestions upon topics of interest to you. I appear as a member of that Commission, but in no sense as its mouthpiece or representative. Any views I may express upon controverted questions must be understood to be personal to myself. Whatever reports may have been circulated, whatever opinions any individual member may have expressed, the Commission, as a body, has made no recommendation, nor has it reached any conclusion.

The Monetary Commission was created by the act approved May 30, 1908, under the provisions of what is commonly known as the Emergency Currency Act or the Aldrich-Vreeland Bill. This act was passed when the panic of the autumn of 1907 was still fresh in the minds of the people and the necessity for reform in our currency system and banking laws was very generally recognized. Hence Congress provided for a Commission to be composed of eighteen members, nine to be selected from the Senate and nine from the House of Representatives. It was thought best to restrict the membership to those who were in touch with legislative procedure, men more readily qualified to formulate practical legislation which would command general approval, and who would be able to explain and advocate measures any recommended before the two branches of Congress to which they belong. It was, however, intended that the very best expert opinion and assistance should be obtained from the banking profession as well as from every other source which might be helpful. Senator Aldrich, of Rhode Island, was chosen Chairman and Representative Vreeland, of New York, Vice-Chairman.

The duties of the Commission are succinctly stated in the act, namely, "to inquire and report (to Congress) what changes are necessary or desirable in the Monetary System of the United States, or in the laws relating to banking and currency."

For the accomplishment of this object ample authority was given. The Commission, either in Committee of the whole, or by sub-committee, has held numerous meetings and conducted many hearings. Some of its members have visited Europe, and by personal contact with the leading bankers of England, France and Germany, have obtained information at first hand. Prominent political economists and experts in banking have prepared articles giving the past history of banks and banking operations and setting forth all prevalent theories upon the subject. A representative committee from this association appeared before the Commission, in response to a request, to state their views. Not only this Committee, but other members of the Association and bankers of the country, either in response to inquiries or on their own initiative, have given the Commission the benefit of their experience and suggestions in relation to banking and currency problems. A working library upon banking has been prepared and printed, for which the claim may confidently be made that in practical value and completeness it surpasses any material available along these lines.

The criticism may have arisen that the Commission has made tardy progress in its work, because for more than two years now no concrete proposition for legislation has been presented. But when we consider the magnitude of the interests involved, and the contrariety of opinions to be harmonized, the time is not long. It is better to be assured that projected legislation will be helpful, and will command popular approval, than to enact ill-digested laws and regulations which would have to be changed within a few years. Thus far the time has been usefully occupied in obtaining a basis upon which to act.

One feature assumes especial importance to anyone who has had experience in Congress—the exceptional difficulty in legislating upon any subject which has to do with finance or banking. Senator Sherman, after a long career in which he had framed many financial measures, once remarked that no one of them met with his entire approval because concession and compromise had been necessary in every case in order to secure their passage. The insistent arguments of visionaries in finance, oftentimes supported by selfish interests, as well as the clash of different theories concerning the part which the State should perform in relation to banking and currency, have alike prevented needed reforms in the past, and will render ideal legislation difficult in the future.

The co-operation of the bankers of the country, together with that of all who have given intelligent attention to financial problems, is indispensable in this situation. No suggestions will be thrown in the waste basket. Every student of public questions realizes that he can occasionally glean an idea of value from what to the hasty observer may seem a mass of rubbish. He can at least obtain from this kind of material a knowledge of what people are thinking about and of the arguments which he must meet.

I trust there will be unity in the recommendations of the bankers, that your propositions may be so well matured and so carefully confined to changes which will bring manifest benefit, that no difference of opinion can exist among you.

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Again, while it is your privilege to urge your side of the case, it is hoped the changes you advocate will be presented with a full sense of your responsibility not alone as bankers, but as citizens of the United States. Every experienced legislator has seen much of the insistent, though intelligent, selfishness of men who desired favors in legislation; much more than is agreeable or helpful to him. That participation in legislation will assuredly most commend itself to each of you which recognize that the regulation of banking, the issuance of currency, the safety of private and public funds, the sufficiency of credit, are subjects which vitally affect the whole people and not one profession alone. Whatever is done should be for the welfare of all and not for the enrichment of the few.

I make an especial appeal to the officers of State banks and banking institutions for co-operation. Congress can only pass laws directly affecting the National banks. Legislation, of course, might be adopted similar to the 10 per cent. tax on the notes of State banks which would compel them to incorporate as National banks, or to conform in their methods. But drastic action of this nature is not desirable. In order, however, that any reforms may be effective, it is desirable that so far as the different functions and various spheres of activity of State banks will allow, State legislatures should frame the same general laws as those enacted by Congress. The necessity for uniformity emphasizes the necessity for an even greater degree of co-operation by those who have the management of State institutions.

Before passing to the general work of the Commission, I think it appropriate to impress you with the great possibilities which may be made actualities by personal initiative and by co-operation among yourselves without political action or the passage of any law. Let there be a constant realization of that community of interest which exists among you, a general desire to succor those institutions which are threatened by runs or adverse conditions together with an insistent demand that all those who have the custody of the funds of the people shall maintain the highest standards of care and honesty. These will do much to solve troublesome problems of banking. Without legislative action it is in your power to adopt the suggestions in the excellent address of your President for a uniform system of accounting and for more perfect co-operation in detecting those who are engaged in "kiting paper" or obtaining loans by fraudulent representations.

We live in a period in which too much reliance is placed upon substantiative law, and when people wait for the State to accomplish that which they should accomplish themselves. This statement will, I am sure, evoke a hearty response from all of you because the bankers of the United States have in the past few decades wrought little less than a revolution in results which make for greater safety and more perfect provision for the demands of trade and industry. This, too, has been done without entering in any large degree into those mammoth combinations which are characteristic of the business of manufacturing and transportation.

The Commission has the duty of considering laws relating to banking and currency. The admission must be made that the National Banking Act of 1864 has worked very well. It has been found necessary occasionally to amend it, partly to remedy the defects in its original provisions, and partly to meet new conditions created by the phenomenal growth of the country. The system for which it stands, as distinguished from others preceding it in the United States and those of Europe, has several prominent features, all of which involve an exceptional degree of governmental control, and of connection with and dependence upon the government.

First, National banks are compelled to hold a certain quantity of United States bonds. They may act as fiscal agents for the collection or disbursement of government moneys. Their right to issue circulating notes, until the passage of the Aldrich-Vreeland Act, was limited to notes secured by bonds of the government.

Second, their management is subject to frequent examination and constant supervision by officials of the government. The Comptroller of the Currency may close a bank, and when it is closed, he appoints a receiver to take care of its assets.

Third, statutory regulations control many methods of transacting business. These regulations pertain to the loaning or disposition of their funds upon the theory that there are certain rules essential to safety which should be enforced by law, such as the maintenance of a fixed reserve, and a prohibition against lending more than a specified proportion of its capital and surplus to one borrower.

In these respects the degree of governmental supervision and of regulation by fixed rules is much in advance of established practices in other countries. Yet it must be said that these rules have accomplished salutary results, and there is no probability of their repeal. It is possible that some flexibility in the maintenance of reserves might be beneficial, but no sweeping changes are probable or desirable.

Some propositions relating to administrations are pending, none of which assume the highest degree of importance. Among them is proposed the appointment of bank examiners by Civil Service examinations. The argument for this proposed change is the elimination of political influence and the securing for these very important positions of men of ability as examiners and accountants. On the other hand, experience and certain moral qualities are requisite, and no Civil Service examination can determine the fitness of applicants along these lines. What is essential is, that those having the selection should recognize their responsibility by choosing good men, and when men are once appointed and prove faithful and competent they should continue in office and receive deserved promotion irrespective of political or other changes.

Proposals have been made for a change in the compensation of examiners from a fee to a salary system and for changing the basis of assessments upon banks for their compensation from a percentage on capital of banks as now, to a percentage on capital and gross assets.

There is, no doubt, room for stricter rules to regulate the lending of the funds of a bank to officers and directors. It will not, therefore, be contended that an absolute rule be enforced against accommodations to directors of banks, for this would, in many communities, deprive the institutions of their best customers and would diminish the interest of directors in their management.

A more important reform, if I may suggest, would be to require the directors to give closer attention to the management of the banks with which they are connected, so that they may not be mere dead-heads in determining its policies.

The courts have decided that the making of false reports to the Comptroller of the Currency is not a misdemeanor. It seems clear that it was the intention of the law to inflict punishment for the making of any false reports, and there is no good reason why an amendment should carry out this intention.

There are other suggestions relating to the administration of banks organized under Federal charters which will receive attention. And I am sure that I voice the desire of every member of the Commission in inviting the members of this body to exercise the utmost freedom in making suggestions.

I shall not enter upon the discussion of the desirability of a central bank. It is altogether improbable that any institution will be advocated which shall be similar to the bank or banks chartered in the early history of the Republic. The United States Bank was in direct competition with the other banks and possessed great advantages because of the prestige afforded by reason of its relation with the National Treasury. In any proposition for such

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an institution a pronounced popular opposition must be taken into account.

It may be said, in comparing our banking operations with those of Europe, that vital differences exist between them, both in commercial and industrial conditions, and in the habits and customs of the people. Ours is an expanding country, in which there is rapid growth in population and wealth; profits are greater; risks are greater; rates of interest are higher. The same difference exists in a measure between the older and the newer portions of our country. The volume of speculative operations is greater in the United States and for a manifest reason. Speculation is not explained by the temperament of the people. Its prevalence and extent are determined by opportunities for profit from increased value. In seeking to pattern banking operations in the United States after those of European countries, all these facts must be taken into account.

No doubt the question in which you are most interested is that of currency. How shall the circulating medium be rendered elastic and sufficient in volume without redundancy? Two important facts in the history of our currency go far to explain the absence of comprehensive laws on this subject. First, the issuing of greenbacks in the time of the Civil War was followed by great activity in business and the accumulation of many fortunes. A period of great expansion and prosperity continued both during and after the Civil War. Thus the existence of an abundance of currency became associated in the popular thought with prosperity and individual opportunity. It has been demanded of the party in power that such policies shall be adopted as will promote business activity. The predominant public opinion has favored the greatest abundance, yes, a superfluity of money. The retention in circulation of $346,000,000 of greenbacks and the limitation upon the withdrawal of National bank notes, both illustrate this. On the other hand, every rational plan for the management of the currency has included a provision for a decrease in volume whenever necessary to check inflation or to respond to changed conditions. In view of these conflicting ideas it has been almost impossible to frame laws carefully and dispassionately.

It is, in the second place, an important fact that, for fifty years, plans for the issuance of currency have made the monetary supply subordinate to some other object so that the problem has not been wrought out as an independent proposition. For instance, the issuance of the greenbacks was authorized in 1862, not because this form of currency was regarded as the best, or even as a good one, but to meet the urgent necessities of the government for the payment of troops and the purchase of supplies.

The government had made no satisfactory provision for borrowing, and in addition there was no adequate currency supply, and a currency system could not be extemporized on short notice.

Take next the National bank notes. The provision for a supply of currency was a prominent reason, but coupled with it was the very commendable desire to get rid of a hybrid currency, including the issues of many banks in many States. These banks were of unequal solvency, and their bills were subject to constant danger from counterfeiting. Another primary object, here again, was to increase the borrowing power of the government by affording a means for the sale of its bonds which were made the sole basis for the issuance of the National bank notes.

Third: Laws for coinage of silver and the Silver Bullion Purchase Act of 1890 were advocated by those who desired what was called "Bimetallism," and were promoted by those who were interested in silver mining and in securing a cheaper medium with which to pay debts. Thus in legislation for neither of these three kinds of money has there been the single intention to establish a secure and sufficient currency system.

At the very threshold of this discussion, it should be stated that some very able financial writers maintain that too much attention has been given to the question of currency issues. They maintain that the proper method for the prevention of panics and securing an adequate monetary supply must be secured by the utilization of deposits in banks for the settlement of balances and by the management of bank reserves. It is their contention that the object sought could be attained by a systematic mobilization or massing of reserves.

The use of checks and similar devices has vastly increased. They are employed not only in the payment of very large sums, as in purchases of stocks and bonds and wholesale transactions, but in payment of small bills and settlement of retail transactions, even to payment by students at school and to bills due at the barber shop.

It has been said by an advocate of this theory that in the evolution of trade there are three well-defined periods: those of barter, money and a mere clearing of balances, and that we have reached the last in which the use of money will be gradually superseded by the use of deposits in banks. The use of checks, which make available deposits in the bank as a substitute for currency, is greatly on the increase. But for that fact a much larger volume of metallic and paper money might be necessary.

It is also maintained that in times of stress adequate reserves properly mobilized are sufficient to ward off the threatening storm. I would not minimize the importance of the methods advanced by the supporters of this safeguard against danger. There has probably never been a panic in this country so severe that if the total monetary supply was available, in the ordinary channels, it would not have been sufficient to meet the demands of the time. But, however adequate the aggregate or total supply, we have to deal with the efficiency of money as determined by its availability for circulation. The greatest care should be taken to increase the availability of reserves and to extend the use of substitutes for currency.

But I am apprehensive that under the habits which now obtain among the American people, and, in view of an occasional distrust of financial conditions, the date when reserves or deposits in banks can provide a substitute for an elastic currency has not been reached. Conditions for payments by the settlement of balances are not as favorable here as elsewhere. There is not here, as in some older countries, notably England, a bank in every village. Our population is more widely scattered. Those who spend money spend a larger share of it in localities remote from their homes and in places where their checks might not be readily received. The unequal demands for money at different seasons of the year more keenly affect the situation. All these facts require a greater and more variable volume of currency.

But the most potent reason why elasticity in the currency should be provided still remains. In a time of panic money is withdrawn from banks and located we hardly know where, no doubt largely in safe deposit boxes. Farmers draw their hoards from banks. At any rate the fact is painfully manifest.

Comptroller Knox, in his report for 1873, gives some startling figures. The total amount of outstanding bank currency, legal tender notes, and fractional currency on October 13, 1873, was $756,315,135. The total amount held by the Treasury and by banks on that day was $116,496,957, or less than one-sixth of the total amount outstanding. On the same day the national banks of New York City held only six millions of legal tenders as against thirty-two millions thirty-one days previous. Any system which does not provide for such a situation is defective.

In support of the theory that reserves constitute the solution of the problem reference is made to the Bank of England. It is said this institution has no power to

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provide elasticity in the currency. Every additional note must rest upon gold in the issue department. It is to be noted, however, that most important differences exist in the English banking system as compared with ours. In the first place, the Bank of England raises the rate of discount which attracts gold in large quantities from nearby money centers. Second, and more important, it is the depository of the reserves of the joint stock and other banks which regard a deposit in the Bank of England as the equivalent of cash and (it should be carefully noted) receive no interest upon such deposits, nor does the Bank pay interest upon any deposits. In times of stress there is an increase, rather than a decrease of the deposits of the joint stock banks with the central bank.

I may remark in passing that the decided tendency in other countries has been toward a centralization of note issue in a single institution or agency. It will, however, I think be agreed that whatever method is adopted the four following principles should be observed in any plan for regulation of the currency:

1. The same care should be observed for the cancellation or withdrawal of circulating notes when they are redundant as for their increase in times of scarcity or stress. Great pains should be taken to prevent the utilization of note issues for the promotion of speculation or injudicious enterprise.

2. In regulations for the issuance of currency the decision of the amount and continuance of its circulation should rest upon the demands of trade. The basis should be assets upon which there can be prompt realization. There should be the greatest possible divorce from arbitrary control or political influence.

3. Circulating notes should possess the quality of absolute security, or at least the nearest possible approach to absolute security. The pleasing fiction written down by some writers on finance that a bill intended for universal circulation and acceptance as money is only one form of the obligations of a bank, and should be possessed of no greater sanction than other debts, cannot be accepted. The time will not and should not come when after reading of the failure of a bank the reader will anxiously search his pocketbook to see if he has any bills of that institution.

4. In case bills are issued by banks, profits should not be expected from the exercise of the privilege, but rather from the added ability to provide for their customers and the advantages which accrue from their ability to meet any and all emergencies. I do not understand that the banks have sought profit in this direction.

Gentlemen of the American Bankers' Association, I congratulate you upon the results which your association has achieved. I trust that your usefulness as an organization may continue in increasing measure.

The model citizens in this Republic is the man who masters some branch of useful endeavor and uses his skill for the development of his own capabilities and the promotion of the common welfare. It rests with him to perform his tasks with fidelity to his employment and with loyal attachment to his home, his fellow-citizens, and his country.

In our complex civilization every occupation has its beneficial purpose. Whatever promotes the conservation of property or the encouragement of thrift promotes the public good.

The function of the banker is by receiving deposits and extension of credit, to so utilize the capital of a community that commerce and industry may grow in volume without check. The banker bridges the chasm between the difficult and sometimes unpromising beginnings of enterprises and their successful accomplishment. He makes the hopes which look to to-morrow the realities of to-day. He enables the deserving man, bereft of opportunity because of limited means, to share the richest prizes of fortune. He exercises a conservative influence over business undertakings, and represses the recklessness of speculation.

The bank encourages thrift, and gives to those desiring to make a provision for later years or for posterity security for their savings, and such increase as is an equivalent for their use. It renders the accumulation which passes from hand to hand, or from the dead to the living, safe for generations.

In the performance of these most helpful tasks may each of you do his duty in accordance with the highest ideals of your chosen occupation and thus contribute to the upbuilding of the communities in which you live and to the lasting benefit of our common country.

THE FOURTH NATIONAL BANK OF THE CITY OF NEW YORK OFFERS TO DEPOSITORS EVERY FACILITY WHICH THEIR BALANCES, BUSINESS AND RESPONSIBILITY WARRANT.

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Committee Reports—Banking Section.

Annual Report of the Secretary, Fred E. Farnsworth.

NEW YORK, September 1, 1910.

To the American Bankers' Association:

It is with much pleasure that I submit herewith my report as General Secretary of the American Bankers' Association for the fiscal year ending August 31, 1910.

With the present large membership in the Association, the activity of the various departments, the growing and prosperous Sections, the active, alert and resourceful committees, it would not be possible in the short space of time allotted to me to do full justice to the vast machinery which now moves the wheels of this organization. I can only allude briefly to the salient points in our work, and point out that the past year has distanced the preceding year in growth, activity and results, in distinction, and to the satisfaction of the large membership.

EXECUTIVE COUNCIL.

The report of Chairman Livingstone deals generally with what has been accomplished by the Council. The May meeting of the Council was largely attended, and the business transacted by the committees as well as the Council occupied three full days' time.

The amendments to the Constitution passed at the May meeting, which were recommended to the Association for approval, will place our committees on a much more sound basis, and will bring them closer to the main body and the Executive Council, and avoid conflict between the Sections and the Association in the future.

SECTIONS.

This has been a successful year for the Sections. The membership of the Association having been so largely increased has also increased the membership of the Trust Company and the Savings Bank Sections. The new set of "Trust Company Forms," which has been completed during the past year, has met with general approval by members of the Section, and has been liberally purchased.

The Savings Bank Section continued its fight, through its Special Committee, against "Postal Savings Banks," and though active and aggressive and carrying on an extensive educational work, the measure became a law; not so much, however, through its merit as the fact that it was a party measure, a political expedient, and had to become a law to redeem party pledges.

The Clearing House Section has made rapid strides during the year in its limited field, and the various measures, proposed in the past, have met with approval in many quarters.

The American Institute of Bank Section, which represents the Institute, has now about 10,000 members and 56 chapters.

The action taken by the Council at its last meeting in consolidating the *Journal* and the *Bulletin*, and in providing for an associate membership has proven a wise move, bringing as it did, this great educational body closer to the parent organization, and will evolve educational features which can now be extended to the clerks of country banks.

The foresight of bringing the various Sections together into offices in conjunction with the general offices is more apparent each day.

The advantages of having the annual proceedings of the various Sections combined with the general proceedings of the Association have been many times apparent since the inauguration of this plan last year. The members of the parent organization in this way are apprised of the workings and accomplishments of the Sections, to which they are entitled, and, on the other hand, it is a convenience to have the complete convention proceedings in one volume.

I wish to commend the work of the Section Secretaries—Messrs. Babcock and Hanhart—and that of Educational Director Allen. During the year just closed there has been hearty cooperation between these departments and the general offices, which has been of advantage to all concerned.

CURRENCY COMMISSION.

There was no occasion for the Currency Commission to be active during the past year, pending the outcome of the work of the National Monetary Commission of Congress. When this Monetary Commission begins its deliberations, for future banking and currency legislation, without doubt our Currency Commission will be called into conference.

STANDING PROTECTIVE COMMITTEE.

When, sixteen years ago, the Association, with a small membership and in its swaddling clothes, took up the work of protecting the banks of the country from criminal operations, it was a far-sighted, keen and businesslike action; and at that time the promoters could scarcely realize what its future might bring forth. The wisdom of this movement is now apparent, and has been for some years. It is one of the important features of the Association's work, and one which is probably more appreciated by the general membership than any other. The year's work has been successful; the change made in the detective agency has proven a decided advantage to the Association and its membership. The exhaustive report of the Standing Protective Committee will enlighten you fully on this subject.

The Standing Protective Committee, which has just completed its year of service, has responded to all calls for meetings, and for the consideration of matters which have required its attention. The members of this committee have been painstaking and careful in the performance of their duties, and have on each and every occasion given of their valuable time to the interests of the important work entrusted to them. It is gratifying to report that, regardless of the malicious attacks made by the Pinkerton Agency, after the severance of our relations, and their untiring efforts to establish their own agency and to withdraw the support of the members of our Association, our membership has steadily increased; there have been no complaints of the action taken in making the change, and only the heartiest approval of the work of the Burns & Sheridan National Detective Agency; and in the collection of annual dues, commencing with the 1st of September, 1910, the Treasurer has received a much larger sum, in fact very nearly three times as great, as during the same period one year ago.

COMMITTEES.

I do not believe there has been a time in the history of the Association when we have had so many live, active and progressive committees, the members of which have been willing to give the necessary attention to the requirements of committee work. Great results have been obtained, and to these committees the Association owes a vote of thanks for their loyalty, interest and for what has been accomplished.

STATE ASSOCIATIONS.

We now have in the Union forty-six State Associations. There are three States without Associations—New Hampshire, Rhode Island and Delaware.

I have followed closely the reports of the State Associations; I have been in correspondence with the various State Secretaries, and I have attended conventions or meetings in the following States: Washington, D. C., Texas, Oklahoma, Kansas, Iowa, New York and Pennsylvania; and from information gathered from all sources I am convinced that the State Associations have been most successful, and have held better conventions this year than at any other time in their history. The successful group meetings, which have been held everywhere, the splendid State conventions, and the great interest on the part of members all have a strong tendency to create a greater interest in the American Bankers' Association.

Having been identified with the Organization of Secretaries of State Bankers' Associations as its Secretary since it was founded, I have been brought very closely into contact with the State Secretaries, and know what firm friends of our own great organization they are. I wish to state most emphatically that I believe this organization should be made a Section of the American Bankers' Association, with a representation of one member on the Council, and that the Secretaries should be recognized as delegates to our annual conventions. At the present time they have no standing, and unless they are bankers and can come representing their banks, they cannot sit with their State delegations, but must take seats in the gallery. This proposed amendment would bind the two organizations together and form a link which would be invincible.

LEGAL DEPARTMENT.

Our Legal Department is now firmly established, and is more and more appreciated each year by our members who take advantage of the excellent legal advice furnished by General Counsel Paton, whose opinions are published in our *Journal*. Mr. Paton's services are also invaluable to our Section and committees, and he is earnest and interested in every phase of the work.

"THE JOURNAL."

The *Journal* completed its second year on July 1. Its popularity has increased monthly. It is one of the important features of Association work, and we are having continual evidences of the appreciation of this feature by our large membership. Its consolidation with the *Bulletin* will make it an even more valuable publication than it has been in the past, and will keep our members informed as to the Institute as well as the Association.

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ASSOCIATION OFFICES.

The register in the general offices shows that there has been an increase in the number of visiting bankers during the past year. I wish to impress on our membership that we maintain at headquarters in New York City a library and reading room which is at the disposal of our members at all times.

The headquarters has also been frequently used for committee meetings, and for this purpose it has proven not only convenient but desirable.

To provide for the increase in departments and the necessary work the Association now occupies a suite of fourteen rooms and employs some twenty people.

ROUTINE WORK.

During the fiscal year just ended there has been sent out from the General Offices about 236,000 circular letters, documents, codes, etc. This does not include the several thousand letters of our regular correspondence.

We have introduced at this convention a new system of registration which we believe will prove much more convenient and efficient than that used in the past. We are also issuing each day a complete registration list, conveniently arranged, which can be carried with ease for reference purposes.

As has been my custom, as General Secretary of the Association, I attended the annual convention of the American Institute of Banking in Chattanooga in June last. This convention, like the former annual meetings of this body, was first class in every respect, well handled, and the business of the convention transacted with the ability of veterans. During the year I have also attended some of the Chapter meetings and Chapter banquets.

The new forms of credit blanks which were published in the May *Journal,* and which were prepared by a special committee, headed by James G. Cannon of New York, have created wide interest, and very many of them are being used by our membership in obtaining statements from their customers.

MEMBERSHIP.

Aug. 31, 1909		10,682
Erased from the rolls, through failure, liquidation, consolidation and withdrawal		781
Sept. 1, 1909, Membership		9,901
Aug. 31, 1910, Members joined during year, including regained		1,504
Aug. 31, 1910, Total membership		11,405
A net increase for the fiscal year of		723
A net loss for the year in failures, consolidations, etc.	130	
A net loss for the year in delinquents	168	
Total net loss		298
Making the actual gain in new and regained members		1,021

ADDITIONAL STATISTICS ON MEMBERSHIP FOR THE SECRETARY'S REPORT.

The delinquent loss is the smallest in the history of the Association in proportion to the membership—less than 1½ per cent.

The aggregate capital, surplus and deposits of our membership amounts to almost $14,000,000,000.

The membership and resources of the Association have increased as follows:

	Paid Membership	Annual Dues.
September 1, 1875	1,600	$11,606.00
September 1, 1885	1,395	10,940.00
September 1, 1895	1,570	12,975.00
August 31, 1905	7,677	127,750.00
August 31, 1906	8,383	137,600.00
August 31, 1907	9,251	150,795.00
August 31, 1908	9,803	162,507.00
August 31, 1909	10,682	175,352.00
August 31, 1910	11,405 (estimated)	187,042.00
Interest on Bonds and Corporate Stock	$4,650.00	
Interest on Bank Balances (estimated)	1,280.00	5,930.00
Making the total income		$192,972.00

MEMBERSHIP BY YEARS.

		Loss By Failures, Merger and Delinquent, etc.	Gross Gain.	Net Gain.
1899	3,915	211	741	530
1900	4,500	234	819	585
1901	5,504	200	1,313	1,113
1902	6,354	186	1,159	973
1903	7,065	313	1,139	826
1904	7,563	500	1,120	620
1905	7,677	1,038	1,152	114
1906	8,383	337	1,043	706
1907	9,251	434	1,302	868
1908	9,803	691	1,243	552
1909	10,682	760	1,639	879
1910	11,405	781	1,504	723

The loss shown in 1910 was reduced by regained members to 298.

MEMBERSHIP.

DIVISION OF BANKS IN ASSOCIATION AUGUST 31, 1910.

State or Territory	Nat'l	State	Private	Tr. Co's	Sav. Bks.	Total
Alabama	44	69	3	20	5	141
Alaska	2	10	2	1	0	15
Arizona	13	24	1	15	1	54
Arkansas	31	93	3	22	2	151
California	145	220	1	36	51	453
Colorado	97	60	7	14	8	186
Connecticut	71	10	7	25	45	158
Delaware	18	1	2	9	2	32
District of Columbia.	12	2	5	5	11	35
Florida	44	55	3	6	2	110
Georgia	72	206	8	15	10	311
Idaho	43	64	1	8	1	117
Illinois	293	221	221	54	18	807
Indiana	148	120	41	40	1	350
Iowa	143	89	52	13	114	411

MEMBERSHIP.

DIVISION OF BANKS IN ASSOCIATION AUGUST 31, 1910.

State or Territory	Nat'l	State	Private	Tr. Co's	Sav. Bks.	Total
Kansas	142	241	1	3	3	390
Kentucky	63	63	1	20	3	150
Louisiana	31	95	1	18	2	147
Maine	48	1	1	22	17	89
Maryland	76	23	23	16	26	164
Massachusetts	131	3	12	36	64	246
Michigan	152	174	6	3	7	342
Minnesota	162	174	6	3	7	342
Mississippi	28	97	0	16	3	144
Missouri	80	229	20	24	26	379
Montana	45	77	16	7	2	147
Nebraska	130	191	3	4	1	329
Nevada	10	18	0	1	0	29
New Hampshire	36	1	0	3	7	47
New Jersey	149	20	1	64	16	250
New Mexico	28	12	1	3	4	48
New York	349	203	185	88	78	903
North Carolina	48	60	1	18	4	131
North Dakota	81	127	0	2	0	210
Ohio	213	101	64	46	77	501
Oklahoma	115	131	0	7	1	254
Oregon	54	50	11	10	3	128
Pennsylvania	483	60	63	151	35	792
Rhode Island	17	2	4	20	6	49
South Carolina	20	85	1	5	13	124
South Dakota	61	115	3	6	5	190
Tennessee	46	41	3	31	4	125
Texas	196	52	26	35	0	309
Utah	19	19	4	3	4	49
Vermont	34	1	0	15	11	61
Virginia	72	78	15	11	8	184
Washington	67	139	10	21	5	242
West Virginia	58	67	3	11	5	144
Wisconsin	113	166	2	10	12	303
Wyoming	28	27	1	4	0	60
Canada	0	10	0	0	0	10
Cuba	1	11	3	1	0	16
Hawaii	4	2	2	1	0	9
Isle of Pines	0	1	0	0	0	1
Porto Rico	0	1	1	0	0	2
Mexico	0	21	1	0	0	22
	4,486	4,172	892	1,025	830	11,405

MEMBERSHIP OF STATES AND TERRITORIES HAVING LESS THAN 100 MEMBERS.

[As of August 31, 1910.]

Alaska	15	Vermont	61
Arizona	54	Wyoming	60
Delaware	32	Canada	10
District of Columbia	35	Cuba	16
Maine	89	Hawaii	9
Nevada	29	Isle of Pines	1
New Hampshire	47	Porto Rico	2
New Mexico	48	Mexico	22
Rhode Island	49		
Utah	49	Total	628

APPRECIATION.

It would not be possible to conduct so vast an organization as ours successfully, and to progress as an Association of this kind should progress, if your General Secretary did not have the hearty support of his associates, and I desire to express my sincere thanks for the uniform courtesy and able assistance received from the Executive Council, the Vice-Presidents of the various States and the Secretaries of the State Associations, as well as from the officers of the Association, and especially Treasurer Kauffman, who has always co-operated with us in handling efficiently the finances of the Association. He has been an energetic and enthusiastic official. To all those above enumerated is due largely our handsome increase in membership. To Assistant Secretary Fitzwilson and to our efficient

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office force much credit is also due for expeditious work and their willingness at all times to contribute to the success of the administration by faithful services and uniform courtesy.

With this convention President Pierson ends three years of active service as an official. Mr. Pierson was elected Chairman of the Executive Council when I was first elected as your Secretary. It is with keen regret that our official relations are now to be severed. For the past two years the Chairman of our Executive Council residing in Western cities has made it necessary for Mr. Pierson to act as a resident representative of the Chairman. During all of his administration he has shown utmost interest in the Association and its work; he has been indefatigable in his labors; he has shown the initiative; is resourceful, energetic and conservative yet broad, and through all of this period of time perfect harmony has prevailed. Added to all of this is Mr. Pierson's service as Chairman of the Bills of Lading Committee for a number of years, the work of which committee is now being brought to a successful culmination. Now that the bond and the close ties are to be broken and our relations are to be severed officially, I can look back on these three years with unalloyed pleasure.

PROSPECTIVE.

It is only recently that some new history became known through Mr. James T. Howenstein, formerly of St. Louis, Mo., in connection with the organization of the American Bankers' Association in 1875. A short time ago Mr. Howenstein gave me the facts which led up to this action. He said: "It was women who gave us the inspiration. At that time the bankers of the country were very much depressed over conditions. Mr. Breck (also of St. Louis) and myself were on our way home, and passing the auditorium noticed crowds of women coming out of the building. It was a suffragists' meeting. The idea came to me that if women could get together to heal their sorrows and woes, why couldn't bankers get together to shoo their sorrows?"

Mr. Howenstein issued the call for the preliminary meeting which was held in New York City May 24, 1875, and from this meeting of seventeen bankers emanated the call for the convention at Saratoga in July, 1875.

It is a fitting tribute to this great organization and to our bankers that with each succeeding convention the attendance of ladies increases.

We are just entering the deliberations of our Thirty-sixth Annual Convention. Months of preparation on the part of the local Committee of Bankers in Los Angeles and the executive officers of our Association have culminated in what bids fair to be the most successful convention in the history of the Association, entertained as we are going to be in the beautiful city of Los Angeles—the pride of the Western coast; a city of prosperity and energy; of wonderful growth and resources. I would like to take this opportunity to pay a tribute to the manner in which the various committees have arranged the details of this convention and the entertainment which is in store for us. This convention, with its unqualified success, which I know will be the verdict when it will have adjourned, is the forerunner of what we can expect in the future. To stand still means to retrograde. We are bound to advance, and with the increased interest of our members our future cannot be other than most brilliant and promising.

All of which is respectfully submitted.

FRED E. FARNSWORTH,
General Secretary.

Report of General Counsel, Thomas B. Paton.

In the administration of the affairs of the office of General Counsel during the past year, the policy has been continued of framing and promoting legislation which will afford better protection against criminals as well as uniform legislation on commercial subjects and the procurement of laws to provide more adequate safeguards in relation to a variety of banking transactions. Much has been accomplished along these lines during the last three years; much more remains to be done; and, aside from the field of legislation, the active and advisory work in behalf of committees and the membership in general has covered a wide range.

PROMOTION OF STATE LEGISLATION.

In the criminal branch of the legislative work it is not alone the burglar with sledge, jimmy and explosive, nor the robber with mask and pistol, who must be reckoned with, but the educated, polished villain, the commercial fraud, who, by varied trick and misrepresentation, too often succeeds in causing a loss of bank funds. Measured by extent of pecuniary damage, crimes of force and violence, injurious as they are, are secondary in importance to crimes of deception and to frauds which only touch the borderland of crime. In the constant warfare against evil and the efforts of society to protect itself against wrongdoers, it is unfortunately true that criminal laws do not keep pace with the new inventions of fraudulently disposed persons, and while the Penal Codes of the different States cover generally such crimes against property as burglary, robbery, larceny and the obtaining of money or property by false pretence, they do not adequately, or at all, define as crimes and punish a number of commercial frauds which, of late years, have been successfully perpetrated with increasing frequency. A beginning has been made towards improvement in the promotion of our bills to punish the making or use of false statements to obtain credit, a kind of fraud not adequately covered by false pretence statutes, and to punish the giving of checks or drafts against insufficient funds; and the work before General Counsel in this relation, in addition to the further extension of our present criminal measures (which also include bills to punish bank slanderers and the crime of burglary with explosives) is the obtaining and classification of information of the different kinds of injurious, fraudulent practices, not now punishable, and the framing and promotion of legislation which will make such acts criminal.

Apart from criminal legislation the work of promoting the State enactment of the Uniform Acts on Negotiable Instruments, Warehouse Receipts, Bills of Lading, Stock Transfers and Sales of Personal Property, as well as the special Association measures relating to limit of time of liability for payment of forged or raised checks, the payment of deposits in two names and in trust and the competency of bank notaries is progressing satisfactorily.

In the selection of subjects of proposed legislation General Counsel has had the benefit of the advice and co-operation of the Standing Law Committee, and their approval of drafts of laws as prepared, and the promotion of all our State legislation has been due to the efforts and active work of the officers and legislative committeemen of State Bankers' Associations.

Last year, when forty State legislatures held regular sessions, no less than thirty-seven enactments of our Association bills were made in the different States; this year, with only thirteen States holding regular sessions, the number has naturally been much less, yet substantial progress has been made.

Ohio has enacted our Association measures on False Statements for Credit, Derogatory Statements affecting banks and Payment of Deposits in two names.

Maryland has passed the Uniform Acts on Bills of Lading, Warehouse Receipts, Stock Transfers and Sales of Personal Property; these with the Negotiable Instruments Law previously enacted give the State of Maryland the record as being the first to have on its statute books all five of the Uniform Commercial Acts. In addition, Maryland has passed a general banking law, establishing a banking department, and this contains among its provisions our Association measures relative to payment of deposits in two names and in trust.

The Uniform Warehouse Receipts Act has also become a law in the District of Columbia by signature of the President on April 15.

Virginia has passed an act to punish the obtaining of money upon fraudulent checks, but not in the form recommended by our Association.

The State of Texas, at a recent special session, has enacted a very comprehensive bill of lading law which, while not the Uniform Act recommended by our Association, gives full protection to the holders of bills of lading.

Aside from the measures in which our Association is particularly interested, there has been other legislation relating to banks in these and other States during the present year.

Georgia passed an act relative to the establishment of lost or destroyed certificates of stock of banks and other corporations. In Kentucky an act has been passed authorizing the formation of corporations to do a trust, banking and title insurance business, and Columbus Day has been made a legal holiday in that State. Maryland has also amended its Holiday Law by adding Labor Day to the list of legal holidays. Massachusetts has amended the Maturity Section of the Negotiable Instruments Law by adding a proviso exonerating the holder of a demand instrument from negligence for not presenting the paper on Saturday, and has passed certain amendments to the Savings Bank Law; also an act, which was substituted for our Association measure to punish the making of false statements to obtain credit, punishing one who with intent to defraud, obtains by false pretense the making or indorsement of commercial paper, the release or substitution of collateral or an extension of time for the payment of an obligation. New Jersey passed an act respecting deposits by infants with banks and trust companies, which makes it lawful for infants to make deposits and withdrawals by check or otherwise, the same as adults.

New York has passed a private banking bill which applies only to cities of the first class and provides for the licensing of individuals or partnerships engaged in the business of receiving deposits and the filing of surety bonds and deposit of securities with the Comptroller. The law exempts from the licensing provisions of the act private bankers where the average of each sum received on deposit during the preceding year is not less than $500, and exemption may be had from all the provisions of the act by filing a bond with the Comptroller, in New York City in the sum of $100,000 and in Rochester and Buffalo in the sum of $50,000. Ohio, in addition to the laws already specified, has amended Section 8301 of the General Code relating to holidays, and also passed an act authorizing the Superintendent of Insurance to call upon and receive from officers of banks such information as he may require relating

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to the financial transactions of insurance companies, penalizing any bank officer or director for non-compliance. Ohio also amended its general banking law in a number of particulars. Rhode Island enacted certain amendments to the general law for the incorporation of savings banks and also provided a penalty for delay in the making of returns of banks, savings banks or trust companies; also a provision as to the issue of duplicates for lost or destroyed savings bank passbooks. Virginia has amended certain sections of its Code relating to banks and added new sections, which provide for the examination of banks and relate to certified checks, checks of drunken persons, deposits of deceased persons, persons under disability and minors and prohibit private banking except by those engaged in business prior to January 1, 1910.

For the year 1911, when a large number of State Legislatures meet, an active and aggressive campaign is being planned, and there will also be worked out and drafted a uniform law to govern bank collections. The questions presented by members for solution, arising out of controversies regarding liability for defaults of correspondents, diligence in presenting items by mail, responsibility for lost items, right to proceeds in event of insolvency and other disputed points as to collections, are very numerous, and the law on this subject is in such conflicting and uncertain condition as will make a uniform and simplified code most desirable. There are also certain amendments to the Negotiable Instruments Law which seem needed, and it is also proposed to prepare and present these amendments for consideration at the next annual conference of the Commissioners on Uniform State Laws. This body has perfected and recommended the five Uniform Commercial Acts which have been indorsed by this Association, the last of these having been perfected and recommended in 1909, and it has been the privilege of your General Counsel, representing this Association, to participate in the deliberations of the Commissioners during the last four years. It is deemed the proper course in matters of amendment to the Negotiable Instruments Law, which originated with the Commissioners to first present such amendments to that body for discussion and obtain their indorsement, in addition to obtaining the approval of our own Association.

The National Civic Federation last January, at a three days' conference held in Washington, which was attended by the President and General Secretary of the Association, as well as your General Counsel, also took up the subject of promoting uniform laws, indorsed certain of the Uniform Commercial Acts and provided for the continuance of their work. Since then, meetings have been held and State councils organized in Maryland, Connecticut, Ohio, Illinois, Indiana, Wisconsin, Missouri, Kansas and Nebraska. Your Counsel is keeping in touch with this movement.

DEPOSIT GUARANTY LEGISLATION.

No States have passed deposit guaranty laws this year, and interest in the subject has been transferred from the domain of the legislatures to that of the judiciary, where there must be ultimate determination of the validity of the laws already passed. The status of the different cases is this: The case of Noble State Bank *vs.* Haskell, in which the State Supreme Court sustained the Oklahoma law, is on the docket of the Supreme Court of the United States and likely to be reached quite early in the October term. The case of Shallenberger *vs.* First National Bank of Holstein, in which the United States Circuit Court at Lincoln held the Nebraska law unconstitutional, is also on the Supreme Court docket, but not so far advanced. It is quite likely that these cases may by arrangement be heard together.

The Kansas law, which differs from that of Oklahoma and Nebraska in being voluntary and not compulsory, has been declared constitutional by the United States Circuit Court of Appeals, Eight Circuit in Dolley *vs.* Abilene National Bank, 179 Fed. 461 (reversing 175 Fed. 365), in an action by 150 National banks of the State, who, not being able to participate, contended that they were discriminated against and affected injuriously by the operation of the law. I presume this case will also be taken higher.

I have not heard that the Texas law, which requires the banks at their option to protect depositors either by a guaranty fund or a bond security system, has been as yet taken into the courts, nor that the South Dakota Act of 1909, to authorize the forming of State associations of incorporated banks and the creation of a depositors' insurance fund has been questioned as to its constitutionality.

SAVINGS BANKS.

Notwithstanding determined opposition, the Senate, on June 22, passed the Postal Savings Bank Bill as it came amended from the House, and the bill was approved by the President on June 25. It is unnecessary to state the provisions of the measure, as its full text was published in the *Journal* of the Association for July, and it will be referred to in other reports.

Last spring, at the request of the Committee on Savings Bank Laws, General Counsel prepared a summary of existing State laws relating to segregating and safeguarding of savings deposits and also an outline draft of act to provide for the establishment of savings departments and the segregating and safeguarding of savings deposits in banks and trust companies. This draft was submitted to the committee, as was stated at the time, "in pursuance of my duties as General Counsel, part of which are to render legal advice and assistance to the various officers, sections and committees of the Association when called upon, and in so doing I am not to be regarded as either advocating or opposing the wisdom of the policy underlying the enactment of such a law."

The general propositions underlying proposed State legislation of this character have not, as yet, been submitted to the Association for discussion and action.

RAILROAD BILL AND BANKRUPT LAW.

Congress, also, at its last session, passed the Railroad Bill creating a Commerce Court and amending the Interstate Commerce Act relating to the practices of carriers and the supervision of the Interstate Commerce Commission; and also important amendments of the National Bankruptcy Law regulating the compensation of receivers and trustees, permitting the voluntary bankruptcy of corporations, permitting compositions with creditors before adjudication and permitting trustees in bankruptcy to oppose the discharge of the bankrupt at the expense of the estate.

INTERNATIONAL CONFERENCE ON BILLS OF EXCHANGE.

There has been held this summer at The Hague an international conference on the unification of the law of foreign countries relative to bills of exchange, the delegate of the United States being Mr. Charles A. Conant. Preparatory to this conference a number of preliminary questions were formulated for consideration dealing with the issue and form of the bill of exchange, the obligations and rights of parties, indorsements, acceptances, guaranties by third parties, maturities, payment, recourse upon non-payment, loss, forgery, protests and other pertinent detailed provisions. These questions were gone over carefully at a series of conferences held on the call of the American Commissioner, attended by American bankers interested in the subject, and participated in by your General Counsel as representing this Association, and these meetings developed the American view as to what the uniform law should contain. As a result of The Hague conference a uniform law has been framed to be referred back to the different powers for consideration, and the subject will come up again at the conference to be held next year.

CHECKS OF CORPORATION TREASURERS.

On December 10 the Appellate Division of the New York Supreme Court rendered a decision in a case of Havana Central Railroad Company *vs.* Knickerbocker Trust Company, holding in substance that checks drawn by the treasurer of a railroad corporation on the Central Trust Company to his personal order which were indorsed by him and deposited to his individual credit in the Knickerbocker Trust Company and checked out, by means of which checks the treasurer misappropriated the railroad company's funds, carried notice to the depository from the mere form of the checks that the transactions were irregular and put it on inquiry as to the treasurer's right so to withdraw and use the corporation's funds. This decision was viewed with considerable alarm by the officers of a number of large banking institutions, as it established a doctrine of law, never before held, which would have put the banks on inquiry concerning each and every one of the hundreds of official checks and of this and similar character, legitimately drawn, daily received on deposit to the credit of the drawing officers. It was felt that the decision of the Appellate Division in this case carried the doctrine of constructive notice to an extreme and impracticable length, and that an attempt should be made to have this dangerous rule of law overturned and prevent its spread to the jurisprudence of other States. Accordingly, by the authority of your officers, General Counsel petitioned the New York Court of Appeals for permission to intervene and be heard on behalf of the Association on the argument of the appeal; this petition was granted to the extent of allowing the filing of a brief, and a brief was prepared and filed. Similar action was taken by the New York State Bankers' Association. On May 17, by a unanimous bench, the New York Court of Appeals rendered a decision overruling the decision of the Appellate Division.

BURGLARY INSURANCE.

At the request of the Committee on Fidelity Bonds and Burglary Insurance, General Counsel has prepared a tentative draft of a bank burglary and robbery policy, the end in view being a standard form to be written by the companies for members of the Association. This draft will, as I understand, be considered by the committee at its next meeting, and will then be taken up and discussed with representatives of the different surety companies. In preparing the draft General Counsel examined all the bank burglary policies now in use, incorporated what in his judgment were their best features, made certain additions, changes and omissions designed to increase the protection of the banks and certain modifications in the provisions exempting the companies from liability.

A standard form is planned, which it is hoped the companies will agree to, that will give the banks increased protection and

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simplify the conditions surrounding the contract. Upon mere considerations of uniformity a standard form is greatly to be desired, as it reduces the contract with every bank to the same single set of provisions in place of the dozen or more policies now on the market, no two of which are alike as to provision. No small part of the work of General Counsel in the last few months has been in replying to questions of members concerning the merits of different forms of burglary policies offered to them by different companies.

RENEWALS OF FIDELITY BONDS.

As a result of an investigation made last spring, your Counsel found that a number, but not all, of the surety companies were requiring banks, preliminary to the renewal of fidelity bonds, to sign a certificate to the effect that the books and accounts of the employees had been examined and found correct in every respect; that all money and property in their control or custody had been accounted for, with proper securities and funds on hand to balance all accounts; that none of them were in default, and that they had performed their duties in an acceptable and satisfactory manner.

General Counsel has advised members not to execute certificates containing such absolute warranties, as should they be incorrect in any respect, because of undiscovered defalcations, the courts would hold they constituted false representations which would nullify the renewal insurance. The Supreme Court of Illinois, in Fidelity & Guaranty Company *vs.* First National Bank of Dundee, 84 N. E. Rep. 670, said of such a certificate: "The law is well settled in its application to insurance contracts that a misrepresentation of a material fact, in reliance upon which a contract of insurance is issued, will avoid the contract, and it is not essential, in equity, that such a representation should be known to be false. A material misrepresentation, whether made intentionally and knowingly, or through mistake and in good faith, will avoid the policy. We think there can be no doubt that the representations upon which appellant relies were material. The points covered by the certificate of the President were particularly required by appellant's letter. The request of appellant for information upon these points makes the answer material. The rights of the parties therefore depend upon whether the representations were true or false."

Some companies do not require the execution of any certificate upon renewal of fidelity bonds, and some insist upon renewal certificates from certain classes of banks while not requiring them of others; but wherever executed, members have been advised not to certify to such statements absolutely but only to the best of their knowledge and belief.

THE PROTECTIVE WORK.

Since the new and efficient management of the Protective Department of the Association, inaugurated a year ago, General Counsel has been in close touch with the work of that department, and has been constantly called upon for advice concerning criminal laws, penalties and procedure.

A notable case is that of one Charles M. Meeker, to which considerable attention has been given. Meeker, during last fall and winter, was engaged in issuing time drafts upon The London Commercial Banking Company, S. A., so-called, against a pretended credit, the drafts being negotiated by various payees and invariably proving worthless. The scheme, admittedly fraudulent, was a cunningly devised attempted evasion of the criminal laws, the drafts being issued in each instance under a contract with the payee that the latter would himself make them good before maturity, none of the proceeds going to Meeker, but only a commission for the use of the drafts, and they were generally issued in one State and negotiated in another. Meeker was arrested in New York on March 17 in connection with a draft issued in New York to a payee in New Jersey and negotiated to a New Jersey bank, but no crime could be made out from this transaction, the payee apparently believing the draft to have been good, and Meeker was discharged. Having been indicted in the interim in Texas, jointly with others, because of similar operations, he was immediately re-arrested in New York, and has been ever since fighting extradition to Texas, an array of legal counsel having appeared in his behalf at a number of hearings both before the Governor of New York, who honored the requisition, and before the Supreme Court where the case is still pending on appeal. Throughout Meeker has remained in jail, not having furnished the required bail.

Turning to a case of a different nature, concerning which brief mention should be made, on June 4 an action was brought in the Superior Court of Los Angeles by one Louis Schneiderman, against the Burns & Sheridan National Detective Agency and others, including the American Bankers' Association, asking for damages by reason of an alleged false arrest in connection with the forgery of certain drafts which had been cashed by two banks in San Antonio, Tex. Schneiderman was arrested in California and taken to Texas, and was released because the San Antonio banks failed to identify him as the person who cashed the drafts. When released from custody, the two San Antonio banks settled with Schneiderman by paying him $168, for which he executed a release to those banks for "expenses and loss and damage sustained," but coupled with the provision that it did "not release the American Bankers' Association or their detectives, the Burns & Sheridan National Detective Agency, on account of any part they took" in the arrest. Upon his return to California Schneiderman immediately entered suit, naming as defendants the American Bankers' Association, the Burns & Sheridan Agency, E. R. Mills, their local superintendent, and R. Stone, the city marshal of Fullerton, Cal., demanding damages in the modest sum of $100,000, and also including as defendants the two bondsmen of the city marshal, from whom he demanded $5,000 each additional damages. Without serving any of the other defendants, the summons and complaint were served on the Merchants' National Bank of Los Angeles as a member of the Association, and this, it was contended, was a sufficient service on the Association to give the court jurisdiction under the California statute which provides that when two or more persons associated in business transact such business under a common name the Association may be sued by the common name and the summons may be served upon one or more of the parties. The law firm of Gray, Barker, Bowen, Allen, Van Dyke & Juten, attorneys for a number of Los Angeles banks, was retained on behalf of the Association, the necessary affidavits were prepared showing that this Association was not of the character contemplated by the statute and forwarded to California, and a motion was made to quash the service of the summons. The motion was argued and briefs submitted, and on July 23 the Court granted the motion. This ended the case so far as our Association is concerned without the necessity of going into the merits or of establishing its non-liability on other grounds.

THE CORPORATION TAX LAW.

A number of cases involving the constitutionality of the Corporation Tax Law were argued before the Supreme Court of the United States last spring, but no decision was rendered, and on May 31 the Court restored the cases to the docket for reargument at the October term. Last January General Counsel took up with the Treasury Department the question whether interest received on Government bonds could be deducted in ascertaining net income and presented an argument in favor of such deduction, but his contentions were overruled.

BILLS OF LADING.

The past year has been a busy one for the Committee on Bills of Lading, and in their various acts and proceedings your General Counsel has actively participated. A new bill was drafted on behalf of the committee and introduced in the House by Congressman Stevens of Minnesota on January 7. This measure was designed to make a bill of lading in the hands of a bona fide holder good and enforceable against a carrier, notwithstanding it had been issued without receipt of the goods or had not been taken up when the goods were delivered, as well as to make an altered bill valid as originally drawn, and it also provided certain requirements as to form. The measure was given a hearing by the House Committee on Interstate and Foreign Commerce on February 7. This measure was designed to make a bill of lading in the hands of a bona fide holder good and enforciable against a carrier, notwithstanding it had been issued without receipt of the goods or had not been taken up when the goods were delivered, as well as to make an altered bill valid as originally drawn, and it also provided certain requirements as to form. The measure was given a hearing by the House Committee on Interstate and Foreign Commerce on February 7 at an all-day session which lasted well into the evening, and was opposed by a number of railroad attorneys. On May 3 the House Committee agreed to report the bill, with certain amendments, only two of the eighteen members dissenting, and on June 7 it was reported to and passed by the House of Representatives by an almost unanimous vote. The bill was then referred to the Senate Committee on Interstate Commerce and given three hearings on June 16, 20 and 21, but the time was too short for its proper consideration, and the final action of the committee was postponed until next winter. The report of the Committee on Bills of Lading will inform the members of the Association more at length, not only with regard to the progress of legislation but also the work done by a sub-committee in the obtaining of validation certificates upon export cotton bills and in relation to the foreign situation, as well as concerning the various other activities of the committee.

GENERAL SERVICES FOR COMMITTEES AND MEMBERS.

During the year General Counsel has been called upon by a number of committees for the performance of a variety of services which need not be detailed, and many articles have been written and contributed to the pages of the Association *Journal*. The work in the promotion of legislation has included attendance at numerous conferences and official hearings, as well as the preparation of a number of legal arguments in support of particular measures. Throughout the year the correspondence and opinion branch of the work of the Counsel's office has been very extensive. Information has been furnished to members in all parts of the country, upon request, concerning statutes, decisions, customs and a variety of subjects connected

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with banking. Written opinions, many requiring much time and research, have been rendered upon numerous questions of banking law. In all, 188 such written opinions have been prepared and forwarded during the year. A very large part of the time of General Counsel has been occupied in work of this character, and from many sources comes evidence that this exacting and technical work in behalf of the individual membership is appreciated.

APPENDIX.—THE SCHNEIDERMAN CASE.

(Statement by General Counsel.)

It has been suggested that many members of the Association may be interested in a more detailed statement of the facts and proceedings in this case than is made in my general report to the Association, and I have been requested to make such statement.

The facts in brief are as follows: On January 11, 1910, a man giving his name as A. J. Van Houten opened an account with the Alamo National Bank of San Antonio, and about the same time a man, giving his name as O. H. Nance, opened an account in the State Bank and Trust Company of San Antonio. These accounts were carried along in a small way for a couple of months, when on March 8, 1910, Nance presented to the State Bank and Trust Company a draft for $300, dated March 1, 1910, purporting to be drawn by the Grapevine National Bank of Grapevine, Tex., on the Hanover National Bank of New York, payable to the order of O. H. Nance, and drew $180 on it, leaving a supposed balance of $120 to his credit at the bank. This draft was sent to New York, and on the 11th the bank was advised by telegraph that it was a forgery.

About the same time another draft dated March 1, 1910, purporting to be drawn by the Central National Bank of Boonville, Mo., on the Corn Exchange National Bank of Chicago to the order of A. J. Van Houten for $250 was deposited in the Alamo National Bank by Van Houten which was also a forgery and on which the bank sustained a partial loss.

These cases were reported to the American Bankers' Association and referred to the Burns & Sheridan National Detective Agency for investigation. That agency had an investigator, located at Houston, Tex., go to San Antonio for the purpose of making a thorough investigation. There was no doubt that the forgeries had been committed by one person, using the names of Van Houten and Nance, as the descriptions given by each bank of such person closely tallied. A thorough investigation was proceeded with, the former residence of Van Houten in San Antonio located, and it was learned that he had a wife and two small children and had recently departed for Mexico, husband and family going independently. The trail was followed into Mexico, where it was established to the satisfaction of the investigator that Louie Schneiderman, whose description corresponded with that of Van Houten, and who had a wife and two children of corresponding ages and appearance, and who had also gone from San Antonio to Mexico, his wife and children likewise traveling there independently, was the person wanted. This being established (whether rightly or wrongly is still under investigation, as the Texas investigator still maintains that he is right), the trail followed the movements of Schneiderman and his family, and Schneiderman was finally located in Fullerton, Cal., where he was pointed out to the city marshal by the Los Angeles agent of the Burns Agency as the person for whom a warrant had been issued in Texas and was thereupon arrested.

Schneiderman, while declaring his innocence, consented to accompany the officers to San Antonio without extradition. Upon arrival in San Antonio and spending a night in jail, the tellers of the two banks were unable to identify him, and expressed the opinion that Schneiderman was not the man who, under the names of Van Houten and Nance, had defrauded their respective banks. Schneiderman was thereupon released from custody and settled with the two banks, they paying him $168 and taking from him a release for all expense, loss and damage sustained, the release, however, expressly providing that it did not include the American Bankers' Association or the Burns & Sheridan National Detective Agency for the part they took in his arrest.

Upon Schneiderman's return to Fullerton, Cal., he immediately entered suit on June 4, 1910, in the Superior Court for the County of Los Angeles, naming as defendants William J. Burns, William P. Sheridan, E. R. Mills (the local superintendent), R. Stone (the city marshal of Fullerton), the American Bankers' Association, the Burns & Sheridan National Detective Agency and Charles E. Ruddock and D. S. Linebarger. the last two being bondsmen of the city marshal, asking as damages $100,000 against all the defendants, except the two last named, and from them asking $5,000 each.

The summons and complaint in this action were not served on any of the defendants, except that service was made upon the Merchants' National Bank of Los Angeles as a member of the Association, under the California statute, which provides that when two or more persons associated in business transact such business under a common name, the Association may be sued by the common name, and the summons may be served upon one or more of the parties.

Notice of this action was immediately wired to headquarters of the Association in New York, and the law firm of Gray, Barker, Bowen, Allen, Van Dyke & Jutten of Los Angeles were retained to represent this Association.

Our California attorneys were advised that even if a mistake had been made, this Association could not be held responsible in the matter, as while the general rule of law is that the master is liable for the negligent act of his servant committed within the scope of his employment, the rule is different where the one employed is an independent contractor; that in such case the rule is that the employer is not liable for the negligent acts of the contractor or his servants where the contractor carries on an independent business, and in doing his work does not act under the direction and control of the employer. The legal relation between the Association and the Burns & Sheridan Agency was explained, and the latter was shown to be an independent contractor, over whose specific acts in pointing out particular persons who should be arrested the Association exercised no control. It was furthermore questioned whether the California court could acquire jurisdiction in the case by service upon a single member bank, and the California attorneys were requested to do nothing which would waive the point of no jurisdiction.

Our California attorneys acted with promptness. Upon their request affidavits were prepared in New York and forwarded to California, showing that the American Bankers' Association was not a business organization such as contemplated by the California statute, and they thereupon made a motion to quash the service of summons. This motion was duly argued, and a brief filed, and on the 23d of July the Superior Court of Los Angeles rendered a decision granting the motion. This ended the case so far as this Association is concerned, the effect being to leave the Association in the position of not having been sued.

Should a case of this kind ever come to the point of requiring a defense upon the merits, it seems quite clear that there would be no responsibility on the part of the Association for a mistaken arrest of this kind which was not made pursuant to the personal direction of any of its officers, but through the acts of an independent agency upon their own responsibility, and furthermore, from the standpoint of responsibility of all the other defendants in this particular case, the giving by Schneiderman on payment of $168 of a release to certain but not all of the parties whom he sought to hold responsible, looking to the others for the disproportionate amount of $100,000, raises the interesting question whether he could apportion his damages between all such parties in this way, and whether he did not thereby release all from responsibility.

If a mistake has in reality been made and an innocent man arrested, the case is one of most remarkable coincidences. According to investigator's reports the man arrested and the man wanted were both Russian Jews, of same age and general appearances; both were married and had two children of corresponding age; the wives of both were of the same age and general appearance, and both lame in the right hip; both at about the same time left San Antonio and went into Mexico, their families also going there, but separately; the wives of both men formerly lived in Indianapolis or vicinity; Schneiderman, it was reported, had been engaged in selling check punches and illustrating how easily checks could be raised, while Van Houten had had a printing press at his San Antonio residence which he was supposed to have shipped out of San Antonio, but which could not be afterwards located.

Report of the Treasurer, P. C. Kauffman.

TACOMA, WASH., Sept. 15, 1910.

Mr. President and Gentlemen:

You will find my financial report as Treasurer printed on page 12 of a pamphlet which has been distributed throughout the hall. There is no necessity, therefore, for my reading the report in full, but I wish to call your attention to a few of the most important items.

The cash balance on hand September 1, 1909, was $2,107.86. The total receipts for the current year were $186,021.47.

Owing to the increasing activity of the Association in all lines, the expense of operation for the year was $186,850.43, leaving a cash balance September 1, 1910, of $1,278.90.

On August 6, 1910, the Secretary forwarded to the Treasurer, for collection, 10,987 drafts on account of the current membership dues, amounting to $178,297.50. These drafts were at once sent out for collection, and up to this writing over $125,000 has been collected, and the Treasurer expects to have the collection completed by the last of October.

For investment, the Association holds the following stocks and bonds, which are deposited with the Bankers' Trust Company of New York, as per instructions of the Executive Council. Interest on these securities is regularly collected by the Trust Company and forwarded to the Treasurer, and by him credited to the Association account. The securities are as follows:

$10,000 Government 4% Bonds of 1925.
30,000 Atchison, Topeka & Santa Fé 4% Bonds of 1995.
50,000 Chicago, Burlington & Quincy Illinois Division 4% Bonds of 1949.
30,000 New York City Registered Corporate Stock, 3½%, due 1940.

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I sincerely trust that every member of this Association, certainly every member present, will analyze the Treasurer's report carefully, especially the Financial Statement appended thereto, showing the appropriations made to and expenditures made by the several Sections and Committees, as it is only by a careful persual of these reports that you will be enabled to gain to clear insight into the activity of this great organization, and appreciate fully the magnitude of the work it is doing.

In my report at Chicago last year I explained fully the manner in which the financial accounts of the Association are kept, and I would like that portion of last year's report, which is found on page 99 of the Report of the Chicago Convention, to be considered in connection herewith. It is difficult to see how any improvement could be suggested, as the work is so thoroughly systematized.

This being my last term as Treasurer, for I take it that the "unwritten law of two terms" will prevail at the Convention, I will turn over the cares and responsibilities of my office to my success, whoever he may be, congratulating him that on account of the splendid organization that prevails in Secretary Farnsworth's office in New York, he will find the cares of the office to be but few and the responsibilities light.

I desire to express my sincere thanks to Secretary Farnsworth and the assistants in his office for the uniform courtesy I have received from them during my tenure of office. It has been pleasant indeed to have been associated with such competent officials.

To the members of the American Bankers' Association, who have twice honored me by election to the high office of Treasurer; to the officers of the Association and of the several Sections; to the members of the Executive Council, collectively and individually, I desire to express my deep appreciation of the high honor conferred upon me, assuring you that one of the happiest and pleasantest experiences of my life has been my official connection with this great Association, and I am sure it will ever remain one of my brighest recollections. *"Forsan et hoec olim meminisse juvabit."*

Respectfully submitted,

P. C. KAUFFMAN,
Treasurer.

Report of the Standing Protective Committee.

NEW YORK, September 1, 1910.

To the Executive Council, American Bankers' Association:

GENTLEMEN: Your Standing Protective Committee submits herewith its annual report for the fiscal year ending August 31, 1910.

The past year has been an eventful one for the Protective Department of the Association, in view of the necessity for changing our detective agents to the Burns & Sheridan National Detective Agency, which change, we are glad to report, thus far indicates a decided advantage in the prosecution of our work.

In 1900 the Association was paying the Pinkerton Agency for services as a retainer, on a basis of 4,326 members, as per contract, as follows:

1,500	members at	$3.00
250	members at	2.50
250	members at	2.00
2,326	members at	1.50

an average of $2.10 per member.

When our membership was 6,500 we were paying a retainer fee of $3.00 per member to our former detective agency (The Pinkertons). Believing that the general cost of administration would not proportionately increase with the membership, and with 10,000 members there should be a reduction in retainers, the Protective Committee, in December, 1908, acting on the suggestion of the secretary, asked for a reduction, which the Pinkerton Agency rejected. It seemed impracticable to sever relations at that time, and the Pinkerton Agency proposed to renew a former contract, which was for one year; but this contract was not made, and the entire matter was referred to a Special Protective Committee created by the executive council in May, 1909. This Committee, composed of Mr. F. H. Curtiss of Boston, Mr. D. S. Culver of St. Paul, and Mr. E. K. Smith of Texarkana, held several meetings and met the representatives of the Pinkerton Agency, the agency making a proposition for a new contract for three years. The Special Committee reported this proposition to the council at the time of the Chicago convention, and the executive officers were authorized to make a three-year contract on former terms —$3.00 per member retainer. On the return of the general secretary to New York City he was notified by the Pinkerton Agency that they would not make a contract for less than five years, no plausible excuse being given for this action, except that the agency had changed its mind. The Standing Protective Committee, executive officers and the Special Protective Committee met and notified the principal of the Pinkerton Agency that they had no authority to make a contract for more than three years. The principal, after making clear his belief that their own organization was the only one that could handle the Protective Committee's work, abruptly, and without proper notice, refused to handle new work for the Association. Your Committees had fortified themselves against this situation through an understanding with W. J. Burns, with whom a contract was immediately executed to carry on the protective work of the Association, without prejudice to its interests, contrary to the expectation of the former agency in its abrupt action. The new contract covers in a general way all of the work and details as provided for in the former agency's contract, and with a very liberal reduction from the amount paid the former agency in retainer.

For several years succeeding, Protective Committees and officers of the Association had been dissatisfied with the methods employed, results obtained, compensation exacted, and attitude assumed by the Pinkerton Agency in handling the protective work of the Association; so much so, that four years ago a change was considered necessary and an arrangement verbally discussed and tentatively agreed upon with another agency, which for reasons obvious at that time, failed to continue negotiations.

Since the termination of its contract the Pinkerton Agency has been persistent in its efforts to secure the support of the members of the American Bankers' Association for the maintenance of their organization, which is in every way antagonistic to our Protective Committee and their present agency, and whose efforts they have harassed and hindered in every way possible.

The following paragraph is taken from a letter sent to the American Bankers' Association by the Pinkerton National Detective Agency:

> "The little personal benefit, if any, that the agency receives from being advertised as your agents is more than nullified by the loss of understand that the agency was back of the members of your Association, which professional criminals now very generally recognize through the American Bankers' Association sign."

If the Pinkerton Agency meant what is said in this statement, why its unusual activity in endeavoring to secure the business of the members of the Association through the establishment of its own bank detective agency?

In spite of this guerrilla warfare, in spite of gross misrepresentations, and in spite of repeated predictions by the Pinkertons in articles prepared by them for the press to the effect that the bankers would be made a target of attack by the criminal classes on account of the withdrawal of their own services, the work of the Association has never been better handled than during the past few months, and it is remarkable to note that since the Burns & Sheridan Agency took up the work, there have been five burglaries and twelve attempted burglaries, classified as follows: Burglaries by professionals, five; eight arrests in three cases. Attempted burglaries by professionals, six; two arrests made in one case. Attempted burglaries by amateurs, six; five arrests made in four cases, making in all fifteen arrests in eight cases.

In classifying professional and amateur burglary cases, a professional operation is where explosives are used, and an amateur operation is where no explosives are used.

The above statistics cover the period from November 22, 1909, up to and including August 31, 1910—283 days actual time.

During the period from September 1, 1909, up to and including November 22, 1909—83 days under the Pinkertons—there were four burglaries and five attempted burglaries. All these operations were of a professional order, with the exception of one attempted burglary. No arrests were made, directly or indirectly, by the Pinkertons, or anyone else in connection with these operations, that is, during the period referred to, but the St. Louis, Mo., police arrested one party in connection with one of these burglaries who was trying to pawn a watch taken from the vault of one of the banks; he was later acquitted.

For two years prior to the termination of the contract with the Pinkerton Agency, as well as during the past year, the sphere of protection has been extended, covering all classes of crime against banks, which policy was always vigorously opposed by the Pinkerton Agency, as it would deprive them of private business they might otherwise obtain direct from the banks, and consequently our members have been receiving and are receiving to-day more in the way of protection against crime than ever before in the history of the Association.

This work can only be made fully successful by being completely and entirely entrusted to one authority; a conflict of authority in handling cases cannot but fail to prevent achievement of the best results.

With this in mind, your Protective Committee feels justified in suggesting that in their judgment your interests would be best served by loyally supporting with all your influence the work of the Protective Department and its agents, Burns & Sheridan, and avoiding entanglements with any other protective service.

The Protective Department was established in 1894. The expenditure for this work has aggregated a half-million dollars, of which about $450,000 was paid the Pinkerton Agency.

Since the establishment of our Protective Department, Au-

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gust 2, 1909, and placing in charge thereof Manager L. W. Gammon, it has been proven beyond question that this was a wise move. Mr. Gammon is particularly well adapted for this work. His training of sixteen years in the Secret Service has fitted him to cope with all conditions surrounding his Department. Since its establishment this Department makes up its own criminal records, based on actual reports. We are now advertising our own Department and not a detective agency, and neither our Agency nor our Department are taking credit for work done which rightfully might belong to State associations, municipal criminal departments, or to sheriffs. In this plan our new Agency, the Burns & Sheridan, is entirely in sympathy with our Department.

The appointment of Mr. Gammon appears to have been resented by the Pinkerton Agency; they did not relish his surveillance over their work.

Our former agency (the Pinkertons) has frequently made the statement that the new agency and the Association had no records or pictures of criminals. In our own offices and our new Department we have sixteen years' records of criminals, which were furnished us by the Pinkertons. We have a rogues' gallery of over 1,200 live criminals, and an up-to-date cabinet for displaying and preserving these pictures, with a complete card-index and in many cases Bertillion measurements.

We have eliminated in all reports and in our publications all allusion to banks that are depredated upon, believing that our member banks would prefer that their banks not be mentioned by name in these reports.

We have had many evidences of approval of our action in the changes which have been made. State associations have endorsed the Burns & Sheridan Agency, and letters have been received from officers of various State associations and from our members in all parts of the United States, commending the changes and expressing the utmost loyalty.

In May last it was alleged that the Burns & Sheridan Agency made a false arrest in California. The man wanted was one Van Houten. The man arrested called himself Schneiderman. The clues were followed and the evidence produced was very strong, but the tellers at San Antonio, Tex., failed to identify the man. This case will be covered in detail in the report of the general counsel.

The full financial report of the Standing Protective Committee with information regarding the operations of the Protective Department, are covered exhaustively in the financial reports and in that of Manager L. W. Gammon of the Protective Department, and are published in the annual pamphlet following this report.

The Burns & Sheridan Agency is also making a detailed report of the work accomplished by them since November 22, 1909, to the end of the fiscal year, August 31, 1910. This report will be published in the annual proceedings and is also furnished in pamphlet form for distribution at this convention.

The following figures are given for your information, being the reported burglaries and attempted burglaries on banks since the inauguration of the protective feature:

Non-members	1,143	Lost	$1,585,709.84
Members	220	"	165,484.14
Difference	923		$1,420,225.70

All of which is respectfully submitted.

THE STANDING PROTECTIVE COMMITTEE.

Report of Manager Protective Department, L. W. Gammon.

I have the honor to submit this, my first annual report, containing a summary of the work of the Protective Department during the fiscal year ending August 31, 1910, as submitted and approved by the Standing Protective Committee.

The arrests made by our former detective agents, our present detective agents, and other qualified officers in cases where members of this Association were interested number as follows:

Forgers and swindlers	173	
Sneak thieves	2	
Hold-ups	7	
Burglars	17	
		199

Of the above total (199) 40 arrests were made during the period prior to November 22, 1909, and in the closing days of the work of our former detective agents, and 159 arrests have been made during the period covered by our present detective agents.

Of the arrests above mentioned 98 were convicted; 57 are awaiting trial; 27 acquitted; 13 are fugitives from justice; 4 were killed or committed suicide.

FINANCIAL STATEMENT.

From Sept. 1, 1909, to Aug. 31, 1910, inclusive.

Sept. 17, 1909,	By Appropriation of Executive Council	$25,000.00	
May 3, 1910,	By Appropriation of Executive Council	12,000.00	
May 3, 1910,	By Appropriation of Executive Council	25,479.35	
			$62,479.35
	By refund of Pinkerton's National Agency		49.42
	By amount received from Merchants' National Bank, Indianapolis, Ind.		4.41
			$62,533.18

DISBURSEMENTS.

Rent	$416.60	
Salaries	4,953.93	
Telephone, telegraph and cablegrams	262.93	
*Pinkerton's National Detective Agency, account special work	15,837.77	
†Pinkerton's National Detective Agency, account retainer	16,425.95	
Burns & Sheridan National Detective Agency, Inc., account special work	16,483,60	
Burns & Sheridan National Detective Agency, Inc., account retainer	6,295.88	
Establishing agencies	531.96	
Books, stationery and printing	141.70	
Extra help	39.75	
Executive Council Meeting at Atlantic City, N. J..	25.00	
‡Texas Bankers' Association, Austin, Texas, account pro-rating	112.08	
Department's expenses—ice, water and towels.....	18.65	
Sundries, storage chests, press clippings and witness fees	45.95	$61.591.73
August 31, 1910, Credit balance.....		$941.43

*Of the $15,837.77 paid the Pinkertons for special work, $9,154.37 was on account of special cases (unpaid bills) contracted for during the fiscal year ending August 31, 1909.

†The disbursements on account of the work of the Protective Department from September 1, 1909, up to and including August 31, 1910, amounted to $61,591.75. Of the $16,425.95 retainer fee paid the Pinkertons, $9,758.00 was paid for the months of May, June, July and August for the fiscal year ending August 31, 1909.

‡The amount paid the Texas Bankers' Association, $112.08, was in connection with pro-rating a case contracted for prior to the close of the fiscal year ending August 31, 1909.

The total of the amounts mentioned above, which were incurred during the fiscal year ending August 31, 1909, but paid during the present fiscal year, is $19,024.45.

Prior to this year such items as rent, salaries, books, stationery, printing, telephone, telegraph, traveling expenses, extra help, etc., were always paid by the General Secretary's office, and were not charged against the work of the Protective Committee. These items amount to $5,904.51 this year.

The Protective Department was established under my management September 1, 1909. At that time the Pinkerton's National Detective Agency were our detective agents. On November 22, 1909, a change was made by the Standing Protective Committee and the General Officers of the Association, and a new contract was entered into with the Burns & Sheridan National Detective Agency, Inc. The Pinkertons continued to investigate all cases that had been previously taken up by them prior to November 22d until December 20th, when they ceased to investigate any cases for this Association.

Upon assuming the management of this Department the first instructions I gave our detective agents were that all daily reports should contain itemized daily charges for each day's operations. My object in issuing such instructions was primarily to decrease the possibility of excessive or improper charges that might be incorporated in the bills when presented at the end of each month. Formerly there was practically no way of checking the bills as rendered, and by having the charges embodied in each day's report it is a very simple and sure method to determine if the charges were incurred or not, and if they were legitimate; also if any errors occurred that could be rectified at once. In this way it facilitated the checking up of bills at the end of each month and saved a great deal of time as well.

At the beginning of the fiscal year, September 1, 1909, a new system of filing was inaugurated, whereby each case reported to the Department received a separate jacket with the proper notation thereon, showing the name of the bank reporting same, and the nature of the case. In this way it lessened the chances of reports being misplaced, and facilitated the handling of same and in keeping track of the progress made in each case; not to mention the amount of time saved. The various cases are filed alphabetically by States, cities and towns in the States, and banks in the cities and towns.

During the year this Department received 13,997 reports from our former and present detective agents, and each report was read over, and the charges embodied therein were checked up. In addition to the reports there were received 1,443 letters, telegrams and cablegrams; and 4,439 letters, telegrams and cablegrams were written in connection with the work. The above figures do not include communications received from State Bankers' Associations throughout the country, as well as police departments, local authorities, sheriffs, etc., such as circular letters, warnings, notices of reward, etc.

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Under our former detective agents this Association did not receive the photographs of criminals with the exception of those contained in the bulletins which they issued quarterly to our members. Since our present detective agents have taken up the work this Association has received photographs of all criminals who have operated and are likely to operate against our members, with a result that we now have 1,197 photographs in our gallery, none of which are "dead ones." This gallery will hold approximately 6,000 photographs. Additional photographs are being received daily which are of great value. A complete record is kept of each photograph by having a numbered card corresponding to the number of the photograph, as well as a criminal card giving the description and complete history of each criminal. In addition, a complete card record is kept of the operations of all persons reported by our members, irrespective of whether a member has been operated on, or a depositor or individual. In that way a record is kept and we can determine that although a person may be responsible for a depredation on a member of this Association, the evidence is not sufficient to secure a conviction for that particular crime, we have our detective agents try and arrange for his surrender to other authorities in connection with some other crime. All matters for the monthly *Journal* which are reported by our detective agents are verified by the Protective Department before being published.

For a more detailed statement of the results obtained in each individual case, I respectfully refer you to the monthly *Journal* of the American Bankers' Association, published with the *Bulletin* of the American Institute of Banking.

There are two points that I especially desire to call your attention to:

First.—As to the so-called "Yegg" burglars, which our former detective agents predicted would commence their operations when they learned that the Pinkerton Agency were no longer the detective agents of the American Bankers' Association.

Second.—The prediction that the rates for burglary insurance would be increased.

These predictions have not come true, and it can be readily seen that predictions of this nature are not only problematical, and to say the least, dangerous.

Of the burglaries and attempted burglaries, which number 26 during the fiscal year just ended, under our former detective agents, covering a period of 83 days (from September 1, 1909), there were 9 cases, all being professional, with one exception. They made no arrests, directly or indirectly, in any one of these cases. One arrest was made by the police of St. Louis, Mo., after the Association had severed relations with the Pinkertons. The man arrested was trying to redeem a watch from pawn which was identified as being part of the loot taken by those who burglarized a bank member at Stronghurst, Ill. This man was returned to that place for trial, and later acquitted.

Under our present detective agents' contract, covering a period of 283 days (from November 22, 1909), there have been 17 burglaries and attempted burglaries, 11 of which were professional and 6 amateur. Fifteen arrests have been made in 8 cases during this period by the Burns & Sheridan National Detective Agency, Inc., who are entitled to the full credit for 10 arrests in 5 cases. (This includes one rearrest.) The local police and other officers are entitled to full credit in 3 additional cases, with a total of 6 arrests. So out of a total of 17 cases 16 arrests have been made in 8 cases, and the prospects are very good for other arrests. It has been determined who the responsible parties are in the above cases with the exception of three, and it has so far been impossible to secure any results in these three cases, for the reason that no one could identify the parties implicated in those cases.

In the matter of arrests, I wish to state that they were made in connection with operations against members of this Association. Formerly the number of arrests included all those made in connection with investigations made for the various State Bankers' Associations, Surety Companies, etc. While the report as formerly submitted was misleading, inasmuch as a large number of arrests were reported and carried on the records when, as a matter of fact, they had nothing whatever to do with this Association, as a number of these arrests were on account of operations where our members were not interested. They were carried under the title of "General"; very few of our members understood the distinction between the titles of "Special" and "General." Our present detective agents, in making their annual report, only report the cases where our members are interested, and do not include private cases that they have investigated.

For some time back the Protective Committee did take up amateur cases where the persons implicated were apt to become professional. In the past year we have devoted a great deal of time and expense to investigations of amateur cases. Of course this broad view taken by the Protective Committee is meeting with the approval of our members. Heretofore the amateur cases were not investigated by this Association, and if one was made the expense had to be borne by the bank member interested; this year no member has been called upon to pay for any investigation of a case they reported to this Department where they had the necessary warrant sworn out and agreed to prosecute the culprit should he be apprehended.

I hardly consider it necessary to call your attention to any particular case, as mention has been made of the various cases under the Protective Department in the monthly "Journal."

In connection with legal matters appertaining to the Protective Department I have had the able assistance and hearty co-operation of the General Counsel of the Association.

The Protective Department is connected with the Burns & Sheridan National Detective Agency, Inc., by private telephone, thereby avoiding delays in transmitting messages and insuring secrecy from the public.

This Department has all the reports that have been rendered to the Standing Protective Committee by our former detective agents for the entire period of their retention by the Association (15 years), and they are being arranged in keeping with the present system of filing.

In conclusion, I wish to thank the members of the Standing Protective Committee, Special Protective Committee, the General Secretary, and various officers of the Association, as well as individual members, police and Federal officials for their hearty co-operation and assistance rendered to me during the fiscal year just ended, in furtherance of my efforts to obtain the best results for the interests of the American Bankers' Association.

Report of the Fidelity and Burglary Insurance Committee.

To the American Bankers' Association:

Your Committee appointed to report on Fidelity, Burglary and Fiduciary Bonds begs to report that it has taken up the work and has been seeking information on the three distinct forms of insurance that have been assigned to it, and the task imposed is a stupendous one. A majority of this Committee have previously served on a similar committee of the Association, so that some forms of the question are not entirely new to us.

At the time the former Committee on Fidelity Insurance was discontinued in 1904 the average rate paid for Fidelity Insurance Bonds was $3.04 per thousand or 85 cents per thousand less than at the time of the original appointment of the committee in 1899. The members of the Association in 1904 were carrying $145,196,528.00 of Fidelity Bonds and were paying an annual premium of $434,475.12. The number of employees covered by such bonds was $18,598, and of this number 5,579 were bonded under the American Bankers' Association copyrighted form of bond.

The fidelity insurance companies in 1899 were paying only about 20 per cent. of their liabilities. At the time the committee was discontinued the policy of the companies had changed and they were paying 60 per cent. of the losses and contesting the remainder. In 1899 the Association had a membership of 3,915; in 1904 a membership of 7,500, and today a membership of 11,500. The number of banks in the United States in 1899 was about 12,000, in 1904 about 19,000, and in 1910 27,000. We quote these figures or statistics on banks and membership that you may realize the growth of the banking interests and of the Association, and that you may realize how the work of a committee in seeking information has also increased.

OUR FINDINGS.

We find that the surety companies, about the time the former committee was discontinued had formed an association which still exists and holds regular meetings.

We find that the average rates for Fidelity Insurance are about the same as in 1904, the present average rate being $3.06 per thousand as against $3.04 per thousand in 1904.

We find that the amount of Fidelity Bonds carried by the membership of the Association is about $292,048,800.00, and the premium paid $895,000.00.

We find that many of the leading companies write the American Bankers' Association copyrighted form of bond when required, and some of them defeat the provisions of the bond by guaranties made in the form of application required and signed by officers concerning the applicants for bonds.

We find that there has been a general change in the policy of management of surety companies, and that they generally pay their losses without litigation.

We have not had the time to study the cases that have been litigated so as to determine the merits of each, and be able to determine as to whether the companies are justifiable in their actions or not.

We find that there had been an increase of rates on Fidelity Bonds, but shortly after the appointment of this committee there was a reduction of from 50c. to $1.00 per thousand.

We believe the interest taken in Fidelity and Burglary Insurance by the secretaries and committees of the different State Associations has been the means of keeping down the advance in rates, and has also encouraged the policy of prompt payment of losses on the part of surety companies. We cannot commend too highly the splendid work of the State Association along this line.

We believe that considering the ever increasing volume of

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Fidelity insurance business, and the fact that the bank employes are specially desirable risks and should be preferred, that the rates for this form of bond should not exceed 60 to 75 per cent. of the present rates or not to exceed $2.00 per thousand.

We find that two surety companies have entered into a contract with a certain detective agency whereby they pay to the agency a percentage of the premiums received from banks that are subscribers to their protective agency scheme, and claim to make a reduction to the banks that have entered into such an organization, yet the committee has failed to find a single bank that has been benefited by such a membership, and we wish to commend to the membership of this Association the Fidelity Insurance Companies which refuse to become parties of such an organization.

It is reported that in three States the Banking Commissioners refuse to accept the American Bankers' Association copyrighted form of bond. We have not had an opportunity to learn the cause.

It has been reported to us that the Banking Commissioner of the State of Missouri has prepared a special form of bond that is not only objectionable to the surety companies that have been asked to write it, but to the banks as well, and without regard to the banking interests of the State, is compelling the use of this pet scheme through the advantage he has by virtue of his office, and compelling the State banks to pay unnecessary and excessive premiums. In many cases the rates have been doubled.

BURGLARY INSURANCE.

Burglary Insurance as applied to the banks of the United States is a new subject to all members of this committee. We have endeavored to get definite information on this form of insurance, but have not had as complete returns as we would like from the banks.

Your committee investigated the claim made by representatives of a detective agency, that if the Executive Council of the American Bankers' Association did not enter into a contract with this agency the surety companies would cancel their burglary insurance policies with the country banks.

We made special inquiry of each of the burglary insurance companies doing business in the United States and they each emphatically denied the authority of any one to make such representations on behalf of their companies and the management of the detective agency afterwards said that no company had given them the authority to make such statements, nor had any representatives of the agency the authority to make it for them.

We received 4,564 replies to our inquiries on Burglary Insurance. The amount of such insurance reported is $64,133,565.00. The average rate paid is $3.00 per thousand and the rates vary from $1.35 to $11.66 per thousand, and the kind of bank equipment used has practically nothing to do with the rates.

One hundred and thirteen losses by burglary were reported during the year 1909. Thirty-nine were paid $78,200.14. The balance, with the exception of six, reported prompt and satisfactory settlements of their losses. The six banks entering complaints have not given sufficient information to determine anything about their cases.

Forty-four hundred and seventy-five banks report that their policies protect them against daylight holdups.

We find that there are many different forms of burglary insurance; that while it does not seem to be the general policy of the companies to contest claims, yet the policies are so drawn that the insured has practically no redress at law should the policies be contested.

We find that the applications for burglary insurance should be carefully read before signing, as there are many loop holes, such as to the time of opening of safes, personal supervision of officers, etc., and that would void the bonds if contested.

Mr. Thos. B. Paton, general counsel for the Association, at the request of this committee, has prepared a form of Burglary Insurance Bond to be copyrighted for the use of the members of the Association, together with forms of application blanks. This subject your committee has not had time to consider, and before doing so we wish to take it up with the different Burglary Insurance Companies so as to get a bond that will be acceptable and protect the insured, and one that will be written at a reasonable rate.

We find that the Burglary Insurance Companies have an association, and have their regular meetings the same as do the bonding companies doing fidelity business.

FIDUCIARY BONDS.

We have reports from 1,787 banks concerning this form of bond. Five hundred and seventy-two report that they give private bonds amounting to $8,685,500. One thousand two hundred and seventy-five banks use surety companies' bonds amounting to $49,522,450.00. Seven hundred and seventy-one of this number pay $5.00 per thousand and among the remainder rates vary from $2.00 to $10.00 per thousand.

The following quotations are from letters received pertaining to fiduciary bonds:

"We think that the rate on bonds to the State for the State deposit is entirely too high, but as all of the insurance companies have combined in this connection we have no other course but to submit. We certainly commend the American Bankers' Association for taking up this question and trust it may bear fruit."

"The surety companies, we feel, have been imposing upon us in another direction. In giving bonds to cover deposits of public funds, the companies will furnish only a bond for a fixed amount; that is to say, if the balances in the account run from $20,000 to $50,000, we would have to pay premium on the full $50,000 instead of on the average balance. Formerly, policies were written at one-quarter of one per cent. on the average balance; now we are required to pay one-half of one per cent. and bonds are written only for fixed amounts."

"The premium on our deposit bond for the year ending July, 1909, was $2.50. When it was time to renew it we found it had been raised to $5.00. We feel this unjust, and we would have refused to pay it but for our contract with the city running for another year. We were forced to pay it or break our own contract. We reduced the bond to the lowest possible limit and paid the unjust premium."

The rates charged by surety companies for Fiduciary Bonds was $2.50 per thousand. This rate was doubled or increased to $5.00 per thousand arbitrarily by the surety companies without any satisfactory reason or explanation given and can only be accounted for on the supposition that these companies through their organization or association have a working agreement whereby their members are compelled to write at such rates as are fixed by their executive committees, and it is a serious legal question whether or not many of these companies in such compact are not liable to a forfeiture of their charters and would be absolutely prohibited from doing business in several of the States.

The Treasury Department of the United States through its requirements has unwittingly been the means of helping this association of companies force others to charge excessive rates in order to obtain their share of the business.

The American Bankers' Association, the State Associations, and the individual banks of the country should all watch and carefully guard legislation as to all forms of surety companies' bonds, and see to it that such bonds may be given at the option of the party, public officer or corporation, and not mandatory as was recently attempted in the Illinois legislature.

Every State Association should instruct its legislative committee to carefully watch and consider such measures as are being prepared and systematically pushed by this association of surety companies.

CAUTION.

While surety bonds in many forms are commendable and desirable and it is proper that we should have State legislation permitting or legalizing their use, yet this form of insurance should be under as strict supervision by the different States as is required of life and fire insurance companies doing an interstate business, and above all the requirement for Indemnity bonds should be optional and not mandatory, which they will be if not watched.

We want to warn the banks of this country to not go surety company mad and needlessly throw to these companies business and its resulting profits that properly belong to banks, as we notice has recently been recommended in connection with our international trade relations with foreign banks.

ACTION OF COMMITTEE.

This Committee has asked legal advice on the various forms of insurance, but as a Committee has not met to consider the legal opinions rendered, so the legal phases have not been included in our report.

We have under consideration a plan that, when put in proper form, we believe will relieve the banks of the embarrassing requirements of paying excessive premiums for Fiduciary Bonds, but do not believe it would be advisable at this time to publish our plan, as it would give parties interested an opportunity to defeat our movement or at least make a desperate effort to do so.

RECOMMENDATIONS.

We would recommend that these different forms of Insurance be given further careful consideration by this Association.

That a special form of Burglary Insurance Policy be prepared for the exclusive use of the members.

That the present form of Fidelity Insurance Bond be further considered.

That special arrangements be made for Fiduciary Bonds.

That the American Bankers' Association and the State Associations be brought together so as to work in harmony on all the forms of surety bonds.

That the various plans for pension or retirement funds for employes of banks, members of the Association, be considered and reported upon.

We would especially recommend that the managing officers of every bank, a member of this Association, insist upon it that all communiciations from the officers or committees be placed upon their desks, and not left to the discretion of some employee who does not realize the value of such communications or the importance to the banking world; that they should be answered promptly and not consigned to the waste basket without the

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slightest knowledge on the part of the managing officers that anything had been received. Owing to the fact that there are 27,000 banks in the United States, all communications must of necessity be in circular letter form, yet they are of great importance to each bank when the information is obtained. This negligence annually costs the Association thousands of dollars of unnecessary expense.

Respectfully submitted,

JOHN L. HAMILTON,
GEORGE L. RAMSEY,
COL. F. H. FRIES,
CALDWELL HARDY,
W. P. MANLEY,
C. Q. CHANDLER,
C. E. BATCHELLER,

Report of Executive Council, by William Livingstone, Chairman.

Since the last convention of this Association, which was held in Chicago, September 13 to 17, 1909, the Executive Council has held two meetings; one immediately following the adjournment of the Chicago Convention and the other was held at Atlantic City, May 3 and 4, 1910. The details of these meetings were published in the *Journal* of October, 1909, and May, 1910.

Immediately following the adjournment of convention in Chicago the present Executive Council met and organized and elected the following officers:

Chairman, William Livingstone, President Dime Savings Bank, Detroit, Mich.
General Secretary, Fred. E. Farnsworth, New York City, N. Y.
Treasurer, P. C. Kauffman, 2d Vice-President Fidelity Trust Company, Tacoma, Wash.
Assistant Secretary, Wm. G. Fitzwilson, New York City, N. Y.
General Counsel, Thomas B. Paton, New York City, N. Y.

At the meeting in Chicago there were present 66 members, and at Atlantic City 65, the total membership of the Council being 74.

Such full attendance is conclusive that the respective members of the Council are thoroughly alive to the duties imposed upon them, that they manifest a keen interest in the affairs of the Association and are ever ready to lend their usefulness for the good of the Association.

At the first meeting of the Council the recommendation of the Chicago Convention that our convention for 1910 be held in Los Angeles was ratified.

A committee of five was authorized to be appointed by the Chairman to consider the subject matter of the resolution offered to the convention by Mr. William Ingle, Vice-President and Cashier Merchants' National Bank, Baltimore, Md, which related to surety bonds, and your Chairman therefore appointed the following committee:

John L. Hamilton, President Hoopeston National Bank, Hoopeston, Ill., Chairman.
Geo. L. Ramsay, President Union Bank & Trust Co., Helena, Mont.
C. Q. Chandler, President Kansas National Bank, Wichita, Kansas.
C. E. Batcheller, Cashier First National Bank, Fingal, N. Dak.
F. H. Fries, President Wachovia Loan & Trust Co., Winston-Salem, N. C.

At the request of this committee the following gentlemen were added, which action was deemed wise owing to their connection and valuable experience with the old Committee on Fidelity Insurance appointed some years ago:

Caldwell Hardy, President Norfolk National Bank, Norfolk, Va.
W. P. Manley, President Security National Bank, Sioux City, Iowa.

The address of the Comptroller of the Currency made at the Chicago Convention was published in our *Journal* and distributed to members of this Association as authorized.

The following members of the Finance Committee were appointed by your Chairman, as authorized by the Executive Council:

William George, President Old Second National Bank, Aurora, Ill.
C. H. McNider, President First National Bank, Mason City, Ia.
D. McK. Lloyd, President People's Savings Bank, Pittsburgh, Pa.

The spring meeting of the Executive Council was held at the Marlborough-Blenheim, Atlantic City, May 3 and 4. The closest attention was given to business during the two days' sessions, and a very large amount of business transacted beneficial to the welfare of the Association. The various committees and all its Sections held sessions on the day preceding the meeting of the Council; and during the sessions of the Council each committee, through its Chairman, presented carefully written reports of their respective lines of work.

At the meeting of the Council at Atlantic City, N. J., a committee of local bankers and hotel representatives extended to this Association an invitation to hold our 1911 convention in that city.

Mr. Charles H. Huttig, President Third National Bank, St. Louis, Mo., was unanimously elected to fill the vacancy on the Executive Council caused by the resignation of Mr. J. Fletcher Farrell, he having removed to Chicago.

The following were unanimously elected as Vice-Presidents for their respective States and Territories to fill vacancies:

L. T. Peck, Cashier First National Bank, Honolulu, Hawaiian Islands.
James P. Sawyer, President Battery Park Bank, Asheville, N. C.
Fred A. Irish, Cashier First National Bank, N. Dak.

No nomination being made to fill the vacancy for Vice-President for the Republic of Mexico, it was moved and carried that the matter be referred to the executive officers with power, and, therefore, Mr. K. M. Van Zandt, Jr., Vice-President and Manager, Mercantile Banking Company, Ltd., Mexico City, Mexico, was named for this vacancy.

The Committee on Bills of Lading was increased from five to six members, Walter E. Frew, Vice-President Corn Exchange Bank, New York City, being added to the committee.

The Chair was authorized to appoint a Committee of five, composed of members from sub-treasury cities, to confer with United States Treasury officials in an endeavor to devise a more simple method whereby customs and internal revenue payments can be legally and safely made; to find some more economical means whereby the banks can be furnished clean money in place of unclean and mutiliated bills; and to find a more economical method whereby funds can be transferred from one sub-treasury to another. The Committee appointed is as follows:

Charles H. Huttig, President Third National Bank, St. Louis, Mo.
George M. Reynolds, President Continental National Bank, Chicago, Ill.
A. B. Hepburn, President Chase National Bank, New York, N. Y.
Levi L. Rue, President Philadelphia National Bank, Philadelphia, Pa.
William A. Gaston, President Shawmut National Bank, Boston, Mass.

The usual reports of the General Secretary, Treasurer, General Counsel, Sections and committees were presented and the necessary action taken accordingly. All of these reports were of particular interest to the Executive Council, and in most cases reference was made to same in our *Journal,* as previously stated.

At its Atlantic City meeting the Council authorized the appointment of a Committee of three to make a report at the next day's session in connection with the amending of our Constitution to cover more specifically the appointment of standing committees and committees in general, their methods, limitations of their term of office, etc.

The Committee so appointed comprised:

Robert E. James, President Easton Trust Company, Easton, Pa., Chairman;
William George, President Old Second National Bank, Aurora, Ill.;
John M. Miller, Jr., Vice-President and Cashier First National Bank, Richmond, Va.;

and their report was submitted to the Council at Atlantic City meeting, duly approved and recommended for adoption at this meeting.

I would call your attention to the new forms of credit blanks which have been published in our *Journal,* and which were prepared by Mr. James G. Cannon, Chairman of the Committee on Credit Blanks. These new forms were duly approved by the Executive Council at its meeting at Atlantic City.

The special committees appointed at our May meeting were as follows:

COMMITTEE ON PRINTED FORMS FOR NATIONAL STATE BANKS.

John M. Miller, Jr., Vice-President and Cashier First National Bank, Richmond, Va., Chairman.
Pierre Jay, Vice-President Bank of Manhattan Company, New York City, N. Y.
J. Fletcher Farrell, Vice-President Fort Dearborn National Bank, Chicago, Ill.

COMMITTEE ON FALSE STATEMENTS.

Sol. Wexler, Vice-President Whitney-Central National Bank, New Orleans, La., Chairman.
E. J. Buck, President City Bank & Trust Co., Mobile, Ala.
William A. Law, 1st Vice-President First National Bank, Philadelphia, Pa.

A SPECIAL COMMITTEE was also appointed, composed of:

Frederick H. Curtiss, Cashier First National Bank, Boston, Mass.;
William George, President Old Second National Bank, Aurora, Ill.;
Charles H. Huttig, President Third National Bank, St. Louis, Mo.,

to take up the question of framing an amendment covering the powers and duties of the Finance Committee.

A resolution embodied in the report of the American Institute of Banking Section was offered, which referred to the consolidation of the *Journal* of the American Bankers' Association and the *Bulletin* of the American Institute of Banking, which was in the form of a motion by Mr. Ralph C. Wilson, and the same was adopted. In part the resolution called for the subject matter to be referred to the Institute Committee in conjunction with the officers of the Association with power to arrange details, and at a later date the arrangements were perfected for this consolidation, the first issue being under date of July, 1910.

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A resolution was offered by Mr. Wexler and adopted, which resolution was to the effect that it was the sense of the Executive Council of this Association that a World's Panama Exposition be held at the most fitting place in 1915 to commemorate the completion of the Panama Canal, and the resolution recommended the passage of proper resolutions in favor of same at this meeting.

The executive officers have held frequent meetings during the past year in New York City to thoroughly consider Association matters with the General Secretary.

Our Association is to be congratulated upon the most excellent work of its several committees during the past year. Their efforts have been continuous and as a whole successful. Their reports will be found to contain a fund of valuable information, full of interest to all of our members, and a careful study of their reports cannot fail to prove both interesting and profitable.

To the members of our Association we commend most highly the efficient work of your Secretary and his subordinates during the past year. Their efforts have been unceasing, full of energy, effective in results, and are entitled to great credit.

W. LIVINGSTONE,
Chairman, Executive Council.

Report of the Committee on Bills of Lading, by Clay H. Hollister, Chairman.

The work of the American Bankers' Association toward a reform in the method of issuance of bills of lading and the co-operative activity of their organization with others in urging effective legislation is now beginning to bear fruit.

Even casual readers of the daily newspapers are now forced to see references to the subject of bills of lading which formerly did not cut much of a figure in news columns.

The fact that these articles of commerce have been under suspicion, and that their character is shown to be not what people had supposed it to be—this has been brought about not alone by the agitation on the part of shippers' and bankers' associations, but by serious failures in both North and South calling attention to many of the weaknesses now surrounding their issuance. It is therefore a pleasure to address you with a report today which does not deal with a dead issue, but one in which you have a daily interest.

We ask you to consider carefully all phases of this report, and then take such action upon it as the need of the hour seems to warrant.

To refresh your minds, let us recall to your attention the meeting of last year at Chicago, where a joint conference was held, attended by bankers, representatives of carriers, shippers' and receivers' associations, mercantile organizations and other interested parties.

This conference took place at the Auditorium Hotel on Monday, September 13, and was attended by sixty-nine representatives of the different interests.

At this conference all the various matters connected with forms of bills of lading, practices concerning them and State and National legislation governing these documents were exhaustively discussed from the different standpoints, and the conference adopted, as a result of its deliberations, five resolutions, which were as follows:

UNIFORM BILLS OF LADING ACT.

Resolved, That it is the sense of this conference that the Uniform Bills of Lading Act, approved and recommended for adoption by the Commissioners on Uniform State Laws at their annual conference, held in Detroit, Mich., in August, 1909, should be enacted in every State and Territory of the Union, and that the representatives here present recommend to their respective associations or organizations the taking of such measures as will aid toward the passage of this law in the various States and Territories.

CONGRESSIONAL BILLS OF LADING ACT.

Resolved, That it is the sense of this conference that Congress be asked to pass a law governing bills of lading covering interstate shipments, to embody the features contained in the "Bill Relating to Bills of Lading," which was pending before the House Committee on Interstate and Foreign Commerce and made the subject of four hearings before a sub-committee last winter, and that we recommend to our respective associations or oganizations the taking of such steps as will aid in the enactment of such measure by Congress.

DUTY OF INITIAL BANK AS TO BILL OF LADING.

Resolved, That the conference recognizes the duty of the bank first accepting a railroad's bill of lading for a shipment to order with drafts attached to see that the bill of lading is properly drawn on the Uniform Order blank—not the Straight bill-of-lading blank; that it is an original and not as a duplicate; that it is properly endorsed, and that the bill of lading is promptly forwarded to its destination.

REQUIREMENTS TO BE OBSERVED BY INITIAL BANKS HANDLING BILLS OF LADING.

Resolved, That the banks at the point of shipment be requested to insist upon the observance of the following requirements as a prerequisite to their handling and financing of bills of lading:

First.—That all bills of lading for all shipments to order be drawn upon the yellow uniform order bill-of-lading blank upon which the words "Order Bill of Lading" are printed, and not upon the white form provided for "Straight Bills of Lading."

Second.—That the Order Bill of Lading is an original and not a duplicate.

Third.—That the Order Bill of Lading is properly endorsed.

Fourth.—That all bills of lading, Order or Straight, with draft accompanying, be forwarded to destination promptly and by the most direct route.

Fifth.—That Order Bills of Lading bear the official stamp for the issuing agent in addition to his signature; that the bills be filled out in ink or indelible pencil, and that the quantity be stated in writing as well as in numerals.

CHANGE IN FORM OF BILL OF LADING.

Resolved, That it is impolitic for this conference at the present time to adopt any resolutions looking to a change of language in the form of the uniform bill of lading, and that all resolutions and communications offered or received for that purpose be referred to a joint committee for further consideration.

The proceedings of this conference were published in a pamphlet of sixty-four pages.

Since then your Committee has been very active owing to the fact that the meeting of Congress last winter opened an opportunity for national legislation which has all the time seemed most desirable.

On January 7 the bill of lading measure drafted by our General Counsel, and reviewed by him in certain particulars from the bill as prepared a year previous, was introduced in the House of Representatives by Congressman Stevens, and on January 10 in the Senate by Senator Crane. On February 7 the House Committee on Interstate and Foreign Commerce gave an all-day hearing upon the Stevens Bill. Your committee was represented by its Chairman and by Mr. Paton, its counsel, and representatives of the New York Cotton Exchange and of other trade organizations were present in support of the measure. Five counsels, representing different railroads, spoke against the bill, and the sessions extended throughout the entire day and lasted until 6:45 p. m.

The House Committee took the bill under advisement and, after amending it in certain particulars, decided on May 3, only two members objecting, to report the bill favorably. On June 7 the bill was reported to the House and passed by that body by an almost unanimous vote. It then went to the Senate Committee on Interstate Commerce, who gave three hearings to the measure on June 16, 20 and 21, but being on the eve of the adjournment of Congress, there was insufficient time and opportunity for the members of the Senate Committee to give the thorough consideration which they desired to the measure, and their report was therefore postponed until the next session. The session which opens in December next is of the same—sixty-first—Congress, so that the bill will not have to be again passed by the House unless amended by the Senate, and your Committee has hopes for a favorable outcome before the close of the present Congress.

The individual letters from bankers all over the country were very effective in emphasizing the need of legislation to your Congressmen.

In the few State legislatures where sessions were held, your committee, through its counsel, has urged the enactment of the Uniform Bills of Lading Act, and it has been passed in Maryland. This is the first State to adopt the uniform act, as it was only perfected last year.

Next year we hope for greater results, as a large number of State legislatures will meet in 1911.

Meanwhile Texas has come forward with a remedial act which goes even further than we have hitherto asked. At a special session of the Texas Legislature held this summer a law has been passed making it the duty of carriers to issue bills of lading, validated or certified as provided by the Railroad Commission, and this law surrounds the document with all the safeguards necessary to the protection of the commercial purchaser. Section 6 of the Texas law provides that "each and every bill of lading issued by the authorized agent of any carrier or receiver thereof, affected by the provisions of this act, shall be deemed and held to be the act and deed of such carrier or receiver thereof, and the principal shall be liable thereon in accordance with the terms thereof. When any such bill of lading shall be validated, authenticated or certified in accordance with the rules and regulations herein provided for, and as may be prescribed by the Railroad Commission in accordance with the provisions of this act, and in the hands of an innocent holder for value, it shall be incontestable as to the matters and things therein set forth."

This Texas legislation has been prompted by the immediate need of dealing with the export cotton shipments this fall.

It has so happened that the spring of 1910 brought to a head some huge frauds perpetrated by malicious shippers who, knowing the present weaknesses of the situation, deliberately set out to take advantage of the railroads, banks and purchasing customers. Knight, Yancy & Company, and Steele, Miller & Company with cotton, and Durant & Elmore Company with grain shipments, deliberately issued fraudulent bills of lading with and without the assistance of local freight agents, or

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made fraudulent use of bills, in some cases getting bills signed in blank by agents which were later filled in by shippers themselves and used for value at banks when no such freight had in reality been received by the railroads; and in some of the grain cases, using genuine bills as collateral after the grain had been delivered without the taking up of such bills. These frauds, by means of forged and untrue and spent bills, will total upwards of $5,000,000.

Of course, one immediate effect of these frauds was to arouse to action foreign bankers and cotton buyers who had been tremendous losers thereby, and this took definite form in a meeting held July 21, when representatives of sixteen of the leading English and Continental banks passed and cabled to the American banks the following resolution:

"That the banks comprised in this Committee agree that in case of drafts drawn upon banks against bills of lading for cotton negotiated through exchange buyers in America, the banks will decline from October 31st onward to accept against the bills of lading relating to such drafts unless the genuineness of the bills of lading, both as to signature and as to possession of the cotton by the carriers up to the time of issue, be guaranteed by such exchange buyers to the satisfaction of the banks concerned."

In anticipation of some such action on the part of the foreign interests we had added to our numbers Mr. Walter E. Frew, Vice-President of the Corn Exchange Bank of New York, and we now requested him to act as the chairman of a sub-committee which should give immediate attention to this latest emergency and devise some method of preventing fraud, coupled with the equal responsibility of so dignifying and improving the Order Bill of Lading as to make it of real value in its use as collateral with banks.

You can appreciate, therefore, the two difficult services this sub-committee were to render.

First.—They must devise a plan of validating the bills which would suit themselves and the foreign bankers.

Second.—They must at the same time obtain the consent of the carriers to issue and their earnest co-operation in issuing such bills.

The result of the labors of the sub-committee is incorporated in an admirable report made by Mr. Frew to this Committee which we take pleasure in presenting to you herewith. As you will note, the emphasis so far has been laid upon export through cotton shipments. They alone involve perhaps $400,000,000 annually. There is no reason, in our opinion, why this action need stop with them nor the issuance of validated bills be confined to one class of shipments. In fact, it may seem desirable to your Committee to consider this phase of the situation and its application through remedial legislation. We believe that the railroads are showing an excellent spirit of co-operation with us, and that we shall be able at an early date to get such concessions from them as their own far-seeing executives now realize are for the best interests of all concerned.

We are striving still to make the railroads responsible for the acts of their agents, and in so doing we shall show every disposition to co-operate in keeping those agents honest by removing the temptation and ability to go wrong.

We have not hesitated, as you well know, to call upon the Association membership for assistance by letters, circulars and telegrams. We ask you to continue to favor us in the same way whenever you are called upon, for this is a work for the whole Association, and not for a favored few.

In your own States, likewise, do what you can to urge the passage of the Uniform Bill of Lading Act whenever the matter is before your Legislature.

To sum up, we report our accomplishment as follows:

1. The passage of one House of Congress of the bill of lading measure advocated by this Association, known as the Stevens Bill.

2. The enactment by the State of Maryland of the Uniform Bills of Lading Act, and by the State of Texas at a recent special session of a good bill of lading law.

3. The adoption by Southeastern and Southwestern cotton-carrying railroads of a validation system for through order notify export cotton bills of lading.

We now add the report of the sub-committee, which brings us down to the time of the printing of this report. If there are further developments before October 4, they will also be brought to your attention.

CLAY H. HOLLISTER, Chairman.
F. O. WETMORE.
J. A. LEWIS.
WM. INGLE.
DANIEL G. WING.
WALTER E. FREW.

REPORT OF SUB-COMMITTEE.

September 17, 1910.

CLAY H. HOLLISTER, Chairman,
Bill of Lading Committee,
American Bankers' Association.

Referring to your communication of June 2, 1910, in which you authorize me to appoint a sub-committee of our Bill of Lading Committee to endeavor to devise some system by which the bill of lading could be safeguarded against forgeries; and in which letter you give me the proper authority to handle the matter in any way in which I saw fit. Following out these instructions, I appointed as my associates Mr. F. I. Kent, Vice-President of the Bankers' Trust Company; Mr. J. T. Talbert, Vice-President of the National City Bank; Mr. W. H. Porter, President of the Chemical National Bank, and Mr. G. G. Thorne, Vice-President of the National Park Bank. This Committee held a meeting and considered various plans and decided that in their opinion the best policy would be to confer with the railroad officials. But realizing that very little could be accomplished unless we had some plan to present to these gentlemen we considered the subject carefully and adopted the certificate which is attached to this report and marked Exhibit A. It was decided to hold a conference with the railroad officials on July 12th, and in response to our invitation this meeting was attended in addition to our Committee by several prominent railroad officials. At this conference Exhibit A was carefully considered and declined by the railroad officials present. After some discussion it was finally agreed that the gentlemen present would accept the form of validation or signature certificate herewith attached and marked Exhibit B. It was further decided that a special committee of our Committee should meet with the representatives of all the cotton-carrying railroads for the purpose of considering this certificate and arranging for the details covering the issuance thereof. At this meeting this form of certificate was adopted with the recommendations covering its issuance as stated in the form marked Exhibit C.

Having secured by the railroads the adoption of this important document your Committee then deemed it advisable to notify the committee of the foreign bankers. In order to explain to them the details of the validation system we cabled Mr. J. H. Simpson, their secretary, as follows:

"July 26, 1910.

"Committee of American Bankers' Association has been conferring with railroad officials for some time to secure safeguards in issuance of bills of lading. They have succeeded in obtaining a form of validation certificate and an agreement to a uniform system as to issuance of these validation certificates, which in our opinion gives to the bill of lading all the security that can reasonbly be required, including protection against forgeries. In order to present this matter to your bankers for their consideration, would it be agreeable to you to send here a committee representing your banks with power to act? Immediate action is requested."

To this we received the following reply:

"July 29, 1910.

"Referring to Mr. Frew's cablegram received the 27th, please inform him committee of European bankers regret they are unable to visit New York, but they would welcome in London after September 4th a deputation from members of Mr. Frew's committee."

To this we replied as follows:

"July 29, 1910.

"Think it essential deputations of bankers should meet, but think it important meeting be held here and request your reconsideration."

To this they replied as follows:

"July 29, 1910.

"London was selected as being most central to all concerned, including continent of Europe. Sorry cannot reconsider, my committee having dispersed for holidays."

To this we replied:

"July 30, 1910.

"If able to comply with your request could meeting be held earlier?"

To this they replied:

"July 30, 1910.

"If essential meeting can be any date after 15th August, but September will secure fuller representation Europtan bankers and would be distinctly more convenient to all on this side."

At this time we were about ready to send a committee to London and had practically decided upon the personnel of it, when the banks which were buyers of cotton bills received a letter from their various English correspondents confirming a resolution which was cabled to the various banks concerned, as follows:

"The banks comprised in this committee agree that in case of drafts drawn upon banks against bills of lading for cotton negotiated through exchange buyers in America the banks will decline from 31st October onwards to accept bills of lading relating to such drafts unless the genuineness of bills of lading, both as to signature and as to possession of the cotton by the carrier at the time of issue, be guaranteed by such exchange buyers to the satisfaction of the bank concerned."

Your Committee, after careful consideration, decided it was useless to send a deputation to London, and therefore wired the foreign committee as follows:

"August 2, 1910.

"In view of the resolution conveyed in your letter of July 23d to our exchange buying bankers, our Committee deem it unnecessary to send a deputation to London, because the terms of that resolution are unacceptable. The responsible bankers represented on our Committee and others must decline to give guarantees requested."

Believing that our position should be clearly explained to the foreign bankers, we wrote them on August 9th and explained our situation as clearly as we were able to do so, which you will find attached to this report and marked Exhibit D. Nothing further was heard from the foreign committee, excepting an acknowledgment of the receipt of our letter, and stating it would be considered at their meeting

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September 2d, which was afterwards adjourned to September 7th. This meeting was held and no further word was received by your Committee until September 14th, when the following cablegram was received:

"Re cotton ladings. After full consideration of your validation scheme by sub-committee and full committee of European Bankers' conference, the conference itself today decided they cannot regard railway validation scheme as affording the protection desired by the accepting banks. Accordingly, and failing production of any other guarantee, the conference confirmed and adopted the committee's resolution of July 20th already conveyed to you. But the conference is still prepared, through their committee, to meet a deputation of your association in London. We regret this reply has been unavoidably delayed."

Your committee met September 15th and carefully considered the proposition after communicating with the banks of New Orleans, Philadelphia, Chicago and New York, who are buyers of cotton bills, and we ascertained that the almost universal feeling of these banks was against giving a guarantee and we accordingly wired the English committee as follows:

"September 15, 1910.

"We deeply regret your decision and cannot but feel that it was reached through misapprehension. We have accomplished much in securing the validation certificate, thus placing the business on a safe basis. Further consideration of bankers' guarantee is absolutely out of the question, being incompatible with correct banking principles. This is final. Situation could not be changed by our Committee going to London, but, of course, we would welcome your deputation in New York, where all data and information are obtainable, and where railway and cotton people also could be heard. We are confident this would lead to a better understanding with mutually satisfactory results."

We received from them acknowledgment of our cable and stating it would be considered next Thursday.

The Texas Legislature has passed a bill, which has become a law, giving the Railroad Commission of Texas the right to prescribe rules and regulations for the validation of bills of lading by the railroads. This law, as we understand it, practically adopts the validation scheme which had been agreed to by your Committee and the railroad officials, and we consider this is a very strong step in the right direction, and we have been assured by some prominent railroad officials connected with roads operating in Texas that this measure is satisfactory to them. You will find attached to this report a certified copy of this law, marked Exhibit E.

Our committee are mindful of the instructions given to us at the meeting of the Bill of Lading Committee held August 3d, 1910, that we be empowered at our discretion to continue further negotiations regarding foreign bills covering grain and other commodities, as well as the domestic situation.

We feel assured that we have procured from the railroads all they are willing to give at this time. If further concessions are made by them this Committee would welcome them.

I also append to this report copy of a resolution passed by the Chamber of Commerce of the State of New York, marked Exhibit F.

Also a resolution passed by the Bill of Lading Committee composed of the following commercial organizations, marked Exhibit G:

The Industrial Traffic League,
Boston Chamber of Commerce,
Chicago Association of Commerce,
The Receivers' & Shippers' Association of Cincinnati,
California Fruit Growers' Exchange,
New York Mercantile Exchange,
National Wholesale Grocers' Association,
National Poultry Association,
New York Cotton Exchange.

The Chairman desires to state that he is about to start on a vacation and is very much pleased to be able to state that Mr. William A. Nash, President of the Corn Exchange Bank, has kindly consented, at the request of all members of the Committee, to act as Chairman during his absence.

Respectfully submitted,

WALTER FREW, Chairman.

EXHIBIT A.

VALIDATION CERTIFICATE NO.....

To be attached to Bills of Lading issued by Agents of this Company.

The LOUISVILLE & NASHVILLE RAILROAD COMPANY hereby certifies that:

JONATHAN R. MASON is the regularly appointed Freight Agent at Atlanta, Georgia, and as such is authorized to sign Bills of Lading in accordance with the regulations of this Company, evidencing the receipt of merchandise for shipment, and that his signature on the attached Bill of Lading, No. ....., dated Atlanta, Georgia, September 23, 1910, covering 100 Bales of Cotton marked N. C. B., N. Y., constitutes a valid obligation of this Company for the transportation of said merchandise, the receipt of which by the above-named agent, on behalf of the Railroad Company, is hereby acknowledged. This Company further agrees and binds itself that no part of the merchandise described in the attached Bill of Lading will be delivered except upon return of this validation certificate accompanied by said Bill of Lading.

WILLIAM GUTHRIE,
General Freight Agent.

Washington, D. C.

NOTE.—These certificates should be prepared in book form, with original, duplicate and stub, and numbered serially. They should be prepared by each company on paper bearing its own water-marks or color-tine protective devices. The original and duplicate to be attached respectively to the Bills of Lading described above in such a manner that any tampering or other irregularity in use would become immediately aparpent. The best method to do this would be to provide the agent with an official seal, or stamp, such as is used on passenger tickets, either inked or perforated. If the former, the seal should be impressed partly on the Certificate and partly on the Bill of Lading. If a perforator is used the perforation should go through the Certificate and the Bill of Lading with one and the same stroke or punch.

The auditor's office of the railroad company should be required to register the Certificates when and as placed in agent's hands, and regularly to audit them and require reports thereof as they are used; the duplicate on the day of issue, together with a non-negotiable copy of the Bill of Lading, should be forwarded by the agent to the auditor, whose control over the issue and use of such certificates should be of the same character and as complete as that exercised in connection with passenger tickets. The Railroad Bill of Lading should have also on its face reference to the number of the Validation Certificate issued in connection with it.

Bills of Lading, thus validated, to be then guaranteed by responsible surety companies by a stamp in the following (or other approved) form:

The American National Fidelity Company hereby guarantees that the Louisville & Nashville Railway has received for transportation the merchandise described in the within Bill of Lading.

THE AMERICAN NATIONAL FIDELITY COMPANY.

By.....
Agent.

(Seal)

.....1910.

EXHIBIT B.

(To be attached to Order Notify Bills of Lading for Export Cotton Issued by Agents of this Company.)

Bill of Lading Signature Certificate No.....

The.....Railroad Company hereby certifies:

That.....is its regularly appointed.....

Agent at....., and as such is authorized to sign Bills of Lading in accordance with the regulations of this Company, and that the signature on the attached order notify bill of lading No.....

dated....., covering.....Bales of Cot-

Place of Issue Date

ton marked....., is his signature.

....

(Date)

EXHIBIT C.

Report of a Committee of Railroad officials and Bankers regarding the validation of Through Order Notify Bills of Lading for Export Cotton, adopted at a meeting of lines east of the Mississippi River, held at White Sulphur Springs, West Virginia, Tuesday, July 19th, 1910, and tentatively accepted by all lines west of the Mississippi River represented at the above meeting. It being understood that the agreement will be adopted by all western lines at a meeting to be held within one week.

Your Committee appointed to consider the form of certificate to be attached to order notify bills of lading for export cotton and the method of their use, recommends the adoption of the certificate in the following form and the following uniform regulations in respect to the issuance of such Bills of Lading.

(To be attached to Order Notify Bills of Lading for Export Cotton Issued by Agents of this Company.)

Bill of Lading Signature Certificate No.....

The.....Railroad Company hereby certifies:

That.....is its regularly appointed.....

Agent at..... and as such is authorized to sign Bills of Lading in accordance with the regulations of this Company, and that the signature on the attached order notify bill of lading No.....

dated....., covering.....Bales of Cot-

Place of Issue Date

ton marked....., is his signature.

....

(Date)

We recommend that certificates be handled in the following manner, to wit:

That they be issued in book form, with original, duplicate and stub and numbered consecutively, and that they be prepared by each company on paper bearing its own water-marks or color-tint protective devices. It is suggested that a uniform size of four (4) inches in width and six (6) inches in length be used. The certifying representative will attach the certificate to the bill of lading with mucilage or paste or an irremovable metal fastener.

The certificates will be issued to the agents in the same manner as passage tickets and the same check shall be made of these documents in agents' hands as of passage tickets.

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On the date of issue the agent will forward to the accounting department the duplicate certificate, with a non-negotiable copy of the bill of lading. The bill of lading, in addition to its own number, shall bear the number of the Bill of Lading Signature Certificate, which is issued in connection with it.

The agent affixing the signature certificate to the bill of lading shall, in addition to signing and dating the same and keeping a record of the number, the date and the quantity of cotton called for by said bill of lading and certificate, stamp the same partly on the certificate in such manner that tampering or irregularity would be aparent.

Spoiled certificates shall be immediately cancelled and returned to the auditor, with report.

It is further recommended that through export bills of lading be issued upon the following conditions:

Agents are to be instructed not to sign bills of lading until the cotton is in possession of the railway company.

It being understood that cotton bills of lading may be issued on loading certificates certifying that cotton is loaded in cars designated by initials and numbers; issued by duly authorized agents of compress or warehouse companies that have executed the usual contract and bonds with the railway company, but not otherwise.

Bills of lading will be issued only by agents or other representatives of the company who are duly authorized to do so.

Only one original bill of lading shall be issued for each shipment. The practice of issuing duplicate and triplicate bills of lading will be discontinued, but as many copies as are reasonably required may be issued, provided they are endorsed "Copy, not negotiable."

The number of bales of cotton and the marks shall be written in pen and ink in the original bill of lading and not inserted with typewriter or any other matter.

There shall be no additions, erasures or changes in bills of lading.

Bills of lading will be issued in serial numbers, beginning with No. 1 at each issuing station on the 1st of September of each year. All copies of bills of lading shall bear the same number as the original.

A copy of each bill of lading will be forwarded on the date issued to the agent of the water carrier at the port of export, in the case of direct shipments, or at the port of trans-shipment, in the case of indirect shipments.

The shipper is required to accept the conditions of the bill of lading by attaching his signature or the signature of his authorized representative to the original and agent's copy.

EXHIBIT D.

NEW YORK, August 9th, 1910.

JAMES H. SIMPSON, Esq.,
Secretary to the Committee,
c/o Bank of Liverpool, Ltd.,
Liverpool, England.

Dear Sir: Referring to our recent exchange of cablegrams, we wish to make our position clear, and in order to do so will give you a brief history of the various moves which have been made by bankers in this country for the purpose of giving better protection to those called upon to make advances against bills of lading.

About three years and a half ago the American Bankers' Association appointed a Bill of Lading Committee, which was instructed to study the question of bills of lading with the idea of recommending new forms and new legislation, or both, for the better protection of all concerned, provided it seemed necessary. This Committee has held numerous conferences with different bodies of railroad men, shippers, exchange men, bankers and legislators. It has succeeded in having a uniform bill of lading accepted by the majority of the railroads in the United States.

As it was not possible to obtain in the form all the protection which was desired, a bill was drawn up and introduced in the House of Representatives by Congressman Stevens. It passed the House of Representatives, but not until some changes had been made in the bill, which weakened it. From the House it went to the Senate Committee having such matters in charge, but did not reach this committee until some ten days before Congress was expecting to adjourn. The rules of the Senate require a unanimous report by every Senate Committee on every bill referred to them during the last ten days of the session, in order to have it go to a vote in the Senate. It was, therefore, necessary for a full Senate Committee of twelve to agree to the Stevens bill in order to have it reported back before the closing of the last session in June.

In the hearing before the Senate Committee it developed that certain matters had been stricken from the bill as originally drawn before it passed the House, which were really necessary in order to make the bill thoroughly effective. These matters could not be introduced in the Senate bill and passed without a conference with the House Committee and a reconsideration by the House with the amendments desired. At this time there were only three days left before the closing of Congress, and it was, of course, impossible to have the bill corrected and reported, particularly as one member of the Senate Committee was opposed to letting the bill go through, and his opposition was sufficient under the rules mentioned above to prevent the bill from being reported back to the Senate. Congress meets again in December as a continuation of the same session, and the Stevens bill will then be reconsidered.

In the meantime the cotton crop had to be moved, and the American bankers thought that all concerned should have some better protection under bills of lading than they have had in the past.

Therefore, a special committee, represented by the gentlemen signing this letter, was appointed by the regular Bill of Lading Committee of the American Bankers' Association, with instructions to endeavor to obtain some sort of an agreement from the railroads which would give proper integrity to bills of lading. A meeting was held by this Committee, at which the presidents of several of the cotton-carrying railroads were invited to appear. The situation was discussed, and it was finally agreed that a sub-committee of the special committee should meet with the representatives of all the cotton-carrying railroads at White Sulphur Springs, W. Va., for the purpose of drawing up a form of validation. The sub-committee met with the representatives of fifty-four railroads. A special committee was appointed at this meeting, consisting of five railroad men and the bankers' Committee, with instructions to draw up in such detail as was necessary a form of validation and regulations under which it was to be issued and applied, to be submitted to the general meeting for consideration and approval. The committee drew up the form and regulations, copy of which we enclose herewith. It was then presented at the general meeting, a list of the railroads was called and the representative of each railroad stated whether he would bind his railroad to adopt the system or not. The matter was agreed to by practically all of the roads east of the Mississippi River. A representative of the roads west of the Mississippi River stated that while he was certain that such roads would also agree to the validation, yet as the Western roads expected to have a meeting the following week, he felt it only proper that it should be presented to them in the same manner that it had come before the meeting at White Sulphur Springs. Later the meeting of the Western railroads was held, but as a number of the representatives were not authorized to bind their roads the matter was left with the understanding that each road should send its vote by letter. We know that some of the principal roads of the Mississippi have already voted to adopt the system.

This work was completed two days before the English bankers cabled their resolution to demand a guarantee of the bills of lading from the exchange buying banks of America. With the idea of explaining the validation system in detail to your committee we cabled you an invitation to meet with the New York bankers in this city. Upon receiving word that this would be inconvenient for you, but that you would prefer to have the New York Committee go to London, we at first thought that it might be possible for us to do so, and with the desire of acceding to your wishes we took the matter under consideration, and even went so far as to decide upon the members of such a committee, provided it ultimately seemed best to send one abroad. We were thoroughly convinced, however, that it would be far better to have a meeting in New York, for reasons which will be explained later. While the subject was under discussion we received by mail a copy of your resolution and demand. This called to our attention more particularly than ever that a meeting in England would be of no real value, for such a resolution could not have been adopted had you been in possession of all the facts concerning the financing of cotton in this country. We felt that it would be impossible to present such matters properly unless we could do so in New York, where experts in the several lines involved could acquaint you with the important facts necessary to an understanding between our committees. Your committee having acted without waiting for the results of the work of the American Committee really took your stand somewhat in the dark, and without regard to any opinion as to the justice or advisability as to the resolution adopted by your committee. We think that your action should be reconsidered, based upon the new condition. These conditions can best be explained to your committee in New York, as full knowledge of the detail under which cotton has and will be handled by all who come in contact with it in any way whatsoever in the States must be known and carefully considered before the effectiveness of the validation certificate can be understood and before the unreasonableness of demanding a guaranty of the integrity of the bills of lading can be explained.

You are probably aware that the looseness in financing cotton, which has made possible the recent heavy losses, has almost entirely grown out of the carelessness with which foreign buyers of cotton have authorized firms on this side to draw under their credits. The foreign buyers, in their desire to obtain cotton cheaply, have made purchases from concerns who were willing to sell them at low rates because they had nothing to lose, having no capital, and everything to gain should the market happen to go their way. Upon acceptance of the rates of such sellers foreign buyers have cabled the American seller authorizing him to draw upon, we will say, certain prime European banks or bankers. The bills which have come upon our cotton market are all made in this manner. The exchange buying banks on this side of the water have absolutely no control over what bills are offered in the market. Our representatives have actually seen cablegrams from reputable houses in England which have been received by sellers of cotton on this side, authorizing them to draw upon prime English banks with bills of lading for certain numbers of bales of cotton attached. Our exchange buyers, requiring the exchange in order to meet the demands of their importers, have been obliged to to take what was on the market or turn down thousands of bills of exchange for hundreds of thousands of pounds sterling, which they knew represented bona fide transactions where the risk, as far as they were concerned, lay entirely in the honesty of the exchange seller in shipping the cotton as directed and authorized by the foreign purchaser. In order to protect themselves as far as possible under

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these conditions the lives and habits of the men selling cotton on this side have been studied and we have arranged the lines of credit which we would accept from each while the bills were on the water accordingly.

For instance, from one seller we might be willing to have one hundred bales on the water at one time, another seller a thousand bales and another five or ten thousands or more. As soon as the bills were accepted by the English bankers we have then purchased further bills to the amount of the lines decided upon. We have felt, and do feel under no obligation whatever, except for the general good, to do more than satisfy ourselves that the water risk which we are taking is a conservative one and that the transaction is a bona fide one as between buyer and seller. If the foreign buyers make purchases from American houses of small standing, because they consider it to their interest to do so, and authorize such concerns to draw under the credits established by such buyers with their foreign banks, it is certainly neither justifiable nor right to ask American bankers to guarantee that the sellers will carry out their agreements with the buyers in an honorable, straightforward manner when such American exchange buyers cannot determine which American cotton sellers shall be authorized to draw the drafts. We do not claim that such authority should be ours, but as the risk is knowingly taken by the foreign buyer and the credit is knowingly extended by him, he is the only party who can in justice be asked to guarantee the bills of lading which accompany the draft. The exchange buyer is only one link in the chain between the domestic seller and the foreign buyer. His profit is a nominal, fractional per cent. commission, which is not only a questionable insurance when ordinary risks are taken, but which offers no inducement to American exchange buyers to increase or extend those risks, particularly when by so doing they would be encouraging the adoption of a principle which all must recognize who analyze the matter at all as contrary to reason and justice.

It must be assumed by the bankers, and it is universally assumed, that buyers and sellers are acting in good faith. Where they do not abide by such faith it is a matter between them, concerning which the banker has no responsibility. A buyer has the means of protecting himself against forgeries and other frauds by limiting his transactions to persons of known or ascertainable responsibility. Where he chooses for the sake of effecting a saving in the cost of a commodity to deal with a rascal or a person of unknown responsibility, he takes thereby a risk which he has a perfect right to take for himself, and which the banker who may be concerned has no means of denying him, but the buyer, in case of a loss or damage, has no right to demand reparation at the hands of the banker, nor in advance of such loss to demand protection against his own folly.

Recognizing this principle as being correct, English bankers recently advised American bankers that they wished it clearly understood that they did not guarantee bills of lading in any way, shape or manner, under commercial credits opened for American imports, and in almost the same breath they read us an ultimatum which is a direct abrogation of this applied principle.

Referring now to the enclosed blank form of the proposed validation, you will observe that it throws around the issuance of the bills of lading protection and safeguards even more efficient than that which the railroad companies afford themselves in the matter of handling passenger tickets. The validation certificate certifies by a second agent the authority of the first agent to sign the bill of lading and the genuineness of his signature. The question of the delivery of the goods was carried as far as it is practicable to carry it, first by bonding the agent and putting him under instructions to sign no bill until the goods have been delivered to the carrier, and second by requiring the bill of lading and validation certificate each to give the particulars as to car initials and numbers. This validation will be an effectual safeguard against forgery. Under it there will be not the slightest chance for an irresponsible person to put a forged bill of lading into circulation.

The leading railroad companies, while not prepared publicly to announce their intention hereafter to stand back of their genuine bills of lading, whether they have received the goods or not, have in several instances privately declared their intention to do so. We do not believe that there will ever arise a case where a railroad, after having validated its bill in the manner described, would make an effort to shift the responsibility by claiming the goods had not been received.

However, if any buyer who has been inveigled into dealing with a person of unknown responsibility in order to get the advantage of lower prices wishes to protect himself against the remote possibility that the seller will not produce the goods, although he produces a genuine and validated bill of lading, he can purchase assurance of Lloyd's or some other good company at a very modest price. The chances of loss would be very small and responsible guaranties could be bought at a price which would throw no burden upon the trade and which would afford abundant protection against that vague contingency.

The subject is too involved to touch in detail from all sides in a letter, but we think that we have covered the main points in a sufficiently full manner to give you an idea of our position, which is absolutely opposed to guaranteeing the integrity of bills of lading, and our reasons for taking this position.

We do not wish to be understood as criticising or complaining of the action of your committee, but in view of the mutuality of the interests of bankers on both sides, who are at most mere middlemen, and concerned only as such, the absence of co-operation would be most unfortunate.

Hoping that you will receive this letter in the spirit of co-operation in which it is sent and assuring you that we shall be pleased to hear from you in reply or meet your committee in New York, we are,

Very truly yours,

WALTER E. FREW, Chairman,
JOSEPH T. TALBERT,
GILBERT G. THORNE,
FREDERICK I. KENT,
WM. H. PORTER,
Committee.

EXHIBIT F.

CHAMBER OF COMMERCE OF THE STATE OF NEW YORK.

NEW YORK, July 27, 1910.

WALTER E. FREW, Esq.,
Corn Exchange Bank,
13 William Street, New York City.

Dear Sir: At a meeting of the Special Committee on Bills of Lading of this Chamber, held today, the following resolutions with reference to the form of certificate adopted at the conference between the bankers and railroad officials at White Sulphur Springs, W. Va., on July 19th inst., were unanimously approved:

Whereas, The result of the various conferences of a committee of bankers and railroad officials was the adoption on July 19, 1910, at White Sulphur Springs, W. Va., of a form of certificate to be attached to Through Order Notify Bills of Lading for export cotton and certain uniform regulations in respect to the issuance of such Bills of Lading, therefore be it

Resolved, That this committee congratulate the railroad officials and the others engaged in these negotiations on the happy result of their work, and we desire to record our approval of the important move made to restore the credit of the Bill of Lading, and our belief that Validation Certificates issued under the conditions agreed upon will prevent forgeries and place around the issuance of this class of Bill of Lading all the safeguards that can reasonably be expected.

Resolved further, That it is the sense of this committee that the same arrangements should be made in respect of Domestic Bills of Lading.

I have also been instructed to advise you that in the event of a committee being appointed to meet the foreign bankers abroad, it was the sense of our committee that Mr. Henry Hentz be appointed to represent it.

Very truly yours,
CHAS. T. GWYNNE,
Assistant Secretary.

P. S.—I do not know hether you are aware of the fact that Mr. Hentz is already in Europe and exepcts to remain there until some time in September.

EXHIBIT G.

"Resolved, That the validation certificate to be attached to export order bills of lading, which has been adopted by the railroads east of the Mississippi River, and which is under discussion by the railroads west of the Mississippi River, be heartily endorsed, and

"Resolved, That railroads of the country who have adopted the validation certificate for export bills of lading be earnestly requested to adoupt the same validation certificate on order bills of lading for domestic shipments as speedily as possible.

"Resolved, A copy of these resolutions be sent to Mr. Walter E. Frew, Vice-President of the Corn Exchange Bank, New York City, and Chairman of the Bankers' and Foreign Exchange Committee, having in hand the validations of bills of lading."

Report of Committee on Express Companies and Money Orders.

To the Members of the American Bankers' Association:

Gentlemen.—Your Committee on Express Companies and Money Orders beg to report that since the last meeting of the Association in Chicago we made the following report to the Executive Council concerning the status of the case of the American Bankers' Association *vs.* the Express Companies:

The decision of Commissioner Clark on the two points which have been passed on by the Commission places the Association in a most peculiar position. The Commission admits jurisdiction in the case and has refused to dismiss it, as demanded by the attorneys for the Express Companies. It recognizes that the Association has proved that discrimination exists of a kind which should estop the Express Companies from doing a banking business, provided the extent of such discrimination is sufficient to warrant such action. The Commission then puts it up to the Association to prove the extent of such discrimination in dollars.

The Association has presented unrefuted evidence to the Commission by witnesses from the States of Illinois, Minnesota, Wisconsin, Kansas and Arkansas that discrimination existed in those States. It also presented written evidence that such discrimination existed in every State in the United States and in practically every county of one State, namely, Kansas. This was as far as the Association could go without access to the books of the Express Companies, as the total amount of the banking transactions of these companies could only be obtained from the Express Companies' books.

In order to get such information the attorneys for the Association asked the Commission to have the books of the Express Companies presented for examination. The Commission refused this request of

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our attorneys, probably because they did not have sufficient money to carry on the desired investigation of the Express Companies' books. Whatever the reason may have been, it put the Association in this position: its right of action is admitted; the discrimination claimed by it is admitted, and it is only asked to state the extent of the known wrong actions of the Express Companies in order to win its case. It is then refused permission to go to the only source from which the information demanded by the Commission can be obtained, and such refusal is given by the Commission itself.

Under the circumstances, our attorneys, Messrs. John S. Miller and George Packard, of Chicago, advise us that it will, in their opinion, be useless to spend more money in prosecuting the case along the lines originally planned. Your Committee has unanimously concurred in their judgment and recommends that their advice be followed and that the suit be dropped for the present.

Also, we beg to report that at the spring meeting of the Council instructions were given this Committee to submit a plan by which the banks of this country could issue a domestic and foreign money order similar to that now being sold by the Government and the Express Companies. We expect within a short time to submit such plan to the banks for their approval, and upon securing the agreement of a sufficient number of banks to adopt such a system we expect to present a contract to the Executive Council at its spring meeting for its approval, after which it will immediately put the system into use.

The plan favored by your Committee is to have the Bankers' Trust Company of New York act as the fiscal agent for the banks wishing to issue such orders, just as it now acts as agent for those banks that issue the Association travelers' check, and the system will be operative along similar lines to that now in use in the travelers' check. You will appreciate the amount of work required to get such a system into operation, when you realize that the business now transacted by the Express Companies and the Government in the foreign and domestic orders amounts to more than seven hundred millions of dollars ($700,000,000) annually. This amount is made up of money orders whose average amount is under $10.

Due to the tremendous detail involved, we are not in position to guarantee that the Trust Company will accept the proposition, but the Council having instructed us arrange with them if a mutually satisfactory contract could be drawn up, it is our intention to continue our negotiations with the hope of inducing them to undertake this project.

Since the last meeting of the Association in Chicago the work of introducing the American Bankers' Association travelers' check has proceeded to the entire satisfaction of your committee. At that time we reported some 1,300 banks as having adopted the system, and that some $2,400,000 (two million four hundred thousand dollars) of the checks had actually been put into circulation and cashed. We now have to report that some 1,980 banks are issuing the checks, not including some four or five hundred branch offices where checks are being sold, with the result that since the establishment of the system $10,000,000 (ten million dollars) of the checks have been put into circulation and been cashed by the Trust Company. These checks have circulated and passed current in all sections of the world to the entire satisfaction of the traveling public. We hear now only at long intervals where anyone carrying an American Bankers' Association travelers' check has any difficulty whatever in cashing it, no matter where he may happen to be, and we have reason to believe that complaints of this character have been less with respect to the American Bankers' Association travelers' check than with any similar system, no matter how long it has been established.

We bespeak the continued co-operation of the members of the Association in giving their customers what we believe to be the best medium of exchange ever offered to travelers by any bank or any association of banks in the world.

We think it is a matter of congratulation to the American bankers that this system has been installed in banks in Great Britain, on the Continent, South America, West Indies, India, China, Hawaii, the Philppines and other foreign lands as the most perfect paper for travelers that has yet been devised.

Your Committee wishes at this time to express its deep sense of obligation to the untiring efforts manifested by a former member of our Committee, who owing to stress of business and large responsibilities placed upon him, has felt it necessary to retire from our Committee. The banks of this country owe a great deal to the energy and help of Mr. Fred I. Kent, without whose efforts it would not have been possible to have worked out the happy solution reached in the American Bankers' Association travelers' check.

Very truly yours,

JOSEPH CHAPMAN, JR., Chairman.
M. E. AILES.
THORNTON COOKE.
E. D. DURHAM.
J. T. TALBERT.

Report of Standing Law Committee, William J. Field, Chairman.

Prior to the Chicago Convention this Committee issued a call for a joint conference with legislative committeemen of State Bankers' Associations to be held on the occasion of the Convention for the purpose of reviewing legislative work affecting the banking interests accomplished during the preceding year and considering the subjects on which legislation would be needed in the respective States. Such conference was held in the Auditorium Hotel, Chicago, September 16, 1909, and was largely attended by representatives of different State Bankers' Associations interested in legislation. The General Counsel of the Association reviewed the legislative work of the past year and representatives from various State organizations presented a number of suggestions concerning legislative needs in their respective States.

On November 10, 1909, your Committee held a meeting at the Association offices in New York, at which the subject of proposed legislation was considered. General Counsel of the Association submitted proposed drafts of laws upon a number of subjects to be urged through the State associations for enactment by the legislatures which held sessions during 1910. The propositions presented were thoroughly discussed. Subsequently a pamphlet containing such proposed laws was prepared and issued with the approval of this Committee and the enactment of such laws was urged in a number of States. In the annual report of the General Counsel details as to the promotion of this legislation are fully given.

In the furtherance of this work the members of your Committee have been active in their respective States and have conducted a considerable correspondence and co-operated with legislative workers in other States.

On February 9 and 10 of this year the Committee by invitation met in joint conference at New York with other law committees of the Association to consider propositions advanced by the Law Committee of the Savings Bank Section concerning the segregation and safeguarding of savings deposits. The following resolution was the result of such meeting: "Resolved that the Law Committee of the Savings Bank Section be requested to formulate a complete report as to proposed plan of segregating and further safeguarding of savings deposits and that copies of such report be sent to the presidents and secretaries of the various Sections of the Association and to the Law Committee of the Trust Company Section, with the request that they each prepare and make a report on the subject to their respective executive committees for final report by the latter to the Executive Council of the Association at the next May meeting; further, that copies of such report of the Savings Bank Law Committee be sent to the Chairman and Secretary of the Standing Law Committee, the Federal Legislative Committee and the Currency Commission of the Association with request that such committees also make a report on the subject to the Executive Council at its May meeting."

We are pleased to report that during the year your Committee materially assisted the State of Maryland in inaugurating a Banking Department. The new law covering this department contains many of the provisions recommended by this Committee.

Your Committee have issued a call for a joint conference of legislative committeemen of State bankers' associations to be held on Thursday, October 6, at Los Angeles, at which the subjects of new legislation desired in the different States will be considered as well as other matters which are appropriate for discussion at such a gathering.

WILLIAM J. FIELD, Chairman.
HENRY DIMSE,
P. C. KAUFFMAN,
JOHN K. OTTLEY,
HENRY B. WILCOX,
Committee.

THOMAS B. PATON,
Counsel and Secretary.

Report of the Currency Commission.

LOS ANGELES, Cal., October 3, 1910.

To the American Bankers' Association in Convention Assembled.

Gentlemen: The Currency Commission of the American Bankers' Association beg to report that no meetings have been held, consequently no action taken during the past year, on account of the policy of the Commission to await the report of the Congressional Monetary Commission on matters appertaining to banking and currency legislation.

In view of the importance of the subject and the length of time during which the currency legislation has been under consideration, it is the judgment of your Committee that the report of the Congressional Monetary Commission should be forthcoming at an early date, and from information in hand it is expected that such report will be presented in the near future.

Carrying out the purposes for which this Commission was appointed, it will co-operate with the Congressional Monetary Commission with a view of securing such conservative legislation as will insure the reform necessary in our banking and currency system.

All of which is respectfully submitted.

AMERICAN BANKERS' ASSOCIATION CURRENCY COMMISSION,
J. B. FORGAN, Vice Chairman.

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Report of Federal Legislative Committee, Arthur Reynolds, Chairman.

To the Members of the American Bankers' Association:

Your Federal Legislative Committee begs leave to report:

We have continued the line of work heretofore pursued by this Committee, that of keeping in touch with all proposed legislation affecting the banking business of the country, and keeping the members of the Association informed as to legislation that was likely to be considered or passed.

We have kept in touch with the various Committees of Congress, as well as the Committees of the Association and other leading commercial organizations.

We have copies of all bills that have been introduced, and the views of this Association have been presented to committee members of the House and Senate, having such measures before them, and we believe that an influence was exerted by this method in their final determination.

The Committee has been represented at several important conferences of Committees of the Association in an endeavor to produce harmonious action by your various committees on any subject of interest to the different Sections which might be under consideration.

This Committee has exerted its influence and expended its efforts to prevent unsound financial legislation, notably in its opposition to the Postal Savings Bank law, but owing to the lack of any spontaneous, energetic co-operation on the part of the rank and file of the membership of your Association, we were unable to defeat that measure.

Your Committee has met with criticism from one source on the theory that it was urging or presenting the views of its individual members and not those of the Association, while on the other hand the membership as a body has not rallied to its support to defeat a measure to which a large majority were opposed.

The usefulness of a legislative committee under such circumstances is questionable, for if the members of the Association do not have such a committee to rely upon, individual effort on the part of bankers in various parts of the country may be relied upon to accomplish more than any committee which has a divided support.

CURRENCY LEGISLATION.

Currency legislation is without doubt most important and this subject has not been lost sight of by your Committee. It is hoped and expected by the majority of bankers that the report of the Mometary Commission will not be longer delayed. Indeed, this must be the case if any action is to be taken by the Congress recently chosen, for a measure of such importance should be presented at its first session in order to secure time for its due consideration.

The reason that neither the members of this Association nor your Committee has urged any legislation on this subject is due to the fact that all have been decorously awaiting the action and report of the Commission. The sooner this report is made public, the earlier will the opportunity be afforded for suggestion and discussion, and we earnestly urge all members of this Association to take an active interest in the matter and present their views through their Representatives and Senators.

The recent formation of Clearing House Associations under the provisions of the Aldrich-Vreeland bill, at the suggestion of the Honorable, the Secretary of the Treasury, indicates the necessity of the use of bank credits in our financial system as opposed to metal money or its representatives solely, and whether the advantage from this practice is derived from a plan of asset currency, which will maintain the individuality of our banks, or through the medium of a Central Bank, the principle involved in their operation, to produce a like result is one and the same. In either case the relief to be obtained by a bank must be based largely upon its credit and the judgment previously exercised in the care with which its credit has been extended; its loans must be liquid (that is to say, created against movable existing values) and quick of realization.

If, under the Central Bank plan, a commercial bank, a depositor in that bank desires to increase its reserve and thereby increase its loaning power, it must have quick and unquestioned assets to rediscount in order to obtain the desired result.

If, now, the same bank requires relief and utilizes its credit, which is one of the most valuable assets, by the issue of asset currency against the same unquestioned assets that it would be required to re-discount with the Central Bank, the same object would be obtained.

It appears, therefore, that the credit of the bank is an important factor in the transaction, and, if the same would be made available, extra care and judgment should be used in making such loans as would be acceptable to the Central Bank in the one instance, and liquid enough to care for the retirement of the asset currency as fast as presented in the other.

If this reasoning is correct, it would point to the result that credit is the great foundation in any financial system.

The principle practically applied in the foreign system of banking has enabled them to pass periods of unusual stress, such as have caused disaster under our inflexible plan. For it is well known that the foreign banks serving commercial interests continually keep in operation a system of credit extension by means of their liquid commercial assets, which enables them to serve their patrons satisfactorily and maintain at all times public confidence in the business situation.

We have always maintained that the individuality of the banks should be preserved, and that the banks, large and small, should enjoy an equal privilege in any plan proposed for the use of our bank credits as a basis for currency issues. We believe this may best be accomplished through an issue of notes against assets which, under proper methods of handling as to redemption and adequate reserve will adjust their volume automatically to the requirements of business.

In view of the temporary nature of the Aldrich-Vreeland law, there remains only about three years during which it is available and which is at this time the only legally recognized means of relief in case of difficulty, and regardless of the individual preferences of the various members of your Committee as to whether the asset currency plan or that of a central bank should be adopted, this Committee feels called upon by the relation it sustains to this Association, as well as the duty it owes to the public, to recommend that you take some action which will signify to the legislative branch of our Government your preference with regard to the two plans.

We believe that a continuation of the policy of procrastination with regard to financial legislation will be detrimental to all branches of business, and especially dangerous to the one in which we are engaged, and that the time for action has come.

SEGREGATION OF SAVINGS DEPOSITS.

Your Committee in its last report referred to the probability of legislation by Congress looking to the segregation of savings deposits and the assets arising therefrom in national banks.

This subject has received careful consideration at the hands of the Law Committee of the Savings Bank Section of this Association, looking toward the same end, and while this Association has heretofore given no positive expression with regard to the proposal, the question is still a live one and is being considered and canvassed by a great number of bankers throughout the country, and independent action may reasonably be expected if this Convention does not see fit to act.

At the Chicago Convention last year the National Association of State Bank Superintendents unanimously adopted resolutions favoring wise seggregation, and they are urging legislation at this time.

Already nearly one-fourth of the States of the Union have passed laws restricting the investments and segregating the assets arising from savings deposits in banks conducting a commercial and savings business combined.

It does not seem wise in the view of these facts to postpone action in relation to the matter, and we consider it our duty to recommend careful consideration of the subject and that a special Committee, large enough to properly represent the various sections of the Association, be appointed to thoroughly canvass the matter in its relation to all banking interests, and to act in conjunction with the various legislative committees to secure wise legislation.

Your Committee, now reporting, believe it would be wise for Congress to enact a law to permit the separation of Savings Deposits from all other classes of business, and the assets created through such deposits should be invested under regulation of law, in loans on real estate and other high-grade securities and be segregated for the benefit of the savings depositor. The banks availing themselves of this privilege should not be required to carry a reserve of more than 10 per cent of such savings deposit liability.

Congress has already recognized the importance of such legislation, and your special attention is called to House Bill No. 27147 attached to this report and introduced at the last session and referred to the Committee on Banking and Currency, which applies to National Banks.

We wish to commend the energy and action of the Honorable the Secretary of the Treasury in recommending the organization of the currency associations contemplated by the Aldrich-Vreeland Bill, and believe this course will be a potent factor in maintaining business stability and popular confidence.

Our observation and experience in the various interviews we have had with Committees of the House and the Senate lead to the conclusion that without the co-operation and assistance of the membership of this Association as individuals your Committee can accomplish but little; whereas, we believe with their active help any sound and reasonable legislation could be obtained.

Many representatives of varieties of business are continually pressing their claims for recognition in pending legislation affecting their interests, and the most persistent and numerous are the ones to obtain what they desire.

At the present time are the bankers of the country going to overlook the importance of proper financial legislation to maintain our great growth and commercial development and sit idly by and permit those of less experience to outline the future course of legislation? We appeal to the bankers of the country to aid in the great work before us of improving our laws and of

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providing proper elasticity in our currency to afford the protection so much needed. The business public demands that the bankers lend their aid to this great and important work, and the exigencies of the case make it necessary that something be done at the next session of Congress. A pall has been hanging over the business world. The wheels of commerce have been slowing down. Capital has grown timid. Business of all kinds lacks its wanted zest. No new enterprises are being proposed. Fear and uncertainty predominate. What we need today is individual action by the bankers of the country. Do something practical. Do not rely upon associations heretofore depended upon, in which nothing has been accomplished. Congress alone can afford relief. There is only one way to secure the co-operation of our Congressmen, and that is through our individual effort. Will we make the effort? Will we assist in the most important financial legislation ever proposed in this country? We hope the bankers may be depended upon to do their full duty. The future commercial supremacy of the country demands immediate settlement of the currency question, and if the bankers generally will give the subject serious thought, a proper solution can no doubt be speedily reached.

ARTHUR REYNOLDS, Chairman.
JOHN L. HAMILTON,
J. F. SWINNEY,
W. V. COX,
JOS. A. MCCORD.

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Detailed Report of Proceedings.

THIRTY-SIXTH ANNUAL CONVENTION HELD AT LOS ANGELES, OCT. 4, 5, 6 and 7, 1910.

FIRST DAY'S PROCEEDINGS.

MORNING SESSION.

Tuesday, October 4, 1910.

LEWIS E. PIERSON, President, presiding.

The President: A bad beginning makes a good ending. You will please rise while our proceedings are opened by prayer by the Rev. Robert J. Burdette.

Dr. Burdette: Oh Lord, our God, Thou mightier than the mighty, holier than the holiest, wiser than the wisest, Thou only art God. Thine is the glory and Thine is the power, Thine is the honor and Thine is majesty. The earth with the fullness and the sea with its treasurers are Thine. Thou givest strength unto all. Therefore, it is that we praise Thy holy name and ascribe unto Thee majesty and glory and wisdom. We ask Thy blessing upon this assembly of Thy servants this morning, keepers of the treasures of mint and mine, yoke-fellows with Thee in the distribution of good to mankind. We pray Thy blessing for them. Keep Thou before their souls hour by hour visions of the highest and noblest and purest ideals for the service of God and of men. Grant unto them, we pray Thee, in all their deliberations the divine wisdom that comes only from Thee. Grant unto all the land this blessing through them, so that the results of the deliberations and actions of this Convention and this Association shall endure to the prosperity of all the land. And to Thy name shall be glory, honor, wisdom and power through Jesus Christ, our Lord. Amen.

The President: We were to have been favored with an address on behalf of the State of California by the Governor of the State, the Hon. James N. Gillett, but word has come to us that he is unexpectedly detained and cannot be here this morning. I therefore take pleasure in introducing to you the Mayor of the City of Los Angeles, the Hon. George Alexander, who will welcome you on behalf of the city. (Appluse.)

Address of Welcome by Mayor Geo. Alexander.

Mr. President, and gentlemen: On behalf of the city, I extend to you a most cordial welcome to Los Angeles. The key to the city is yours. Make yourselves at home. We want you to have a good time, and we want to convince you that we have the best city in the world. Our climate is unexcelled. Facilities for manufacturing cannot be beaten. Business is good. We will soon have a splendid harbor, with municipal wharves, and we expect also to have a federal-owned line of steamships on the coast, which, when the Panama Canal is completed, will give us cheap freight rates between Los Angeles and the East. Two years from now we will have a great abundance of the best of water, and our municipal water department, already on a paying basis, will be a source of large income to the city. Very conservative estimates show that our Owens River aqueduct will be the means of developing at least 120,000 electric horse power, thereby furnishing cheap power for manufacturers and a large revenue to the municipality.

We want you to see our city, to observe our business institutions, to study our growth and prosperity and the opportunities for investment here. With a population of 103,000 in 1900, we have a population of over 300,000 in 1910. We want to convince you that our business men are active, substantial and prosperous; that our municipality itself is all right; that you can find no better place to live, to work, or to invest your surplus, than in Los Angeles.

It is a genuine pleasure to me to address this great gathering of banking experts, assembled from all parts of the United States—the brain of the banking world. This meeting of the master minds of the profession I am sure should result in great development and much benefit to the banking interests and to the various communities in which they thrive.

Banks are quasi-public institutions. They are the trustees to whom is confided the community's cash. A great part of their working capital consists of the money of depositors. No other institutions are so closely in touch with all classes of business and with citizens of every station in life. If the community is prosperous, the banks will prosper. If the community is going down hill, the banks must go with it. Their prosperity is interwoven with the prosperity of the community. For this reason bankers should be and generally are leaders in all great public enterprises.

Great public enterprises require capital. Sometimes the very future of a city may depend upon the success of such an enterprise, as is the case with Los Angeles and her Owens River aqueduct. Without water our growth must stop. With an abundance of it our development is almost limitless. Financial crises sometimes arise in these great undertakings. Then it is that the banker has the opportunity to display his good citizenship. I am proud to say that some of our local institutions have always responded promptly and liberally in the time of our city's need; and although at times the interests of the city were directly opposed to the interests of some of our largest concerns which were among the heaviest depositors in our banks, we never yet have had to call upon our patriotic citizens for popular subscriptions to tide us over a tight place.

One of the tendencies of recent times has been to give to the possession of money too high a value in the affairs of men. Money we must have. Without it the ordinary transactions of life cannot be carried on, business would practically cease to exist. A tightening of the money market retards development and brings disaster. Money, however, is only one of the implements of society, made necessary by the diversity of occupations. It is but a medium of exchange, which enables us to obtain a share of that which is created by the genius and efforts of other men. It should be the means by which we carry forward great and laudable projects, not the end for which such projects are carried forward. If we struggle and work and plan, and sweat our brains and our bodies for the mere acquirement of money, no matter how successful our quest may be, there can be no real satisfaction in it. But when we can look back at a great undertaking accomplished, at something which we have created, the work of our brains and the result of our well-directed energy, then we feel that life has really been worth while. Money has its uses and its abuses. Properly used, it is a great blessing. Improperly used, it may be a great instrument for evil.

Above all other things, we should value character and good citizenship. Nothing is sweeter in life than to win and hold the esteem and confidence of one's fellow citizens. Such confidence, to be permanent, must be built upon character and good citizenship.

Good citizenship means more than honesty in one's dealings with his fellowmen. A man may be a good husband and father; he may pay his obligations promptly; his word may be gilt-edged security, and yet he may not be a good citizen. Good citizenship implies public spirit. It is the application of the principles of morality to one's conduct as a member of organized society. The good citizen must be public spirited. He must take an active part in the affairs of his government. He must bear his share of its burdens. He must sacrifice sufficient time to perform his electoral duties intelligently. In time of war men gladly offer their very lives in their country's service. There is also a patriotism of peace. There are sacrifices of time and money to be made when danger threatens the financial and social welfare of one's country. The good citizen must be broadminded and patriotic at all times. And I am glad to say that among our bankers we number some of our most patriotic and progressive citizens.

Again I say, gentlemen, the key to the city is yours. Make yourselves at home, and we will all join hand with our Chamber of Commerce and other civic bodies to show you a welcome so sincere that you will have a fine time while you are here, stay as long as you can, and be sure to come again.

The President: Our generous hosts and bankers of Los Angeles will now officially welcome you by an address delivered by the Chairman of the Clearing House Committee, Mr. William H. Holliday.

Address of Welcome of W. H. Holliday, President of the Los Angeles Clearing House.

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

Gentlemen: In the name of the Los Angeles Clearing House and affiliated banks, I bid you welcome.

For many years we have cherished the hope of having among us the representatives of the greatest body of men, in the greatest country on earth—men representing almost half of the banking interests of the world.

We hope that there are many Missourians among you—as all that we desire is an opportunity to show you what we have in this glorious country.

I will not take up your time with statistics, concerning Los Angeles and Southern California—as I have been here only twenty-three years, and I have not had the time nor the oppor-

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tunity to master a tenth part of the facts. And, gentlemen, speaking sincerely, not half has ever been told.

All that we ask of you is that you make yourselves absolutely at home. If there is anything you wish that you do not see, just ask for it.

Personally, I should deem it a great pleasure to meet every visiting member. And, if any member will stop me, any place, I will do my utmost to prove my assertion.

Your Associaton has done noble work for the cause of good banking throughout this land, and probably in foreign lands—for, surely, the eyes of the world are upon you.

I have just one urgent request to make of your Association, and that is that you keep at the currency question until you succeed in giving to the United States a currency system as good, if not better than, any other system in the civilized world. Keep at it until you give us a real, elastic currency that will meet all requirements.

I trust that your stay among us will be pleasant, and that each and every one of you will look forward to the time when you can come again. Wishing you a prosperous and pleasant session. again I bid you welcome.

The President: Our heartfelt thanks for this generous welcome will now be voiced to you by a former president of our Association, Mr. George H. Russel, of Detroit, Mich.

Response to Address of Welcome by George H. Russel.

Mr. Russel: Mr. Mayor, Mr. President of the Clearing House, Citizens, Members, and Ladies of Los Angeles: The pleasant duty has been assigned to me by your president to answer these addresses of welcome on behalf of the Association, the American Bankers' Association. When I read in the programme that addresses were to be made by the Governor of this State in all his majesty, by the Mayor of this wonderful city, in all his pride, and by the Chairman of the Clearing House, representing so remarkable a history in the finances of a comparatively young city, I was somewhat appalled. But when I thought that behind me stood an Association of over 11,000 members, with total assets of over fourteen billions of dollars, I took courage. I felt and knew that I had financial backing of the strongest character; and like the good minister that could always preach better and talk better with a ten dollar bill in his pocket over Sunday, that he borrowed regularly every Saturday night, I took strength and courage from the fact that behind me is this wonderful financial Association.

Many of us have visited your city before. Personally, I have been here, I think, five or six times in the last twenty-two years. This last interval of over eight years—I was here in the winter of 1902, now passing eight years—has developed a growth that is perfectly amazing. I could scarcely believe that the Los Angeles of eight years ago and of twelve years and of twenty years ago, could have projected itself into the city of today. It is a deserved compliment to your city, gentlemen, that so many of our leading banking and business men in the busy season of the year have traveled two thousand, twenty-five hundred or three thousand miles to visit this city, and to understand that all is not east of the mountain range.

We approach your city over a desert in part, which we know will in time blossom. We came through the portal of San Bernardino into this wonderful valley. Our path was literally strewn with roses, and fruit was spread upon our tables. Our reception and welcome began at San Bernardino and Redlands, and has been with us ever since. When we came to your city, we were met by your committee at the train—this almost unexampled attention in the way of extending a welcome. It was a satisfaction to me to be sent to the hotel rather too swiftly in an automobile made in the city of Detroit (applause), but that very automobile, and a little sign on the roadway at Redlands, is an indication of the general spirit that has made possible such development as we see here. We were passing along at a pretty rapid gait on the beautiful roadway of Redlands, and crossing a viaduct I read a sign, "Automobiles will slow down to twenty miles an hour in crossing this bridge." (Laughter.) We have a speed limit of fifteen miles an hour in our city, and I thought that you were going some here. (Laughter.) Then as we rode about your city yesterday and saw the beautiful homes and avenues and fine streets, and missed the dust of the dryest period of the year that we were told we might see here, because it was entirely free from that, I can say that you have a city of homes, and that means everything to you.

It is hard for me to express myself in proper terms in answer to the warmth and wealth of this welcome that you have extended to us. It is not unexpected. I know your hearts. I have experienced your hospitality in the past. I know the people that constitute your city. They are a selected class from the best country on earth.

We come here prepared to receive the welcome that has been extended to us, to enjoy everything that you have put before us; and, in visiting this Golden State, we see and read its future. We know that the Panama Canal, soon to be opened, will build up your three or four maritime ports upon the great Pacific, and make and build up for you a wonderful commerce and a world-wide trade. We hope and trust that the State may retain its supremacy, its autonomy and its majesty. Your city here—although your census is not announced—I understand has attained a gain in population in the last ten years of something over three or four or five hundred per cent. (Laughter.) I don't pretend to say exactly how much. But, at any rate, a hundred thousand people ten years ago and three hundred thousand or more now, and ten years from now, with the Greater Los Angeles spreading itself all over the valley, perhaps to the mountains on the east, we will see a million or more people. I hope that nothing may check the growth that is upon you, and that all of the trade and commerce from the East may pour its business into your harbor through your commercial houses and be financed by the excellent institutions that are now organized here.

I cannot refrain from saying just a word about the unfortunate occurrence of the past week. I did not intend to. But I must tell you that your sister cities of the United States have looked upon that conflict of the past years in the interests of industrial freedom and the open shop. We have been surprised and pleased and delighted that some journals, that some people, have had the courage to stand for industrial freedom. (Applause.) And while this contest or conflict has lately culminated in this most unfortunate occurrence, perhaps, gentlemen, the bomb gave evidence only of the bugle call of victory. I hope, and sincerely believe, that these troubles are past to you, and that you may go on doing right and fair by everyone, as you have done in the past, but under the dominion and heel of no organization. (Applause.)

We are here to enjoy everything in sight, gentlemen, and your welcome, overpowering as it is, is received by us with heartfelt thanks; and on behalf of this greatest Association on earth I tender you our appreciation, our thanks and our delight at being here. (Applause.)

The President: The members of the Executive Council, the State Vice-Presidents and the honorary guests are invited to take seats on the platform.

Annual Address of the President, Lewis E. Pierson.

In this beautiful city and State which have so hospitably welcomed us, we are assembled to hold the Annual Convention of our Association. Since the organization of the American Bankers' Association thirty-six years ago, and the subsequent organization of banking institutions in nearly all the States, the fruits of bankers' meetings have been each year more clearly shown.

The formation of friendships is eliminating local and sectional jealousies and bringing bankers together to exchange experiences, correct mistakes and understand how best to strengthen the affairs of their own institutions in a manner most helpful and beneficial to their depositors and communities.

POSTAL SAVINGS BANKS.

The past year has been an active one for our Association. Your Postal Savings Bank Committee strenuously opposed the adoption of the law etsablishing such institutions, but in spite of its efforts and the active work of its indefatigable Chairman, Mr. Lucius Teter, President of the Chicago Savings Bank, Congress enacted such a law June 25, 1910, through the insistence of the Administration that the party's pledge in its campaign platform should be carried out.

The opposition of our Association was based upon the principles that it is as improper for the Government to extend its paternalism and enter the banking business as it would be to enter the grocery or any other business; that there would always be a temptation on the part of succeeding administrations to regard the deposits so received as revenue rather than obligations; that such deposits, if accumulated to a vast amount and payable on demand, would, in any future war crisis, weaken the nation's credit when that credit should be strongest; that, while adopted in other countries, it is a serious question whether its ultimate result there will not be found more harmful than beneficial; and further, that with our country so completely and effectively served by savings institutions—in the East operated under State laws and supervision of unquestioned stability, and in the West by savings departments in National and State banks—thus offering every facility and protection, such a departure by the National Government is entirely unnecessary.

While the law, as passed, places its operations in the hands of a committee somewhat as an experiment, it is reported that there is being exerted the political pressure for individual benefit predicted by our members and so repugnant to all principles of good government.

The attitude of our Association has been fully justified in its opposition to the bank guarantee heresy by the reported failure of that proposition in the State of Oklahoma where it originated, and it can only be hoped that Congress will heed the unanimous warnings of our members as to the ultimate consequences of a Postal Savings Bank system and at an early date repeal the present law.

BILL OF LADING COMMITTEE.

During the year the failure of two cotton houses and one grain concern revealed Bill of Lading frauds totalling nearly $10,000,000.

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This condition, long predicted by your Bill of Lading Committee, precipitated a loss of confidence in this document as an instrument of value to the extent that foreign bankers, largely affected through these frauds, passed resolutions announcing their determination to withhold acceptance of drafts drawn against Cotton Export Bills of Lading after October 31, 1910, unless the American banks through whose hands they passed would guarantee both the genuineness of the signature of the railroad agent on the bill and the receipt of the cotton by the railroad.

This stand no doubt was influenced by the failure of our Senate to enact into law the Stevens Bill, drawn to hold issuing carriers liable for bills of lading signed by authorized agents whether or not the goods had been received, which bill, by a vote suspending the rules of the House, was passed by that body earlier in the session.

In view of these conditions and the necessity for action there have been numerous conferences between commercial bodies, representatives of railroads and your Bill of Lading Committee, and a special sub-committee of New York bankers, that have resulted in an agreement upon a form of validation certificate, which is now being attached to cotton export order bills of lading by nearly all the cotton carrying railroads.

By the adoption of this validation certificate it is believed that the protection sought by foreign bankers has been attained without the necessity for the guarantee stipulated in their resolution, as the use of the certificate will tend to prevent forged bills as well as the issuance of bills where no goods have been received, and, in the judgment of competent authorities, marks another step toward the solution of this vexatious and important problem.

It has been my privilege to closely observe the energetic work of your Committee upon this perplexing question, and I feel it but proper to express an appreciation of their services; particularly those of the able Chairman, Mr. Clay H. Hollister, and the sub-Chairman, Mr. Walter E. Frew, as well as Mr. Jos. T. Talbert and Mr. Fred I. Kent, for their active and unselfish work.

PROTECTIVE COMMITTEE.

In the report of the Protective Committee you will notice that a change was made in their Detective Agents during the past year resulting from the culmination of unsatisfactory conditions existing for several years between the former Agency and the Association.

You will also notice in the report that since the termination of their service the former agents have spent many thousands of dollars in a campaign to secure support from our members for the maintenance of an organization avowedly and actively antagonistic to our own Protective Committee and its present Detective Agency.

In view of this situation your officers feel justified in suggetsing that entanglements with any other service will surely precipitate a conflict in handling cases and tend to hinder continuance of the highly satisfactory results which have been achieved by the new agents since their employment.

AMERICAN INSTITUTE OF BANKING.

The Institute of Banking formed by this Association ten years ago has more than realized the fondest hopes of its staunchest supporters.

Your officers have been much interested in observing the splendid work of the Institute by attending Chapter meetings and the Convention of the Institute at Chattanooga, and are glad to report an intense interest shown by the young men in their study courses, and to predict that the $80,000 contributed by this Association since the founding of the Institute will return untold dividends to the entire country through the training of our future bank officers in both the science and technique of their profession.

CONSOLIDATION OF "JOURNAL" AND INSTITUTE "BULLETIN."

As many advantages were found in its favor, the question of merging the *Bulletin* published by the Institute with the "*Journal* of the American Bankers Association" was taken up by the Executive Committee of the Institute, which formulated and recommended a plan of consolidation to our Executive Council, that was formally approved, with authority to the officers to carry out its details so that Institute and Association matter might be departmentized, edited and published along the same lines as in the past. As a result the members of the Association and those of the Institute now receive under one cover a monthly *Journal* containing the current features of both organizations.

Heretofore the Association *Journal* has frequently escaped the notice of the officers of our large institutions, and it is confidently hoped and believed that the consolidation of these two important publications (the *Journal* and the *Bulletin*) will result in creating a livelier interest in their contents on the part of all bankers.

TRAVELERS' CHECKS.

The splendid system of Travelers' Checks initiated by your energetic committee has surprisingly proven its value to our members in the short time it has been in operation, as these checks are to-day readily accepted in every part of the civilized world. No Committee of the Association has ever done better work for our members, and I feel that their labors and accomplishments are worthy of both your thanks and admiration.

CIVIC FEDERATION.

During the winter the National Civic Federation met with the Governors of the several States in Washington, D. C., and in response to an invitation, your President, Secretary and General Counsel attended their session, and, with others, recommended to the Governors the passage in their States of the Commercial Acts drafted by the Commissioners on Uniform State Laws, including the Negotiable Instruments Act, the Warehouse Receipt Act, the Bill of Lading Act and the Bulk Sales Act.

We are glad to report that the Civic Federation has recently taken up as part of its future activities the organization of State branches to carry on the work of securing this and similar uniform State legislation.

BANK SUPERVISION.

In other countries bank supervision rests largely with directors and shareholders through the employment of public accountants as examiners and the maintenance of a permanent auditing staff.

In our country the National and most of the State Governments maintain strict supervision over banking institutions under the jurisdiction, and as our Association has been a consistent advocate for better service in this respect, it is with much gratification that we note the satisfactory results attending the efforts of recent years to bring about a highly developed system of supervision of banking institutions throughout the country.

In this respect the administration of the present Comptroller of the Currency, Hon. Lawrence O. Murray, is a conspicuous and commendable example of what can be accomplished in his office, and I feel that he is deserving of the thanks of the members of this Association for the high state of efficiency to which he has brought the present system of National Bank supervision.

The Clearing House Section of our Association has also successfully urged the employment of examiners by Clearing Houses to make regular examinations of the banks in some of the large cities, and we find an increasing number of banks each year employing outside auditors to make independent examinations for the benefit of their directors.

All this work, I believe, would be greatly aided by the development of a uniform system of bank accounting, as advocated in his quiet way by the Hon. Pierre Jay, formerly Commissioner of Banking for the State of Massachusetts, and now Vice-President of the Bank of the Manhattan Company, New York. Such a system would be invaluable to the smaller banks and could be utilized to advantage by the larger institutions and would provide a ready and sure means of verification by the bank examiners.

I also believe that out of such a system there should be developed a proper method of ascertaining the cost basis for handling various items and transactions in the banks.

Manufacturers reduce to the smallest fractions the cost of each operation in producing goods, while bankers have too long been prone to lump expenses and income and take chances on coming out with a profit.

The expense end of any other modern business is under careful supervision, and in my judgment if bankers were to work on a proper cost basis, as well as transit costs, they would not only find their Analysis Departments would reveal opportunities to insure amazing savings, but would be less eager to offer unusual inducements to secure new business.

COMMERCIAL PAPER.

In recent years the sale of Commercial Paper and its purchase by the bankers through brokers has grown to vast proportions.

The purchase is made upon the representation of brokers, on statements of condition of the makers and upon credit information obtained by purchasers from various sources, all tending to show the ability of the makers to pay their borrowings promptly at maturity.

Banks in the reserve cities also are asked to make large purchases for the account of correspondents, and much paper is sold on option by traveling salesmen of the brokers direct to the country banks.

The large banks in the cities maintain for the benefit of themselves and their correspondents extensive investigating bureaus, which, in many directions, are steadily working closer with each other in the exchange of credit impressions, so that nearly every name is always under a glaring searchlight.

This method of determining the goodness of each name, while it has many advantages, is never surely correct, and on the other hand, out of the free exchange of opinions unjustified prejudice often creeps in to the detriment of solvent concerns.

It would, therefore, seem to be a decided advantage to devise a regular system whereby true conditions may be absolutely ascertained to justify both the sale and the purchase of com-

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mercial paper and add to its availability as a desirable bank investment.

The failure of several large concerns in recent years have revealed statements of condition upon which the purchase of their paper was largely made to be erroneous, to say the least, and as a result losses aggregating millions and millions of dollars have been sustained by the banks, although scattered in moderate amounts among a large number of institutions.

The question, therefore, of regulating and making safer in some fair way the growing amount of commercial paper has been a live topic among bankers for some time. Many suggestions for the purpose of ascertaining true conditions have been made, including the registry by Clearing Houses of the notes sold and examinations of the affairs of the makers by public accountants of known standing.

These requirements would seem to be greatly desired and perhaps would best be accomplished through a Committee organized for the specific purpose of recommending accountants, the method of their examination and form of report and, with assistants, performing the function of registering each and every note issued by concerns selling their paper in the open market.

NOTE KITING.

During the past few years members of our Association have met severe losses as a result of a clever system of note kiting, which, in spite of publicity, seems to be increasing.

The operations appear to be instigated and guided by people whose newspaper advertisements offering financial support catch many unwary, well-meaning and well-rated merchants and manufacturers, who, yielding to the tempting offers set forth, face inevitable bankruptcy, with shame to themselves as dupes and loss to their creditors.

These dupes are advised to open accounts in designated banking institutions where the management may appear lax, or, more often, their own bank may be selected as a target, and for a while good balances are maintained, sometimes with funds furnished for the purpose.

After confidence and credit have been established, instructions go out to draw notes to the order of other concerns in proper lines of business in exchange for a like amount of notes made by others in a similar line of business, and from each the instigator of the exchange receives ruinous commissions.

These apparently legitimate receivables are then offered for discount, and, having all the appearance of business paper, bearing two rated names, are accepted by the bank; and so it goes on until the line of supposed receivables creeps up and finally one of the concerns goes under. The house of cards then tumbles; those retaining some strength being carried down by the weight of their endorsements in addition to their own notes outstanding.

In view of the insidious methods employed, it is essential that our members be constantly on their guard against these operations and at the same time co-operate with the Protective Committee in any manner that will secure certain punishment to those instigating and perpetrating this system of high finance.

BANKING AND CURRENCY REFORMS.

The last few years have witnessed a remarkable change in the views of many bankers and the entire country on the question of banking and currency reforms.

The wild-cat and yellow-dog currency issued before the war by banks whose activities were unrestrained and without adequate supervision remain so vividly in the minds of our older bankers and merchants that until a few years ago all suggestions for currency based upon anything other than the full value of gold or Government bonds met with immediate and unanimous disapproval. Likewise, the demonstrated stability of banks operating honestly under the National Banking Act proved a sufficient answer to arguments favoring any change in the system.

The study of banking conditions by an increasing number of bankers and business men, stimulated by discussion of the causes and effects of the panics of 1893, 1896 and 1907, has, however, been fruitful in efforts to crystallize sentiment, so that it is now generally conceded that while our system of individual local banking units has proven ideal for the development of the country, our great weakness lies in the lack of cohesion between these units, and our inability to retire the surplus volumes of currency as loans contract, and to automatically expand both currency and credit to tide over heavy seasonal and sometimes unusual demands.

It is also conceded, and history clearly demonstrates, that a great weakness lies in our form of greenback and bond-secured national bank currency, which, having been generally proven unresponsive to the expanding and contracting conditions of trade, may be well accused of being one of the prime causes of the financial panics since the Civil War.

The discussion and suggested reforms prior to 1906 led to the appointment that year by our Association of a Currency Commission, instructed to prepare a concrete, workable plan, which plan was formulated and urged upon Congress without result, although supported by the Administration.

Following the panic of 1907, however, Congress passed the Aldrich-Vreeland Bill with provisions which were not in accordance with the views of our Commission and other members of our Association, who in turn urged a provision which was finally adopted and created a Monetary Commission to study banking and currency conditions in this and other countries.

Under the able guidance of its Chairman, Senator Aldrich, investigations have been conducted, perhaps more exhaustive than ever attempted before upon any subject in this or any other country. These investigations have been made from every possible angle in our own, as well as every other important country of the world, and the results, where permitted, now being published, give us a library of authoritative banking and currency data which we have never before possessed.

With these reference books now available to all, it would seem to be a duty to urge our business men to carefully study and freely discuss this great question which so vitally affects every man, woman and child in our country.

The investigations reveal a few important points in the banking systems abroad which are lacking here, one of which is the method employed to avoid the improper control of central and joint stock banks, and accomplished by limiting the voting and stock transfer power, often but one vote being allowed a shareholder, no matter how large the holding, while the transfer of shares requires consent of the Board of Directors, and, in the cases of Continental Central Banks, a voice in their affairs is also exercised by more or less limited governmental representation.

These provisions aim to prevent the entrance of speculative, political and other undesirable elements into the affairs and control of banks, and insure not only competent management but the retirement of those whose conduct may be deemed improper.

Other points include the centralization of reserve, its economical use, a system of rediscounting with its expansion and contraction of credit and currency issues, to meet the varying requirements of trade; an ability to attract gold when most needed and a system of acceptance of time drafts by the joint stock banks and private bankers.

Upon the question of reserve, rediscounting and currency issues we have had much discussion, and I shall, therefore, only briefly allude to the acceptance system which forms the basis of the liquid investments of foreign bankers.

Under this system foreign correspondents either draw direct or authorize others to draw drafts on their banking connections in the large city at sixty and ninety days' sight, or such other time as may be arranged—the drafts are accepted, in rare cases on credit but more often on collateral—and of what is then two-name paper much is sold in the market for account of the drawer through discount companies whose operations are somewhat similar to those of our note brokers.

In this manner the larger banks lend their credit to their correspondents and by their acceptance complete an instrument commanding an international market, through the ready sale of which the drawer is placed in funds without the acceptor being called upon for any funds in the transaction except upon rare default of the drawer at maturity.

The constant, daily use of this acceptance function, therefore, permits the larger banks in the centers to expand and contract credit facilities other than through direct loans, with the rising and falling demands of trade, and at the same time provides in large volume an ideal form of short time investment for institutions both at home and abroad.

In our country, upon every occasion when business has declined, we have been unable to retire any considerable amount of currency, so that with our system of reserve centers deposits pyramid rapidly, and especially upon the banks in New York, Chicago and St. Louis, the three central reserve cities.

Out of this condition the system of sharp call, Wall Street collateral loans has been developed for the employment and quick return of these surplus deposits, and as these funds accumulate and cannot be otherwise used or disposed of, they are forced into such loans by banks in other cities, as well as New York, all aiding speculators to initiate wild transactions to be checked only when these stock loans are called to meet the withdrawal of deposits for trade purposes.

This spectacle is regularly witnessed, and, as the deposits are withdrawn, competition for the use of funds is precipitated between legitimate commercial and speculative borrowers, with interest rates soaring at times to ridiculous heights, until timid depositors, who cannot understand the newspaper comments, withdraw their deposits and hoard cash.

Mercantile as well as speculative loans are then hard to obtain, trade is checked and failures quickly follow. Labor is thrown out of employment and hard times come, accompanied by a shrinkage in the value of commodities as well as securities, entailing enormous and unnecessary losses upon both capital and labor, rich and poor, but bearing down especially hard upon the small tradesman and wage earner, whose families then endure untold sufferings which in turn tend to breed socialism and anarchism.

In framing the National Bank Act Congress endeavored to meet this situation by requiring banks in the reserve cities to carry a cash reserve of 12½ per cent. against 6 per cent. required by banks in the country districts, and further required

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the banks in the three central reserve cities, New York, Chicago and St. Louis, to carry a still larger reserve amounting to 25 per cent. of their net deposits.

The Act also permits country banks to rediscount customers' notes with their correspondent in the reserve city and the reserve city banks to likewise rediscount with their central reserve city correspondent, but utterly fails to provide any place where the central reserve city banks can turn for rediscount in order to give proper support to their customers and correspondents.

Without an ability to convert their own resources and credit, no matter how conservatively the affairs of the central reserve city banks may be managed, there is always a point beyond which they cannot go, even with the larger reserve, when many millions of loans made by out of town banks direct to city borrowers are thrown back on the city banks and it is necessary to endeavor to shoulder these loans as well as borrowing demands from the entire country.

It is, therefore, at this juncture that a crisis is invariably reached, and it is also plainly evident that at this point the cure should be applied. Call it what you will—preferably "The Bank of the United States"—we surely need a large institution for rediscount and currency issue to perfect our otherwise admirable banking system.

We have many advantages over the systems of other countries, for we derive great benefit from our method of bank supervision and the operation of individual local banking units, but these units have no ultimate cohesion, and are like an unorganized mob in time of war, presenting in each emergency the same exhibition of an inability to obtain enough currency and credit to tide over intense situations and prevent the usual losses to worthy and solvent concerns.

In every other nation of the world a banking and monetary system heading up to an institution of discount and currency issue has demonstrated its beneficial influence to aid in keeping business conditions steady and stable by conservatively controlling the expansion of credit through its rate of discount and automatically increasing and decreasing the volume of note issues with the requirements of trade.

It, therefore, does not seem reasonable that our business men can longer tolerate the handicaps under which their affairs suffer when they realize that the causes of these handicaps emanate from weaknesses in our banking system which can be easily cured, and it is also hard to believe that Congress will long be unmindful of the absolute necessity for a proper revision of our banking and currency system.

My predecessor, Mr. George M. Reynolds, President of the Continental & Commercial National Bank, Chicago, in his address to you last year, ably argued for a bank of discount and issue to round out our present system without disturbance of other existing conditions, and I believe with him that a plan along the lines then proposed will fully meet the requirements and permit us to mobilize our banking resources in a manner which will achieve for our country the financial leadership of the world.

It is true that many able bankers suggest the extension of Clearing House operations to meet the exigencies we so frequently face, but why not try to make the cure complete, and at the same time retain our Clearing House experience for additional protection, which we hope may never be necessary.

I would suggest, however, the addition of an acceptance function to the banks in the central reserve cities, based upon collateral, and limited, perhaps, to a certain proportion of their capitalization.

The legalized use of such a function by the reserve city banks would permit the utilization of their credit for the benefit of their correspondents, who, in turn, after acceptance, could readily obtain funds by selling in the open market on a favorable basis of discount the drafts they could draw.

These drafts should command an international as well as a domestic market, and would, at the same time, increase the supply of short time liquid investments for banking institutions, and also create a supply of exchange on the centers, which would undoubtedly find its way at times into the hands of foreign bankers, thereby aiding the development of our international trade and permitting our large cities to assume their proper place as financial centers of the world.

After marking time for three years, awaiting the investigations of the Monetary Commission of Congress, which are now before us, it seems opportune for this Association, as well as other business organizations, to become active in this great question in order that it may be solved before another crisis can come upon us.

When our Association created its Currency Commission, the importance of the membership being representative was given careful thought, and a plan adopted by which the members of the Executive Council, by their individual votes, expressed preferences, leaving to the Executive Officers the final determination, based upon such votes, with the result that the Commission includes the best talent showing an active interest in the subject at that time.

Since then, however, other bankers equally prominent and in sections of the country now without representation on the Commission, have shown an active interest in and comprehensive grasp of the subject, and the suggestion, therefore, has been made that it might appear desirable, in order to strengthen the influence of the Association in every possible manner upon this important question, that this Convention authorize the appointment of a new Currency Commission, with a membership composed of those now serving on the present Commission and a few additional members to be chosen in a manner similar to that previously adopted.

Senator Aldrich has advised me that he has called a meeting of the Monetary Commission early in the Session and will arrange for conferences with the Currency Commission of our Association and committees appointed by commercial organizations, so that it is our duty to be ready at the proper time to put forth our best efforts to secure safe and sane banking reforms.

The past year has been an active one for our over ninety millions of people; the volume of clearings for the eight months past, according to Bradstreet's, exceed those of 1909 by 5 per cent., and the percentage of idle railroad cars in the month of August is 66 per cent. less than in 1909, all tending to keep our institutions busy and fully employ the funds entrusted to our care.

The nation's increasing power of consumption without an apparent corresponding increase in production has stimulated the cost of living, and especially the cost of food prices, and at the same time is tending to seriously weaken our export power, which, in every financial stringency heretofore, has quickly brought gold to relieve the strain.

Throughout the nation we find waste everywhere, in the housewife's kitchen, in the business man's office and in the farmers' field, and our extravagance in living is tending to exceed income and encroach upon capital.

As bankers I believe we owe a duty to our communities to encourage thrift and economy in every way possible. We should get closer to our people, and encourage investment in safe securities, arranging whenever we can to have bond issues offered in denominations that will attract and meet the requirements of the smallest investors.

Experience and observation place us in a position to give advice to deserving men, helping them avoid mistakes and to particularly escape the lure of the "get rich quick" schemes, through the advertisements of which so many millions are each year coaxed from and lost by small investors all over the country. These "get rich quick" schemes are an outrage on business decency, and it is hoped that the post-office officials will soon place more of these criminals in the penitentiary.

Four years ago our Executive Council changed its policy of holding the Spring meeting of one session in New York to meetings at some quiet place away from the diverting influence of a large city, three days being devoted entirely to meetings of Committees and the Executive Council. The result has been that the important affairs of the Association have since had free and full discussion and much new and valuable work has been initiated, as is shown in the detailed reports the Sections and Committees will make to this Convention.

These reports indicate a vast amount of important work which has been accomplished for your benefit during the past year, and it, therefore, is with a great deal of pleasure that I thank the members of the Committees, as well as the officers of the Sections for their loyalty and the valuable time they have so freely given in working out the problems entrusted to them, and only regret that time will not permit mention of the detail of their activities.

I also wish to thank the officers of the Association and the State Vice-Presidents for their support during the year, and particularly to acknowledge the highly efficient services rendered the Association by your General Secretary, Mr. Fred E. Farnsworth, and your modest, industrious and able Counsel, Thomas B. Paton.

It has been my pleasure to be closely associated with Mr. Farnsworth in the work of the Association since he was elected Secretary three years ago, and to have an opportunity to observe the faithful services which he has rendered to the Association.

During all that time he has intelligently administered the affairs of his important office in an industrious and painstaking manner, bringing its details and organization to a high state of efficiency to effectually handle the immense amount of business now being transacted and at all times fully justifying your confidence in his courtesy, fairness and ability.

The office of General Counsel was created by the Executive Council three years ago, and the wisdom of that move, and the appointment to that office of Mr. Thomas B. Paton, has been amply demonstrated, as he has been of invaluable assistance to the various Committees of the Association in their work, and in view of his recognized expert knowledge of points on banking law, he has been freely consulted by members of the Association, in some cases acting as arbitrator between members, thereby saving costly litigation.

In conclusion, in addition to strongly urging active, energetic work for banking and currency reforms, there are a few recommendations which I would like to bring to your attention.

First—That in co-operation with brokers selling commercial paper an active effort be made to formulate a plan by which there may be ascertained the true condition of concerns offer-

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ing their notes in the market and providing for the registry of such notes before delivery.

Second—That in co-operation with the National Association of Bank Supervisors and the Comptroller of the Currency there be an endeavor made to work out an effective, simple system for uniform bank accounting which will provide all proper checks and safeguards.

Third—Your Federal Legislative Committee, Savings Bank Section and National Association of Bank Supervisors are recommending the segregation of savings deposits in National and State banks, and as a few of the States have enacted laws requiring such segregation of savings deposits and their investment in a certain and safe manner, it might seem wise at this time for our Association to appoint a Committee with a membership composed of representatives from all classes of institutions to carefully study this important matter and report back their conclusions to our next Convention.

Fourth—I would also strongly recommend a meeting between the officers and the several Committees or their Chairmen, soon after the adjournment of each Annual Convention, in order to carefully outline work for the ensuing year.

Mr. Ramsey: Mr. President, I move that the order of business as outlined between the hours of eleven and twelve, according to the official program of the Secretary, he declared the official order of business for today's session, with the exception that after the report of the Bills of Lading Committee on page 12 there shall be heard the report of the Committee on Fidelity, Bonds and Burglary Insurance.

(This motion was duly seconded and carried.)

The President: We will now listen to the report of the General Secretary, Mr. Fred E. Farnsworth.

Secretary Farnsworth: I wish to make an announcement. In accordance with the details as carried out by the local committees from the time of our arrival on Friday night, the ladies, as you all know, have been most active, and they wish me to announce that during the convention sessions this morning and this afternoon and on Friday, that they will serve lemonade on the Olive street side in the foyer. All are cordially invited to partake. We will not feel very much offended if you go out to take a drink while we are reading these dry reports. (Applause.)

Annual Report of the Secretary.

[For report of Secretary Farnsworth see page 138.]

The President: Gentlemen, we have come a long ways to do a lot of business. We have invited speakers from a long distance to be with us. The Chair would therefore very much appreciate your kindly remaining in your seats until the close of the session.

Mr. C. H. Huttig: Mr. President, I would like to offer a resolution:

SUBSCRIPTION FOR BENEFIT OF SUFFERERS FROM THE DESTRUCTION BY DYNAMITE OF LOS ANGELES "TIMES" BUILDING.

Whereas, The American Bankers' Association is enjoying the hospitality of the city of Los Angeles at a time when her citizens have been afflicted with a terrible calamity, be it

Resolved, That our sympathy be shown by extending practical relief in the sum of five thousand dollars, to be added to the relief fund, and that this sum be paid to the Los Angeles Clearing House Association to be used for this purpose; and

Resolved, That this subscription be made effective at once through the officers of the Association.

The President: You have heard the resolution. Is there a second?

Mr. Watts: Mr. President and gentlemen of the Convention, it gives me much pleasure to arise and second the motion of the gentleman from Missouri. Coming from the Southland, that in other times has received the assistance of this beautiful city when it was beset by pestilence; coming from that Great East that in other times have received the same assistance when the great State of Pennsylvania was bereaved by its flood; coming from the American continent, which received assistance at a time when the Pacific slope was in distress in its great metropolis of San Francisco; feeling, gentlemen, that a little suffering makes the world akin; feeling that in the heart of every American banker is that same sympathy for suffering that is found in the hut or the cottage, I take great pleasure, upon the part of all these bankers, whom I claim to represent, in seconding the resolution, and asking the unanimous consent of this Convention for its adoption. I thank you. (Applause.)

The President: Gentlemen, you have heard the resolution and it has been seconded.

Mr. Dimse: (New York) Mr. President, we of New York, who have come more than three thousand miles to Los Angeles, cannot remain seated in our seats without saying something to endorse the motion and approve of the resolution which has been presented. New York has always come to the front in a case as is presented to us now; and I therefore, on behalf of the delegates from New York, second the motion also.

The President: Gentlemen, you have heard the motion. You have heard the seconds. Are you ready for the question?

(Motion put and carried unanimously.)

The President: To the gentlemen who are leaving: At 12:15 we will have an interesting address on the currency. We hope that all who can will listen.

We will now have the report of the Treasurer, Mr. P. C. Kauffman of Tacoma.

Annual Report of the Treasurer.

[Treasurer Kauffman's report is printed on page 143.]

The President: Gentlemen, at this period, it is customary upon motion for the Chair to appoint an Auditing Committee of three. Such a motion would now be in order.

Auditing Committee.

Mr. Livingstone: I move that a committee of three be appointed as an Auditing Committee.

(Motion seconded, put and carried.)

The President: The Chair will appoint as such Committee, Charles E. Warren, of New York; F. J. Woodworth, of Cleveland, and D. McK. Lloyd, of Pittsburgh.

Report of General Counsel, Thomas B. Paton.

The next order of business will be the report of the General Counsel, Thomas B. Paton.

Mr. Paton: Mr. President, Members, Ladies and Gentlemen: A lawyer's report carries with it the presumption of being a very dry document, and yet there seems to be no other method of presenting in a specific way the character of the work which the general counsel has performed during the past year. As I am quite anxious that you should get some general idea of this work, I trust that you will bear with me for a few moments while I read this report, which I will, however, considerably curtail. I might say that since the last year I have come to glasses, or glasses have come to me.

[The report of the General Counsel will be found on page 140.]

The President: Gentlemen, our speaker for the morning session, Mr. Irving T. Bush, has arrived, twenty-two hours late, and he has not yet been to his hotel, and we have suggested to him that, if it meets with your unanimous approval to so change the order of business, we would have him speak this afternoon after Dr. Wheeler's address and preceding the address by Mr. Rhett, of Charleston, S. C. So at that time, and from three o'clock, you will have three excellent addresse, one following another, and we hope that not only will all be present but bring with you other bankers, so that they may also enjoy these addresses. We will now have a very short report from the Chairman of the Executive Council, Mr. William Livingstone.

Report of Chairman of Executive Council.

Mr. Livingstone: Mr. President, so much has been published of the business of the Executive Council, that I have deemed it unnecessary to go into a voluminous report, merely touching on the important points of interest which have been passed upon and acted upon by your Executive Council during the last year.

[The report of the Executive Council will be found on page 148.]

Mr. Livingstone: I therefore move that this amendment as recommended by the Executive Council be adopted.

CONSTITUTIONAL AMENDMENTS.

The President: You have heard the motion, gentlemen. Is it seconded?

Mr. James: Mr. Chairman and Gentlemen of the Convention: I would be very glad to take the motion as the Chairman of the Executive Council has stated it, and probably his statement covers the entire matter, except in this, that either by typographical error at the beginning of the first section or by a mis-statement of some kind there has been an erroneous printing of this section. At yesterday's session of the Executive Council that correction was authorized, but probably under our rules it will have to be again authorized by this body before action upon the general proposition, for the reason that the condition of things as printed is that which comes before this body. I therefore request that the gentleman incorporate within his motion, as an amendment to Article IV of the amendment, on the top of page 24, so that that clause shall read: "A Law Committee, consisting of five members of the Association and the General Counsel." It was erroneously stated heretofore "five members of the Association, of which the General Counsel shall be one." The General Counsel is not a member of this body ,and therefore that was an erroneous statement. To correct that a change was recommended yesterday at the General Council, that it should consist of five members of the Association and the General Counsel. If the gentleman will incorporate that in his motion, I shall be glad to second it.

Mr. Livingstone: Yes sir, it was intended to do so. It went into the record yesterday, and it was taken for granted that it would be passed by the Association in conformity with the action of the Executive Council yesterday; in other words, that instead of the General Counsel being a member of the committee ex-officio, he would become an active member, increasing the committee from five to six.

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Mr. James: Under the circumstances I fancy, however, that it will be necessary to ask the unanimous consent of the Association for that change to be made.

The President: You have heard the motion, which has been seconded, relative to the change suggested in the constitution of the Association. Is there a unanimous consent to the adoption of that resolution as presented?

Mr. Watts: Mr. President, I rise to a point of order. While I favor the adoption of the amendment of the Constitution as prepared by the Committee, and it will probably be adopted without dissent, at the same time in order to observe the orderly proceeding, I call your attention to the fact that "Amendments to the Constitution" is made a special order of business for Friday, October 7th, second day's session. It is proper for the Chairman of the Executive Council to report as he has done, but for the Convention to take action is probably improper. It occurs to me that there may be some one desiring to speak upon this subject, and to speak upon this subject in order in which it is presented on the program.

The President: The Chair will rule that the point of order is well taken. You have adopted earlier in the session a regular order of business, which appears on the program, in which the subject of amendment to the Constitution is provided for at the morning session on Friday, and the matter will then properly come up.

Mr. James: In view of the fact that we have nothing else to do this morning and are losing time, and that we will be busy on Friday, I move that the order of business be suspended, and that the approval of Constitution amendments be now authorized by this body.

Mr. Kauffman: I support that.

Secretary Farnsworth: The Chairman of the Council took this action on my suggestion. The amendment was passed at Atlantic City. The Chairman makes a report here today as Chairman of the Executive Council and reports this amendment. It is recommended in his report, and I suggested to him that I thought the proper time to bring up his amendment was after he finished his report, being a part of his report. Now, in making up this program, that was the suggestion and expectation, and when we allude to the order of business in putting in the amendments, it had reference to the two amendments which were passed on yesterday, and in our order of business (owing to the meeting of the Organization of Secretaries which takes place tomorrow). The amendment to the Constitution applying to the section of Secretary should should be acted on on Friday instead of today. That is the reason why that was put in there, to provide for the two amendments which were acted on yesterday. But I want to clear the Chairman of the idea that he was wrong, because he was acting on my advice.

The President: Gentlemen, you have heard the statement of the Secretary. The idea of this regular order coming in on Friday was that all amendments might be taken up, and you now have before you a motion that the regular order, as adopted earlier in the session be suspended, and that we now take up the consideration of amendments to the Constitution. That will require a two-thirds vote. Are you ready for the question?

Mr. Watts: I have no desire to press my point of order, nor have I any desire to oppose any measure of the Chairman of the Executive Council and the Chairman of this Committee regarding its disposition. I shall vote for the amendment and it receives my hearty approval; but I candidly believe that it is a bad precedent for a body of this kind to adopt an order of procedure—an order of procedure that is published and presented to every delegate, and every delegate at this Convention bases his attendance at the Convention upon that order of procedure—he bases his attendance so that he may attend at those times when he is most interested. I do not desire specifically to apply my point of order to this one amendment to the Constitution, but I say again that it is an exceeding bad precedent for such a body as this to open such important matters as changes of its Constitution to change the program in such a way that it may be taken up—those subjects may be taken up when they are not expected to be discussed and not expected to be passed upon by the membership.

The President: Gentlemen, the Chair has been pleased to allow the courtesy to Mr. Watts to make his statement an argument, but the question is not debatable. Are you ready for the question? (There were calls for the question.) All those in favor of taking up the amendments out of the regular order and having them considered at this time, say aye. Contrary, no. The Chair would say that the motion appears to be lost. The motion is lost.

Annual Report of Standing Protective Committee.

The next regular order of business will be the annual report of the Standing Protective Committee. It is a highly interesting report and it is not long. It will be read by the Secretary, Mr. Farnsworth. I do not believe it will take more than four or five minutes.

[The report of the Standing Protective Committee will be found on page 144.]

The President: Gentlemen, the Vice-Chairman of the Currency Commission has asked the courtesy of unanimous consent that the report of the Currency Commission which will be read by him, may be rendered to you at this time. It only covers about three paragraphs, and if there is no objection it will be so ordered. J. B. Forgan, gentlemen.

Report of Currency Commission.

Mr. Forgan then read the report as follows:

[The report of the Currency Commission will be found on page 154.]

The President: You have heard the report, gentlemen. You have heard the other reports which have been rendered this morning. It will be in order for those reports to be received and placed on file. Is there a motion to that effect?

Mr. Hyde: I so move.

Mr. Lloyd: I second the motion.

(Motion put and carried.)

The President: The time for adjournment according to the order of business has now arrived, and I therefore declare the meeting adjourned.

AFTERNOON SESSION.

The President: Gentlemen, we will come to order. The first order of business will be the report of the Committee on Bills of Lading, by the Chairman, Mr. Clay H. Hollister. If he is not present, we will call for the report of the Committee on Express Companies and Money Orders. That, I believe, is to be presented by Mr. James, of Pennsylvania. Is Mr. James present? (No response.) We will come back to that report then, and proceed with the report of the Standing Law Committee, Mr. Field, Chairman. Is Mr. Field in the room? (No response.) Gentlemen, Mr. Hollister, Chairman of the Bills of Lading Committee is here, and his report will be in order.

Report of Bills of Lading Committee.

Mr. Hollister: I will also read the report of the sub-committee. I think the essential part of that report is the letter which was drafted and sent to the foreign bankers in response to their action which was taken declining to cash these drafts under bills of lading on export cotton shipments; and this letter is a very careful summing up of the entire situation from our standpoint

[The report of the Bills of Lading Committee will be found on page 149.]

Mr. Hollister: I would like to ask the permission of the Convention also, as a part of the report of this Committee, to include a paper prepared by Mr. Kent, entitled "Analysis of Methods and Conditions Under which Cotton Bills of Lading Are Issued and Accepted." This will help to complete our record of the proper literature bearing upon this subject.

The President: You have heard the report of the Bills of Lading Committee. What is your pleasure?

Mr. Hardy: In regard to the report which we have just heard read, I wish to offer the following preamble and resolution:

We, the American Bankers' Association in convention assembled have received report of their Bills of Lading Committee and hereby ratify and approve of their acts. We believe that the principle laid down by them as fundamental that the railroads of the country in issuing bills of lading shall be responsible for the acts of their agents, is entirely sound.

We commend their efforts toward suitable legislation as exemplified in the Stevens Bill now before Congress, and empower them to use all legitimate means for having that measure finally adopted and made into law.

We approve, as a well devised expedient in dealing with export shipments of cotton, the validating plan which has been adopted to facilitate the handling of the cotton crop this fall, and we urge the extension of this practice for all bills of lading used as instruments of credit.

Now, Resolved, that we continue our Committee and subcommittee with instructions to work for such permanent legislation, both State and national, as will make the bills of lading offered to banks as security for loans or advances a safe and desirable collateral.

I don't think that the Association has a Committee that has done more valuable and effective work for its members than this Bills of Lading Committee. The railroads have been a little reluctant to accede to the wishes of the Committee as to their responsibility for and the form of bills of lading. But a thing of that sort cannot be accomplished in a day. It has to be a matter of a campaign of education. So far as the expedient which has been resorted to in regard to validating the bills of lading is concerned, it should meet the situation fully. It is an admirable plan, and the trial of it will result, I am satisfied, in its general acceptance. Those most closely in touch with the situation so far as foreign banks are concerned, are satisfied that it will work itself out, and that we of the South, who are particularly interested in the financing and handling of the cotton crop, will not have any serious difficulty in marketing our commodity. They need our cotton quite as badly as we need their money, and we will have to get together on some mutual ground that will be satisfactory on both sides.

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I move you, Mr. President, the adoption of the preamble and resolution.

Motion seconded, put and carried.

The President: The next in the order of business will be the report of the Fidelity Bonds and Burglary Insurance Committee, Mr. John L. Hamilton, Chairman.

Fidelity Bonds and Burglary Insurance Committee.

[The report of this Committee will be found on page 146.]

Mr. John R. Lindsbury: (Kansas) Mr. President, I move the adoption of the report of the Committee on Fidelity Bonds and Burglary Policies, as read by Mr. Hamilton, with a vote of commendation to the Committee for the considerable detail work; this motion to include a continuance of the Committee as one of the Committees of the American Bankers' Association.

The President: You have heard the motion. Is it supported?

Mr. Bolton: I support the motion.

(The motion was duly put and carried.)

The President: Gentlemen, there is one short report and then we are through with that order of business. It is the report of the Committee on Express Companies and Money Orders, and will be read, at the request of the Chairman, by Mr. James, of Pennsylvania.

Report of Committee on Express Companies.

[The report of this Committee appears on page 153.]

Mr. James: Mr. Chairman, I move that this report be received and filed and the Committee continued.

The President: You have heard the motion, gentlemen. Is it supported?

(Motion seconded, put and carried.)

The President: We are particularly favored, gentlemen, in having with us this afternoon the Treasurer of the United States, and I wish to take this opportunity to introduce him to you, particularly as I know that he has with him a message for you which you will all be glad to hear. I would introduce to you the Hon. Lee McClung, Treasurer of the United States.

Address of Lee McClung, Treasurer of the United States.

Mr. McClung: Mr. Chairman, and gentlemen of the Convention: Nothing is great or small except by comparison. The subject of my talk this afternoon, the suggested change of size of the United States paper currency, is small when compared with the general monetary reform proposition. At the same time, any manner of scheme which will improve the currency of any nation of the world and bring about the possibility of clean currency for the people of the country to handle, is in itself no small matter.

Before speaking of that small matter, however, I should like to read a friendly word of greeting from the President of the United States. (Applause.) Since arriving at Los Angeles I have received the following telegram, dated the White House, Washington, D. C., September 30th, and signed William H. Taft.

"Please present my compliments and good wishes to American bankers, and express to them the hope that within the next two years we may have a satisfactory revision of our currency and banking laws, which is so much needed." (Applause.)

SUGGESTED REDUCTION IN SIZE OF UNITED STATES PAPER CURRENCY.

Money is a standard by which wealth is measured, and is the means by which one kind of wealth can be exchanged for another.

Money is older than history, and the kind of money employed by a people is not an unfair measure of their civilization. Originally skins secured in the chase served as money. As man advanced cattle became a standard of value. Among ancient German codes fines were expressed in cattle, oxen were units of value, and sheep were decimal parts. From skins, cattle and shells to metal was a big step and it took a long time to take it, but in time metal took the place of other tokens. Lead, tin, copper and iron have all been employed as money, but in time the commercial world recognized that the precious metals, gold and silver, were the ones best calculated for coinage.

Then at last came paper, which, like the other kinds, has been indifferent and good, but its advantages are so patent that it has become recognized as a necessity. Paper money is of great antiquity and originated first in China. Marco Polo describes it as having then been used extensively since the beginning of the Ninth Century. The emission of bills by the Colonies and the banks was not regarded with favor by England, and the Provincial Governors were generally opposed to those issues. Various acts were passed restricting their use, but with little results. Parliament in 1751 abolished legal tender for paper money in the Colonies, and in 1763 declared any issue void. The Revolutionary War brought about a change, and the second Continental Congress, in order to raise funds—and lacking the power of taxation—naturally turned to issuing paper money.

The first paper money ever issued by the Government of the United States was authorized by the Acts of July 17 and August 5, 1861. The early issues of paper money from 1861 until 1876 were made under contracts with various bank note companies. After that date the Bureau of Engraving and Printing commenced the manufacture of United States paper money. Our paper currency originated not from choice but as a measure of necessity, essential to the very existence of our government and necessary for its salvation.

Since paper money became a circulating medium there have been many changes in design and distinctive character of paper used. Bank note engraving as applied to our securities is purely an American product, and no other institution in the world comes so near to furnishing, from artistic and mechanical points of view, a perfect circulating medium as does our Bureau of Engraving and Printing at Washington.

Strange to relate, China recently decided to again issue paper money, and after a thorough investigation of methods in use in other countries decided to adopt our American bank note engraving method as offering the best security in circumventing counterfeiting, and the paper they use is made in the mill where United States Government paper is made and is similar to our paper, minus the silk fiber.

Thus what a transition from 1275 to 1910! What a compliment to us as a nation and to the skill and thrift of our artisans!

Bank note steel engraving is the perfection of the printer's art as applied to securities. In no other form of printing can the beautiful soft and yet strong effect in black and white be obtained as in steel engraving. The introduction of mechanical process work aided by photography has made counterfeiting of our notes now possible. To circumvent and make more difficult the counterfeiting of our paper money, the Secretary of the Treasury, who has given the subject much thought and study, recently appointed a committee consisting of the United States Treasurer, the Director of the Bureau of Engraving and Printing, and the Chief of the United States Secret Service. This Committee has been actively at work for some months preparing designs which will incorporate all of the essential features, including legibility, security. distinctiveness and artistic merit. Our work has also included consideration of the reduction in the size of notes, and it is to this particular feature that I today address myself.

The present dimensions of our paper currency are approximately 7¼ inches long by 3 inches wide. This size the public has become accustomed to, and it is the only size, with the exceptional fractional currency, which is no longer issued, that we have ever used in connection with our paper money. At the same time we are not a nation to continue indefinitely doing a thing a certain way merely because it has always been done that way. I think our duty is rather that if an existing way is the best way, to continue it; if for good and sufficient reasons a better way is conceived, to adopt the better way. It is now proposed to reduce the present size by 1¼ inch in length and by ½ inch in width. This reduction in itself is really slight, and yet when there are considered the advantages that will result we would surely be regarded as a prejudiced people if we were not willing to give the most open minded consideration to the reasons put forth in support of the so-called reform. Perhaps the keynote of the present administration is economy, and in effecting a small reduction in the size of paper currency there will be afforded an opportunity of saving to the Government $612,000 a year. From time to time we hear criticism of the operation of governmental affairs, based on the belief that in many respects their methods are not up-to-date, if indeed they are not obsolete; and in the present case, when we of the Treasury are endeavoring to improve business methods and suggest a plan whereby appreciable economy may be realized, and bring forth such a proposition as this one, we feel that we should have the support of the public, provided the public itself is not to be adversely affected or unreasonably inconvenienced. In this instance it is our belief that the public will not be adversely affected or unreasonably inconvenienced. It would not take long for the public to adapt itself to the smaller sized currency, and I feel justified in prophesying that if the small sized currency is adopted and extensively handled it will not be twelve months before public opinion decrees that a decided change for the better has been made. The proposed size is smaller than a great many notes used by some foreign countries, and on the other hand it is larger than the notes of other foreign countries. I have with me some samples of notes used by European countries and samples of some notes used by South American countries in support of my statement. The size proposed for our currency is identical with that in use in the Philippines, and in a recent conversation that I had with the Chief of Insular Affairs in the War Department I was advised by him that he had never heard any complaint in the Philippines because of the size, but on the other hand the adoption of the smaller size seemed to meet with universal favor.

Since publicity has been given to the fact that the Government had under consideration the question of changing the size of paper currency the Treasury Department has received many letters from bankers and business people expressing views on the proposition. Most of them have been favorable, but some have been unfavorable. There have been brought forward three

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alleged objections to the adoption of the new currency: first, that the small size paper money cannot be as easily handled by cashiers, tellers and others as readily as the present size. Our own experience and our inquiries of local Washington banks have tended to disprove this. Second, that a reduction in size will necessitate changes in cash drawers, money compartments and tills of banks and business houses; but that alleged objection fails to carry weight when it is understood that there is no existing compartment which will not readily contain the new or smaller sized money. If the proposition were to enlarge our currency instead of reducing it the situation would naturally be different. Third, it is claimed that for a long time there will be in circulation two different sizes of currency and that this will be very annoying. It is true that for a certain, or rather uncertain period, there will be in circulation two different sizes of money; but as it will be our intention to prepare beforehand and have in stock an ample supply of the new money it will not take long for the novel notes to supplant the old or larger notes. It is our belief that within twelve months after the inauguration of the scheme the presentation of large notes will be exceptional. Naturally there will be quite a desire on the part of the public to secure possession of the small, attractive notes, and within a short period we will undoubtedly find old notes being turned in rapidly for redemption and in many cases also withdrawn from circulation by collectors. It should be remembered also that a number of European countries not only have two different sizes of notes, but actually have a different size for each denomination, and this condition with them is not temporary, but permanent. Even admitting, however, that there would be for us a slight inconvenience in the handling of so few as two different sizes of currency, I cannot refrain from expressing the opinion that temporary inconvenience should never be allowed to stand in the way of permanent economy and progress. If we did permit such a condition, surely our advancement as a nation would oftentimes be retarded.

I might go into detail as to the basis of the estimated saving to the Government of $612,000 a year, but this I shall not do except to say that the economies are based on the saving primarily in labor and in quantity of paper. Under the proposed arrangement five notes will be engraved on a sheet of paper from which now only four notes are made.

What I have said above has applied to United States notes. It is expected, however, that if any change is made in the size of United States notes, a similar change will be made in the size of national bank notes, so that as a permanent condition all of our paper currency will be of the same dimensions. There are in existence at the present time about 12,000 plates for national banks, and if the same number of new plates with new designs were to be made the cost, at $75 per plate, would approximate $900,000. It would doubtless be a hardship for a good many of the banks to assume this charge, and yet on the other hand the aggregate amount would constitute a very large charge against the United States Government if it should provide for the manufacture of new plates. In considering this phase the suggestion has been made that a uniform national bank note be adopted which would do away with the name of each bank of issue. For the purpose of retaining some definite mark of identification of the bank of issue the character number might be printed thereon by a process separate and distinct from the original engraving process. Such an arrangement would permit the Government to retain on hand an ample supply of uniform national bank currency, available at any time for any banks of issue Under our existing scheme the Treasury Department has on hand in its reserve vaults a large supply of bank notes of every bank of issue, and it not infrequently occurs that the Department is called upon to destroy notes which have been so prepared by reason of the fact that a certain bank has gone into liquidation. The loss to the Government last year in the manufacture of notes which were never used and cannot be used was $40,000. There will be various important matters of detail to be considered in connection with the proposed adoption of a uniform national bank note. The suggestion has been made that the United States Government should practically assume the issue of national bank notes provided that it would be protected then as now by deposits of United States bonds. The Treasury Department welcomes suggestions from bankers and others interested in financial affairs regarding a proposed uniform national bank currency. Naturally this matter touches the Government's whole monetary scheme, and this now is the subject of a most comprehensive and exhaustive investigation on the part of the National Monetary Commission, and that body before making its final report will doubtless give its fullest consideration to all propositions and suggestions submitted.

There is one point more that I desire to mention. There is always a cry throughout our country for a cleaner paper currency. The people who are supplied with such currency received from banks located in subtreasury cities have perhaps little cause for complaint regarding the condition of money. This is true because the subtreasuries are redemption agencies of the Government, and banks or individuals presenting at the subtreasury unfit currency may receive in return therefor new money. The story is different, however, with that proportion of the public and the banks situated in cities and towns where there is no subtreasury. In those cases in order to secure new bills for old it is necessary for the banks to ship their unfit money to Washington for redemption, paying transportation charges both ways, when shipped by express, and in addition, pending the return of the shipments they are without the use of their money. The proposition is hereby submitted that an improvement in this condition might be made at the same time that there is adopted, if it is adopted, the smaller sized paper currency. As before stated, the estimated saving to the Government in the latter case is $612,000 a year. If the Government should be willing to expend a part of this saving in very materially improving the condition of paper money and in circulating and maintaining a higher standard through the assumption by it of transportation expenses on redemption money, then it seems to me that a step will have been taken which will redound to the credit of the Government and to the advantage and convenience of the public.

Your general co-operation in aiding the Government in solving those interesting but perplexing problems is invited, will be welcomed, and will receive every convenience.

The President: I am sure we are greatly indebted to the Treasurer for his enlightening remarks on the size of the new bills as proposed, and the laundering of the old bills. We have this afternoon a treat in the way of speakers. As arranged this morning, you will remember, Mr. Bush, who was to speak this morning, will follow with an address immediately after the address by Dr. Benjamin Ide Wheeler, President of the University of California, whom it is my pleasure to introduce to you at this time. Dr. Wheeler.

The Banker as a Public Servant, by Benjamin Ide Wheeler, President of the University of California.

[Dr. Wheeler's address in full will be found on page 128 of this publication.]

The President: This morning your President received the following telegram: "Nineteen hours late, but coming strong. Have converted three Indians and a Mexican. Don't let your members escape." Before introducing to you the sender of that telegram I wish to tell you also that immediately following his address, which will be brief, you will be favored by an address by one of the banker orators of the South, and that it will pay you all to wait and hear him. I now take great pleasure, gentlemen, in introducing to you Mr. Irving T. Bush, Chairman of the Currency Committee of the Merchants' Association of New York, and in introducing Mr. Bush I wish also to say to you that the Merchants' Association did in 1907 invite twenty-seven other commercial organizations to appoint similar currency commissions, and that in that organization committee was Mr. Bush, who has the honor to be the Chairman. I introduce to you Mr. Bush.

Mr. Irving T. Bush: Mr. President and gentlemen of the American Bankers' Association: If, amid the arid plains of Arizona it has been possible for me to convert three Indians and a Mexican, my imagination trembles at what I may do here in this wonderful climate of California. If I may depend upon the truthfulness of my California friends—and I hasten to say at once that I do—a tiny seed planted today should bloom in a night into a currency reform system of ideal proportions tomorrow.

Needed Banking and Currency Reforms, by Irving T. Bush.

[Mr. Bush's paper will be found on page 121.]

The President: Gentlemen, we will now be favored with another currency talk by the Banker Orator of the South to whom I referred a few moments ago. Before introducing him to you I wish to say that he has probably traveled farther to attend this Convention than any other banker here, and I bespeak for him your closest attention.

I take a great deal of pleasure in introducing to you Mr. R. G. Rhett, President of the People's National Bank, Charleston, S. C. (Great applause.)

A Southern Banker's View of the Currency Question, by R. G. Rhett.

[The address in full of Mr. Rhett will be found on page 130.]

The President: Gentlemen, there are a few announcements which the Secretary wishes to make, which will detain you just a moment, the first of which would be to let you know that on Friday morning you will have a continued discussion of the currency question. Senator Burton, of Ohio, one of the most prominent members of the Monetary Commission, has finally consented to be with us at that time. His address is placed on the program for ten thirty; the chances are it will be reached earlier than that time. Mr. Secretary, I believe you have some announcements.

Secretary Farnsworth: There is a letter here from the Southern Pacific Company regarding sleeping car accommodations. What is stated by the Southern Pacific relative to this matter may apply to the various other lines, as some of the special trains I understand have been abandoned. The Southern Pacific says, "Would appreciate the favor very much

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if you could arrange at the close of this afternoon's session to notify visiting bankers who will return via our line individually, to secure their sleeping car reservations as early as possible. It is our understanding that a couple of special trains were released at this point, and we will therefore have quite a number to take care of, which we will do, arranging for whatever extra equipment is necessary." Now, in regard to the certification of railroad certificates—that is an important matter. Those of you who have railroad certificates that have to be validated or countersigned should give this attention. This comes from Mr. Fitzwilson, who has taken charge of the railroad end of it, and has prepared the literature which has been sent out from time to time. "It is important that those attending our convention hold railroad certificates which were issued in connection with fare and one-third for the round trip, turn the same into registration headquarters of this Association as promptly as possible. It is necessary to collect fifty of these certificates before the attendance of the parties holding the same can be certified to. When this is done the railroad agent in this city will be advised, and he in turn will notify all railroad offices that these certificates may be honored, thereby allowing the holders of same to secure a rate of one-third fare for the return trip. These certificates were issued principally in the Pacific coast States section."

All delegates from the States of Washington, Idaho, Oregon and California who hold receipts for railroad tickets purchased on the certificate plan, are requested to leave the receipts with Assistant Secretary Fitzwilson at the registration office, Hotel Alexandria, as it is necessary that fifty or more receipts be exhibited by him to the railroad authorities in order to obtain the reduced rate for the return trip.

The local committee has asked me to state in connection with their telegram to the effect that unusual facilities have been extended by the United States Long Distance and Pacific Telephone Company, also Home and Pacific Telephone Companies for local service, as follows: "In your official program you fail to give the Home Telephone Company any credit for what they have done for us." I will say that if that information does not appear in the official program it is because we did not receive it, because we were very particular to have everything incorporated. He further states, "Let me explain further that we have in this city the Pacific Telephone Company, usually called the Sunset (The Bell) which owns both local and long distance 'phones; also the Home Telephone Company, which is a local opposition company operating local telephones only, and the United States Long Distance Telephone Company, which is an entirely separate corporation and operating in opposition to the Pacific long distance. I make this long explanation to familiarize you with the different companies."

Remember, gentlemen, the business session of the Trust Company Section all day tomorrow in Berean Hall, which is one of the halls in the front of this building, and the Organization of Secretaries, which is held in Choral Hall all day tomorrow. The Savings Bank Section meeting Thursday, October 6th, in Berean Hall in this building, and the Clearing House Section, which meets in Choral Hall on Thursday, October 6th—some of the programs say Friday. Whether you are delegates or not you will be welcome there, and there will be some very excellent papers and addresses on the program. That is all, Mr. Chairman.

The President: The next regular order of business on the program is the roll call of States.

Mr. Pretson: Mr. President, the hour is late, and I would suggest that we dispense with that. I move that we dispense with the roll call of States, and request the vice-president of each State to hand in his report, to be incorporated in the proceedings of this Convention.

(The motion was duly seconded and carried.)

RESOLUTIONS OF THANKS.

The President: That concludes all the business that is on the program, but I would like to bring your attention that it seems to me it is desirable at this time to have the Chair appoint a Committee on Resolutions, so that proper resolutions might be shaped up thanking the various committees in this city for the magnificent entertainment which we have received, the speakers, and other appropriate resolutions usually adopted on occasions of this kind. The Chair will be glad to entertain such a motion.

A Delegate: I make the motion that such committee be appointed.

(This motion was duly seconded and carried.)

The President: The Chair will appoint on that Committee Mr. E. R. Gurney, of Fremont, Nebraska; T. R. Preston, of Chattanooga, Tenn., and Mr. Alfred Spencer, Jr., of Hartford, Conn. Is there any further business? If not a motion to adjourn is in order.

On motion, duly seconded, the Convention adjourned.

Louis E. Pierson, President, in the chair.

SECOND DAY'S PROCEEDINGS.

Friday, October 7, 1910.

The Chairman: Gentlemen, our proceedings this morning will be preceded by an invocation by the Rev. Charles E. Locke, Pastor of the First Methodist Church of Los Angeles.

Dr. Locke: Let us unite in prayer. Almighy God, our Heavenly Father, we come into Thy divine presence in the midst of the radiant beauties of this new day, recognizing Thee as a giver of every good and perfect gift. We have not the courage, our Father, to go into the responsibilities of this day without asking Thee for Thy guidance and for Thy blessing. We thank Thee for life and liberty and the pursuit of happiness. We thank Thee that we were born into this world of beauty and of opportunity. But, our Father, we are not equal to all these responsibilities unless Thou dost come into our lives and make us strong where we are weak. We look up into Thy face, our Father, as a little child into the face of its father or mother. We put our hand into Thy hand, for we know not, our Father, what a day will bring forth. This day a magnificent building, filled with workmen; tomorrow the same building in ruins, and many of the men slain. Our Father, we put our hand in Thine as little children, and we ask Thee to help us to stand for law and order and for everything that makes for peace and happiness and prosperity; and we pray Thee, our Father, that Thou wilt paralyze the arm of anarchy, that would spread disorder in the midst of our republic. Teach us this morning, teach these men this morning, that money is not the whole of life, and may we consecrate ourselves today; whether we are men of one talent or five talents, may we this day dedicate these talents to Thee. Help us to realize that money is not anything unless it buys character, unless it is manhood, unless it buys privilege, sympathy, and service. And so help us to invest our talent that in the end, dear God, Thou canst say to us, as to thy faithful sons, "Well done, thou faithful servant." Dear Master, we thank Thee for this association of business men, of honest men, of successful men, who have come from their distant homes to meet with us here in this beautiful land. And may they, in the midst of the turmoil of the day see always before them the highest ideals of the Kingdom of Christ, so that we may all endeavor to reproduce in our relationships together as fellow men those things that will make strong our lives and make useful our characters. Wilt Thou bless them while they continue to work among us, and wilt Thou give them safe conduct back to their homes far away. So may we live, so may we consecrate ourselves in the spirit of love and in the spirit of sacrifice, that in the end we shall assemble in the great congregation which shall never break up, on the green banks of the eternal Eden. Forgive us all our sins, keep us in peace and in service. We ask it in the name of Jesus Christ, our Lord. Amen.

The President: The first order of business, gentlemen would be to clean up the unfinished matter that was left over from Tuesday's session, namely, the report of the Standing Law Committee, Mr. William J. Field. As Mr. Field does not seem to be here, the next will be amendments to the Constitution. As Chairman of the Executive Council, I would ask Mr. James, of Pennsylvania, if he will not kindly take charge of the matter.

AMENDMENTS TO CONSTITUTION.

Mr. James: Mr. President and gentlemen of the Convention: The amendment proposed at the Atlantic City meeting of the Executive Council, and by them recommended for adoption by this body, was duly printed under the authority of the Constitution in the Official Journal. It is also printed in the official program which you have in your hands, on page 25. The amendment is somewhat long and carries with it a secondary amendment which was also reported favorably at a meeting of the Executive Council at the period of this meeting. I do not deem it necessary, sir, to read this, as every member has it in his possession. It merely supplants Article IV by a new article upon the same question, outlining the powers and duties of committees, giving the appointing power of committees, the duration of their term of office, and the limitations of their power. Heretofore the times of existence of committees and all things relative to them have been uncertain, vague and indefinite, depending upon resolutions which, in some instances in the years gone by, did not see the books of record. And the purpose of this amendment is solely to organize in a compact logical form the committees of the Association and their power and the appointing power. I therefore, sir, in consequence of the action of the Executive Council taken at Atlantic City, and also in this city of Los Angeles, move that Article IV of the Constitution be amended by striking out the entire article of the present Constitution and inserting in lieu thereof the draft of Article IV, as published in the official journal, and as it stands published in the official program, with the exception that on page 24 the clause commencing the last clause on page 23, which reads as follows: "Consisting of five members of the Association, of which the General Counsel of the Association," be omitted. I move the adoption of that resolution.

Mr. Watts: I second the motion.

(Motion put and carried.)

Mr. Watts: Mr. President and Gentlemen of the Convention: In the absence of the Chairman of the Executive Council, I have been requested to present to this Convention the following amendments to the Constitution: First, an amendment to Article IX, Section 1, of the Constitution of the American Bankers Association:

"A State Secretaries' Section which shall be composed of the Secretaries who are members of the Organization of Secretaries of State

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Bankers' Associations; the work of this Section to embrace all matters relating to State Bankers' Associations."

The above to be designated as paragraph (d) and to immediately follow paragraph (c).

Paragraph (d) of Section 1 to be known as paragraph (e).

Amendment to Article II, Section 2, of the Constitution of the American Bankers' Association:

"After 'or a private banker' and 'or a member of the State Secretaries' Section.' "

Amendment to Article III, Section 2, first paragraph of (c) of the Constitution of the American Bankers' Association.

Omit the word "and" and immediately preceding and add the following, after "the Chairman of the Executive Council of the American Institute of Banking."

"And the President of the organization of Secretaries of State Bankers' Associations, known as the State Secretaries' Section."

You will see, gentlemen, from the reading of the changes, that these changes to the Constitution are made in order to create what is known as the Section of the State Secretaries' Associations. There is no more important work collateral to the work of the American Bankers' Association than that being performed by the State Associations. There is no way in which to bind closer the American Bankers' Association and the State Associations than giving due representation to the organization of State Secretaries; and it gives me pleasure, therefore, to present this amendment to the Constitution, having the endorsement of the Executive Council of the American Bankers' Association; and I move its adoption.

Mr. James: I second the motion.

(Motion put and carried.)

Mr. Watts: The next, gentlemen, is submitted by the General Secretary on approval of the General Counsel:

"Section 12. The Treasurer shall receive and account for all moneys belonging to the Associaton and collect dues; but shall pay out moneys only upon vouchers countersigned and approved by the General Secretary and by the President or First Vice-President or by the Chairman of the Executive Council, and, in case of vouchers for expenses incurred by a committee or a section, only when additionally approved by the Chairman of such Committee or the President, Vice-President or Chairman of the Executive Committee of such section, and not exceeding the appropriation set apart for the use of such Committee or Section."

This note of the General Secretary is sufficient explanation:

"Note: This proposed amendment makes no change in the present Section 12, but amends and adds to it what is now Section 13. The changes and reasons therefor are these:

"(1) As both of the present Sections 12 and 13, relate to payment of vouchers by the treasurer, it is more appropriate that they be included in one section.

"(2) The present Section 13 only covers approval of committee vouchers by committee chairmen and is silent as to approval of section vouchers; the proposed amendment includes the latter.

"(3) The present Section 13 only relates to vouchers for 'detective and legal expenses and costs' incurred by the protective and other committees. As the quoted words have application chiefly to the Protective Committee and as the principal expenses of other committees and of sections are not incurred for detective or for legal expenses or for legal costs, the general word 'expenses' has been substituted, and in the place of the words 'incurred by the Protective Committee and other Committees' there has been substituted 'incurred by a committee or a section.' "

This amendment bears the approval of the Executive Council of your Association, and I therefore move its adoption.

(Motion seconded, put and carried.)

The President: The next order of business will be reports of Committees and Sections, and I will first call on the Trust Company Section, Mr. Fuller.

TRUST COMPANY SECTION.

Mr. Fuller: Mr. Chairman and Gentlemen: The work of the Trust Company Section during the past year is fully covered by the report made by its Executive Committee, by its Committee on Protective Laws, and by its Secretary, which report will be published in the official book of proceedings, available to every member of the Association, and I will therefore not go into details at this time. I will simply state, in brief, that the membership has increased very satisfactorily and now numbers 1,070 trust companies; that the work done by the Committee on Protective Laws, the duty of which is to protect the use of the word "trust," has been successful in procuring legislation in a number of different States during the last year, prohibiting the use of the word "Trust" by any corporation not organized to do a trust company business, and also in a number of States it has procured the enactment of laws relating to the punishment of persons and firms procuring credit on false statements, and during the year we have published a valuable and exhaustive work on trust forms, at no expense whatever to the general association, the expenses having been paid by the subscribing members to the book. We have had a number of meetings and have done, we think, very effective work, as will be shown by the reports to be printed.

I thank you. (Applause.)

The Chairman: You have heard the verbal report of the president of the Trust Company Section. If there is no objection it will appear in the record as rendered.

Is their any report from the Savings Bank Section?

(No response.)

If not, we will pass on to the Clearing House Section, and will hear from Mr. Wexler.

CLEARING HOUSE SECTION.

Mr. Wexler: The Clearing House Section has undertaken a vast amount of work during the past year, which will be carried forward during the coming year. This work is not only of interest to Clearing House cities, but to bankers, State and national, to trust companies and to savings banks throughout the country. The report of the proceedings of the Clearing House Section you will receive in due course, and, as the past President of that Section I would ask you to kindly pay careful attention to the report of the proceedings of that Section, as you will find a great deal in it that will be of interest to your respective institutions. You will find that the adoption of some of the methods proposed by the Clearing House Section will reduce your expense, will facilitate your work, will afford greater accommodation to your customers and will generally lead to greater legitimacy in all lines of banking. It would be too lengthy to refer to these matters at the present time, but you will find them fully stated in the Bulletin and in the proceedings of the meetings.

I thank you. (Applause.)

The Chairman: You have heard the report of Mr. Wexler, the retiring President of the Clearing House Section, and if there is no objection it will also appear in the report.

We will now listen to the report of the Federal Legislative Committee, by its Chairman, Mr. Arthur Reynolds.

Mr. Reynolds then read the following paper:

Report of Federal Legislative Committee.

[The report of this Committee will be found on page 155.]

I thank you, gentlemen. (Applause.)

The Chairman: Gentlemen, you have heard the report of the Chairman of the Federal Legislative Committee. What is your pleasure regarding it?

Mr. Batchelder: I move that the report be received and made a part of the minutes of this Convention and the Committee continued.

The Chairman: You have heard the motion of Mr. Batchelder that the report be received and made a part of the minutes of this Convention and that the committee be continued. Is there a second to that motion?

Motion seconded.

The Chairman: Gentlemen, you have heard the motion and its second. Are you ready for the question?

Mr. Campbell: (Indiana) Mr. Chairman, does that mean that this Convention adopts the recommendations that are contained in that report or will they come up for consideration by items?

The Chairman: The Chair understands the motion to be that the report be received and filed.

Mr. Campbell: Without recommendation?

The Chairman: Yes sir; that is the understanding of the Chair; otherwise the motion would have been to receive and approve the recommendations. Are you ready for the question?

Motion carried unanimously.

NATIONAL MONETARY COMMISSION.

Secretary Farnsworth then read the following communication:

THE ACADEMY OF POLITICAL SCIENCE.

New York, September 26, 1910.

The Thirty-sixth Annual Convention of the American Bankers' Association.

Dear Sirs: A National Monetary Conference will be held on the occasion of the Thirtieth Annual Meeting of the Academy of Political Science in New York on November 11th and 12th, for the purpose of discussing the work of the National Monetary Commission. Senator Aldrich and the other members of the Commission will be guests of honor. The Chamber of Commerce and the Merchants' Association of New York will co-operate with the Academy in this conference, and delegates will be present from the leading chambers of commerce and boards of trade throughout the country, and the attendance will represent the leading banking, commercial, industrial and professional interests in the United States.

The conference is called, not to advocate a central bank or any other specific change in the present monetary system, and not in the interests of any one section of the country. The purpose is the consideration and discussion of the work of the National Monetary Commission, with a view to a more general understanding of the numerous valuable reports which the Commission have had prepared and published at great cost of labor and expense.

There will be sessions on Friday morning and afternoon and Satur-

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day morning. The dinner will take place on Friday evening at the banquet hall of Hotel Astor, and there will be a reception on Saturday afternoon.

A volume will be published by the Academy immediately following the conference, containing the chief addresses and a series of papers by leading economists, lawyers, bankers, and statement summarizing and criticizing the published reports of the National Monetary Commission.

Further particulars may be obtained by addressing the Academy of Political Science, Columbia University, New York City.

Yours very truly,
A. P. HEPBURN, President of the Academy.

The President: Mr. Reynolds, have you anything to say on the subject of this communication?

Mr. Reynolds: Mr. President and Gentlemen of the Convention: Inasmuch as the question of currency reform is the most prominent question, from a banker's standpoint, that is before the country at this time, I believe we shold all show an interest in the efforts of any reputable organized body to bring about this result; and I therefore desire to introduce a resolution to the effect that it is the sense of this Convention that the members of this Association should correspond with this body with a view of having some one representing the currency association, or some individual representing this Convention, be present at their meeting. I make that resolution without in any sense wishing to commit the Convention or the Association to any action which they may take, but only with a view of encouraging them, as I think we ought to encourage all civic bodies and civic organizations to exert every effort and influence possible looking to the ultimate settlement of this important question.

The President: Gentlemen, you have heard the resolution offered by Mr. Reynolds. Is it supported?

The motion for the adoption of the resoiution was duly seconded and carried.

CRUISE IN THE MEDITERRANEAN.

Secretary Farnsworth: I have another communication to read:

Los Angeles, Cal., October 7, 1910.

The Committee on Express Companies and Travelers' Cheques has arranged an excusrsion to leave New York on Jan. 24th, 1911, on the new 17,000 ton twin-screw steamer "New Amsterdam," of the Holland-America Line, for a seventy-five day cruise to the Mediterranean. The idea being that this excursion will help to introduce the use of the American Bankers' Association cheques in foreign countries and also advertise them here. The itinerary includes the most interesting ports in the Mediterranean and the Orient and the steamer is the best ever put in cruise service.

Many rooms are now engaged, and those wishing to join the party ought to take up the matter of reservation at as early a date as possible.

Mr. W. B. Chandler, the manager of the cruise, can be found at the Information Bureau at the Hotel Alexandria, where bookings can be made and full information about the cruise can be obtained.

The President: Gentlemen, in connection with that announcement, unfortunately none of the Committee are in attendance at this Convention, but I know that they have been working very hard to interest a number of bankers in this cruise, which will in every way be an ideal cruise, and they would feel very much gratified if they could get together a truly representative body of bankers to take such a journey down into the Mediterranean, and I think it would pay you gentlemen to look carefully into the question of time and expense and feasibility of you all going.

The Chairman: The next order of business is "Special Communications." Mr. Secretary, have you any communications on your desk?

COMMUNICATIONS.

The Secretary then read the following communications:

Los Angeles, Oct. 7, 1910.

Mr. Fred E. Farnsworth,
Secretary, American Bankers' Association,
Los Angeles, Calif.

Dear Sir: It is the desire of the Canadian Pacific Railway to take the best possible care of the bankers returning over its line, and with this end in view, respectfully request those not booked on special trains to call at the office, 609 South Spring Street, to make sleeping car reservations.

This is quite important.

Yours truly,
C. E. BENJAMIN, General Tourist Agent.
Watsonville, Cal., Oct. 1, 1910.

To the Officers and Members of the American Bankers' Association,
Los Angeles, California.

Gentlemen: The directors of the Watsonville Apple Annual Association are pleased to extend to your organization a cordial invitation to visit the Watsonville Apple Annual during the week following your convention. We can truthfully say that we will have the largest exhibition of apples ever assembled, and that it will be a representation of all the apple growing sections of California, and that a visit to this valley after you have concluded the work of your convention will be both pleasant and profitable. The Southern Pacific Company has granted a stop-over of 24 hours at Watsonville, on all tickets of delegates to your convention, and we trust that each will find it possible to take sufficient time to accept this invitation to Watsonville and the Pajaro Valley.

Yours very truly,
WATSONVILLE APPLE ANNUAL ASSOCIATION.
J. W. Kavanaugh, Secy.

(Telegram.)

Ft. Worth, Tex., Oct. 4, 1910.

American Bankers' Association,
In convention assembled,
Los Angeles, Cal.

The citizens of Ft. Worth, through their commercial body, the Ft. Worth Board of Trade, extends an invitation to all delegates to your convention to visit the city on their homeward trip, that made a gain in population of 174.7 per cent. We assure each of you a hearty and warm reception.

FT. WORTH BOARD OF TRADE.

(Telegram.)

Huntington, W. Va., Oct. 4, 1910.

Fred E. Farnsworth,
Secretary, American Association, Los Angeles.

I fully intend to be with you in Los Angeles. I regret that pressing business made it impossible for me to attend my nineteenth consecutive convention. I hope the present meeting will be successful and accomplish work beneficial to the entire country. Kindly express my regrets to my friends.

JAS. R. BRANCH.

(Telegram.)

Keyser, W. Va., Oct. 6, 1910.

Fred E. Farnsworth,
A. B. A., Alexandria Hotel.

West Virginia members A. B. A. extend greetings to the members of the American Bankers' Association in convention assembled.

W. W. WOODS, V. P.

(Telegram.)

Salt Lake, Ut., Sept. 29, 1910.

Coast Banker Publishing Company,
454 Montgomery Street, San Francisco, Cal.

Utah with other Rocky Mountain and Pacific Coast States joins in greeting the American Bankers' Association, and extending a hearty welcome to the delegates in convention assembled. The rapid growth of banking operations in the West finds Utah eager to keep abreast of the most advanced banking methods. There is a well defined sentiment for a closer affiliation between the interests and supervision of National and State Banks and a growing tendency to more carefully protect and thoroughly safeguard stockholders and depositors through wise legislation.

WILLIAM SPRY, Governor of Utah.

(Telegram.)

London, Oct. 3, 1910.

Lewis E. Pierson, Prest. American Bankers' Association,
Los Angeles.

Hearty congratulations and best wishes on opening of convention; regret inability to be with you.

FELIX SCHUSTER, Union Bank, London.

(Telegram.)

New York, N. Y., Oct. 6, 1910.

Lewis E. Pierson, President American Bankers' Association Convention,
Los Angeles, California.

Opening meeting New York Chapter tonight. Six hundred present; membership now eleven hundred. We are grateful to your Association for organizations of Institute.

WM. R. ROSENDALE, Speaker Committee.

(Telegram.)

Waco, Tex., Oct. 3, 1910.

F. E. Farnsworth, Secretary, Los Angeles.

Greetings to the American Bankers' Association.

FIRST NATIONAL BANK OF WACO.

SAVINGS BANK SECTION.

The President: Gentlemen, we now have with us a gentleman of the Savings Bank Section prepared to make that Section's report, Mr. Robinson of Baltimore, the President of the Savings Bank Section.

Mr. Robinson: Mr. President, and Gentlemen of the Convention: I just have a very brief statement to make to the effect that the Savings Bank Section is moving along in the even tenor of its way. We have no startling statistics to report. but the regular and constant increase in membership and a consequent broader field of usefulness.

Our Law and Auditing Committees are active and each doing commendable work.

Notwithstanding the energetic efforts of our Postal Savings Bank Committee, the Federal Postal Savings Bank Bill has been enacted. This bill is not yet in operation, but we are not apprehensive of any grave outcome; our banks will make no attempt to discredit Postal Savings banks, notwithstanding our

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belief that their establishment is an economic and political blunder.

A well attended morning session yesterday was followed by a smaller gathering in the afternoon, due to the lavish entertainments provided by our hosts; interesting reports and papers were read, which will be published in full in our book of proceedings, and we respectfully commend them to your careful examination.

The President: You have heard the report. If there is no objection, it will take the usual course and be placed in the record. We will now call for reports of Special Committees, Mr. Charles H. Huttig of the Treasury Committee.

TELEGRAM TO PRESIDENT TAFT.

Mr. Huttig: Mr. President and Gentlemen: Before presenting my report I wish to offer a resolution to this effect, that the President of this Association transmit a telegram to the President of the United States, to read as follows:

"His Excellency, William H. Taft. The American Bankers' Association acknowledge with grateful appreciation your telegram presented through the Treasurer of the United States, Mc. Lee McClung, containing friendly greetings. It is exceedingly gratifying to us to be assured of your deep interest in the cause of currency reform which so directly concerns the entire country, and which is now having the especial attention and consideration of our Association. Please be assured of our hearty co-operation in bringing about such legislation as may be needed, and that our Currency Commission holds itself in readiness to be of active assistance to the National Monetary Commission."

I offer this as a resolution.

The President: Gentlemen, you have heard the resolution as offered by Mr. Huttig. Is it supported?

(Motion seconded, put and carried.)

Report of Committee to Simplify Method of Paying Customs and Internal Revenue.

Mr. Huttig: At the meeting of the Executive Council of the American Bankers' Association at Atlantic City, N. J., in May, the undersigned were appointed a Committee pursuant to the following resolutions:

Resolved: That a Committee of five be appointed by the Chair from Sub-Treasury cities to confer with the officials of the United States Treasury in an endeavor,

First, To devise a more simple method whereby customs and internal revenue payments can be legally and safely made.

Second, To find some more economical means whereby the banks can be furnished clean money in place of unclean or mutilated bills.

Third, To find a more economical method whereby funds can be transferred from one Sub-Treasury to another.

The subjects referred to were given careful consideration by each of us individually, and a conference was arranged with the Honorable Secretary of the Treasury for June 18th.

Accordingly, a majority of the Committee met in Washington on the evening of June 17th, the other members, unavoidably absent, having sent on their views in writing, and the several recommendations were discussed for three and one-half hours; this meeting adjourned until 9:30 o'clock the following morning, and the general conclusions reached were then formulated for tentative presentation to the Secretary at the Treasury Department at 11:00 o'clock, as follows:

Referring to the first clause of the resolution, the Committee respectfully submits for your consideration the following:

That collectors of internal revenues and customs shall be authorized to accept Cashier's or Treasurer's Checks of any members of the Clearing-house associations in Sub-Treasury cities where the collectors are located, provided that Clearing-house members whose checks are to be so accepted have deposited with the Sub-Treasury a sum of money sufficient to cover checks so used; any unused balance of such sum deposited by a national bank shall be available as lawful reserve for the depositing bank.

The Department is already permitting the payment of custom duties in this manner in a few of the Sub-Treasury cities, and it is desired to have this system adopted generally in all Sub-Treasury cities and extended to include the payments of internal revenues as well as customs.

Relative to the second clause of the resolution, we believe it to be the duty of the Government to provide the people with a clean and sanitary currency, and we therefore respectfully suggest that to accomplish this the cost of redemption and re-issue, including transportation of the Government's own currency issues, should be borne by the Government. In order to facilitate the distribution of clean currency an adequate supply thereof should be maintained in the various Sub-Treasuries.

Relative to the third clause of the resolution, we respectfully recommend that the Treasury Department permit the acceptance of gold certificates payable to order, authorized by the Act of March 14, 1900, in payment of any debts due the United States Government wherever payable; and that the system of telegraphic transfers be extended so as to include transactions between all Sub-Treasury cities. The usefulness to the public of this system would be greatly increased if our previous recommendation of the maintenance of an adequate supply of currency at the Sub-Treasuries, should be adopted.

Secretary MacVeagh and Assistant Secretary Andrew accorded the Committee's suggestions most courteous consideration, and gave assurance of hearty co-operation to the extent practicable and compatible under the limitations of the laws and the fiscal policy of the Treasury. A number of collateral questions were introduced into the discussion by the officials, which prolonged the conference, through a luncheon following the formal hearing, until 3:30 p. m.

The Committee then held a brief informal session, and adjourned subject to the call of the Chairman, the further elaboration of the subject to be considered by mail.

Under date of September 29th, 1910, the following communication was forwarded to us by the Honorable Secretary:

The Committee of the American Bankers' Association, Mr. Charles H. Huttig, Chairman, St. Louis, Mo.

Gentlemen: At an informal meeting of your Committee in Washington in June and in subsequent correspondence with Assistant Secretary Andrew and myself, you have suggested three propositions looking toward the extension of greater facilities on the part of the Treasury to the banking interests of the country, namely, the following:

First: That collectors of internal revenue and customs be authorized to accept cashier's and treasurer's checks of any members of clearing-house associations in sub-treasury cities where the collectors are located, provided that clearing-house members whose checks are to be so accepted have previously deposited with the sub-treasuries a sum of money sufficient to cover checks so used.

Second: That the cost of redemption and re-issue, including transportation, of the Government's own issues of currency should be borne by the Government; and that an adequate supply thereof should be maintained in the various sub-treasuries.

Third: That gold certificates payable to order, authorized by the Act of March 14, 1900, issued at any sub-treasury, except San Francisco, be received in payment of any debts due the United States Government wherever payable; and that the system of telegraphic transfers be extended so as to include transactions between other sub-treasury cities, except San Francisco.

Treating these three propositions serially and individually, I beg to submit the following considerations:

First: The law prescribes that all taxes on importations shall be paid in gold and silver coin, or coin certificates, or in demand Treasury notes, and that all other taxes and debts to the Government shall be paid in gold and silver coin, Treasury notes, or notes of national banks (Revised Statutes, Section 3473). The law thus clearly states that customs and internal revenues must be paid in actual money. In New York, Boston and San Francisco collectors of customs receive orders drawn by banks upon funds deposited by these banks daily at the sub-treasuries, and your committee asks that this system be extended to other sub-treasury cities, namely, Chicago, New Orleans, Baltimore, Philadelphia, St. Louis and Cincinnati, and that it be extended to include the payments of internal revenue, as well as customs.

To this suggestion I can see no objection from the point of view of the Treasury, although in some of the less important ports of entry, such as St. Louis and Cincinnati, but little use would probably be made of the method in paying customs. The whole system of handling the Government money, however, is medieval and requires radical revision to bring it into conformity with the practices of modern business. I am inclined to believe that a wiser method of handling this particular proposition would be to ask Congress so to amend Section 3473 as to allow collectors of customs and internal revenue to receive certified checks upon national banks, under such safeguarding regulations as would insure the collectors and the Government against loss. This would allow Government revenues to be received and handled as are the revenues of municipalities and States, industrial and commercial corporations and individual firms. I shall be glad to recommend such legislation in my annual report.

Second: You have proposed that the Government should bear the expense of transporting unfit money to the Treasury and re-shipping fresh money in exchange, and have asked that an adequate supply of fresh money of all kinds and denominations be kept in each of the sub-treasuries.

The proposal that the Government pay the cost of shipment to and from the Treasury in the redemption and re-issue of unfit money is intended primarily to extend to the banks outside of sub-treasury cities the same facilities in regard to redemption which are now enjoyed by the banks accessible to sub-treasuries, inasmuch as it is the present practice of the Department to give clean money for unfit money at the sub-treasuries. The granting of this request would obviously involve an appropriation which would have to be made by Congress, and $300,000 would be a conservative estimate of the amount so involved. In view of the efforts now being made to reduce the expenditures of the Government, I should not feel justified at the present time in making such a recommendation, although I am not at all certain that the Government ought not to bear the expense of transferring and re-issuing its own paper money when that money has become unfit for circulation, and that the same facilities should not be extended to the banks in smaller towns and cities in this regard as are now enjoyed by the banks in the sub-treasury cities.

In this connection I should like to call the attention of your Committee to experiments being made by this Department and now

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rapidly approaching what appears to be a successful termination, in the washing, ironing and re-sizing of soiled currency. According to present prospects we shall be able in the course of the coming year to install in all of the sub-treasuries laundries for the notes, which will save and return to circulation about four-fifths of the notes which at present are destroyed and which will also make it possible to cleanse and re-issue paper currency which is not yet soiled to the extent of being unfit for circulation, but which would otherwise continue in use in an unclean and perhaps unsanitary condition.

The proposal of your Committee that an adequate supply of fresh money of all kinds and denominations should be maintained in each of the sub-treasuries is one which also suggests further legislation. We are making a special effort to meet the requirements of bankers in this respect, but the existing restrictions upon the denominations of different forms of our paper currency are such that it is very difficult to effect redemption of all sorts of money at all sub-treasuries in whatever denomination the depositor may desire. There should be, I believe, further changes in legislation allowing greater freedom in the denominations of the several kinds of paper money. A revision of the law, for instance, which would allow national bank notes to be of the denomination of one and two dollars, would help in this direction. But as this change would increase the expenses borne by the banks, perhaps it is not the sort of reform which the bankers would be likely to urge.

Third: You have asked that gold certificates payable to order, issued at any sub-treasury except San Francisco, be received in payment of any debts due the United States Government wherever payable, thus reducing the cost to the banks of domestic exchange and avoiding the necessity of cross-shipments of gold between different parts of the country at different seasons of the year. While recognizing the economies which would accrue to the banks through such an arrangement, and though very desirous of facilitating in every feasible way the operations of the banks, I do not feel that the Government can afford to adopt such a plan as a matter of general practice. The natural drift and distribution of the Government's gold supply among its several sub-treasuries does not always coincide with the distribution of the financial world's demand for gold. By agreeing to redeem gold certificates payable to order at any sub-treasury, or by agreeing to receive them in payment of debts at any sub-treasury, which is practically identical with their redemption, the Government might, in many cases, in the future, as in the past, find itself obliged to bear the expense of shipping gold from one part of the country to another, and the economy accruing to the banks might prove to be entirely at the expense of the Government. In actual practice these facilities of exchange have been extended to the banks from time to time according to what seemed expedient at the moment; that is to say, according to the particular conditions existing in the various sub-treasuries at the time when exchange was demanded. When gold has accumulated in one of the sub-treasuries in excess of the needs of that sub-treasury, and another sub-treasury is inappropriately supplied, we have not infrequently re-distributed the surplus by the issue of exchange. According to present information, however, I am inclined to think that it would be unwise for the Government to offer to extend these facilities without restriction at this time.

In this connection you have also asked that the system of telegraphic transfers be extended so as to include transactions between all sub-treasury cities except San Francisco. This has already been accomplished. By general orders issued by the Treasurer of the United States, July 6 and 7, 1910, any assistant treasurer, except the Assistant Treasurer in San Francisco, is authorized to accept deposits for telegraphic transfer for payment in any other sub-treasury to an amount not exceeding $100,000 per day, upon payment of express charges at bankers' rates and the charge for the telegram. At the New York sub-treasury even greater latitude is allowed in this regard. According to a series of orders, last amended on Sept. 12, 1910, not only may deposits be made in New York for telegraphic transfer to Boston, Philadelphia and Baltimore to the extent of $100,000 per day, but they may be made for payment in Cincinnati, St. Louis and New Orleans to the extent of $250,000 per day, for payment in Chicago to the extent of $500,000 per day, and for payment in San Francisco without limit. The figures given above are those within which the assistant treasurers are given authority to make transfers without communicating with Washington. When larger amounts are asked for, they may still be had if the Treasurer of the United States gives permission; this he is accustomed to do if his telegraphic inquiry shows that the office which is asked to make the payment is in a position to do so without depleting too far its cash on hand. In the case of all transfers, except those involving payments in San Francisco, the depositor must pay the express charges and the charges for the telegram. For payment in San Francisco, however, deposits are accepted at other sub-treasuries without requiring any charge for expressage, but a uniform charge of $1.30 for the telegram. If after this statement it does not appear that the desires of your committee have been met with regard to telegraphic transfers, I should like to be further informed.

If such action accords with the desires of your Committee, I should be glad to recommend for Congressional consideration the following propositions:

(1) That Section 3473 of the Revised Statutes be so amended as to allow collectors of customs and of internal revenue to receive certified checks of national banks under such regulations as will insure the collectors and the Government against loss.

(2) That the existing restrictions upon the denominations of different kinds of paper money be further relaxed.

Respectfully yours,

FRANKLIN MACVEAGH, Secretary.

The Committee begs to submit the foregoing as its report.

C. H. HUTTIG, Chairman;
L. L. RUE,
GEO. M. REYNOLDS,
A. B. HEPBURN,
W. A. GASTON.

INVITATIONS TO NEXT YEAR'S CONVENTION.

The President: Gentlemen, the report will take the usual course and be spread upon the record if there is no objection.

Mr. Hamilton: In accordance with the wish of the gentleman expressed, I move you that the Committee be continued, and that the report be spread upon the record.

(Motion seconded, put and carried.)

The President: The next order of business will be in the invitations for the next convention. Are there any invitations to be extended for next year's convention?

Mr. William J. Field: The bankers of Atlantic City, N. J., at the last meeting of the Council, appeared before the Council and invited the Association to hold its next convention at Atlantic City. Supplementary to that, I have further invitations from the Governor of our State, from the Mayor of Atlantic City, and from the Atlantic City Publicity Bureau, which I will read:

State of New Jersey, Executive Department.

September 27, 1910.

To the President and Members of the American Bankers' Association:

As Governor of the State of New Jersey, it gives me great pleasure to extend to you a most courteous invitation to come to our State for your next annual meeting.

Atlantic City will invite you and there is no place in the country better able to take care of a large convention, nor is there any place where you can be assured or so many comforts and pleasures as there.

The people of New Jersey will give you welcome. Everything in New Jersey is solvent and it is just the spot for a Bankers' Association to meet.

Assuring you of a cordial welcome, I am,

Yours very truly,

JOHN FRANKLIN FORT.

Atlantic City, September 23, 1910.

American Bankers' Association,
Los Angeles, Cal.

Gentlemen: It affords me great pleasure to extend to your Association a most cordial invitation to hold your next annual convention, in 1911, at Atlantic City.

It is customary, in inviting conventions to meet here to explain the many advantages possessed by our city as a convention center; but with the memories our members have received when here in 1907 I feel that it is unnecessary for me to go into details. I assure you that, if you decide to come here next year, you will be just as welcome as you always have been. Anything that is within my power to do for your comfort and convenience will be done, and I know that our citizens will join with me in the effort to make your visit an enjoyable one.

Trusting that you will find it possible to accept our invitation, I am,

Respectfully,

F. P. STORY, Mayor.

ATLANTIC CITY PUBLICITY BUREAU.

Atlantic City, N. J., Sept. 22, 1910.

American Bankers' Association Assembled in Convention at Los Angeles, California:

Gentlemen: I would like to obtain your next convention for Atlantic City and trust that at the proper time and place you will take favorable action upon this, our hearty invitation.

Our resort is an ideal convention city and its attractions are unsurpassed anywhere, while its hotel accommodations are practically unlimited, being the most modern and reasonable of any similar place in the world. Our railway facilities are the best in the United States, being only one hour's ride from Philadelphia and three from New York City. Transportation can be arranged far at as low rates as any point in the country. We would have no trouble whatever in taking the best of care of the delegates who attend your convention, and this Bureau will give you all possible assistance desired without any expense to you for its services.

This invitation is extended not only by the Bureau of Publicity but also on behalf of the Atlantic City Board of Trade, the Atlantic City Hotel Men's Association and the Atlantic City Business League.

Should Atlantic City be favored with your next meeting please so advise me and, if desired, I will be happy to co-operate in making it a success to all interested.

Very truly yours,

GEORGE S. LENHART, Secretary-Director.

The President: Gentlemen, you have heard the invitation from Atlantic City. What is your pleasure with it?

Mr. Sol Wexler (New Orleans): Mr. President, before action

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upon the invitation from any one city is taken, would it not be advisable to receive the invitations from all the cities?

The President: Do you offer that as a resolution?

Mr. Wexler: I offer that as a resolution.

Resolution seconded, put and carried.

The President: Are there any other invitations?

Mr. Wexler: I have an invitation which I will read.

CLEARING HOUSE ASSOCIATION.

New Orleans, La., September 2, 1910.

The American Bankers' Association,
Los Angeles, California.

Gentlemen: The New Orleans Clearing House respectfully extends a cordial invitation to the American Bankers' Association to hold its next annual convention in the city of New Orleans at such time as the Executive Council may decide, promising adequate facilities and the unique entertainment and hospitality for which the Crescent City is famous.

Hoping for your favorable action, we are,

Respectfully,

THE NEW ORLEANS CLEARING HOUSE ASS'N,
By Chas. A. Morgan, Secretary.

In view of the competition for the next meeting of the Association, namely, the cities which I understand either have or will extend an invitation to this Association, to wit: Atlantic City; Richmond, Va.; San Antonio, Tex., and New Orleans, La., I feel that it is almost unnecessary to have anything at all to say in favor of New Orleans, as its facilities and its opportunities for entertainment are so great as compared with the other applicants, that it appears as if further remarks would be superfluous. However, there are a great many of the gentlemen present here who perhaps have never been to the great city of New Orleans, and who may wish to learn something about its method of entertainment and what it has to show the people of the United States.

New Orleans, as you are aware, is one of the oldest cities in this country, having been founded in the year 1700. It successively passed through the possession of France, of Spain, and finally to the United States. Each of these foreign countries has left some of its imprint upon the institutions of the city of New Orleans. You will find in the city of New Orleans the original building in which the Louisiana Purchase was consummated—the purchase of all this tremendous territory west of the Mississippi River except those States immediately bordering on the Pacific Ocean. You will find in a portion of the city of New Orleans—the oldest portion, which we are very glad to say is the smallest portion—every resemblance to a foreign city. Those of you who have never had the opportunity of foreign travel, will have an opportunity of seeing what an old French or Spanish city looks like, in that portion of New Orleans. In the new and modern part you will see a residence district unsurpassed by any in the world, and I make this statement with the full knowledge of the many beautiful streets that exist not only in this country but abroad. I say to you, You will see villas surrounded by the most beautiful gardens, parks, ferns, palms—everything that is pleasing to the eye.

There is another feature of New Orleans for which it is most justly famous, and that is its cuisine. I don't know whether that will appeal to the majority of you or not, but it is generally said that the way to a man's heart is through his stomach, and if that condition exists, I am sure the cuisine of New Orleans will appeal to you all. We have all kinds of sea food unknown elsewhere in the world, game of all kinds, and a few drinks which you may like to imbibe which you will not get anywhere else in the world.

In addition to that, the people of New Orleans are famed for their hospitality. They are in that respect like the people of Los Angeles who have turned themselves loose so magnificently here. (Applause.)

And I can say to you that if you hold this Convention in the city of New Orleans you will probably have the largest attendance that you have ever had at any meeting of the American Bankers' Association. After all, this is a business convention; this is not a convention for pleasure. This is a convention that should hold its meetings at the places that would attract the largest possible attendance, and the city of New Orleans is so thoroughly accessible to every part of the United States, has such magnificent railroad facilities for entering it, besides steamship facilities from the east coast, that I am certain it will draw the largest attendance that was ever had at any convention of our Association in any city of the United States. We say to you that we welcome you heartily. Our Clearing House Association met and adopted this resolution inviting you. If you will come to New Orleans we will promise to show you everything there is to be seen there. We want you to see our lands, of which we have hundreds of thousands of acres as rich as the valley of the Nile. Many of you in the banking business will have opportunities for investment in these lands, or for making loans on them, because we have had a tremendous number of people, especially from Wisconsin, Minnesota, Illinois and other States come South and purchase these lands, and it will be an education to many of you to come to that part of the country, and I therefore invite you most cordially on behalf of the Clearing House Association of New Orleans to hold your next meeting in that city.

I thank you. (Applause.)

Mr. Law (Philadelphia): Mr. Chairman, I am sure that this Convention duly appreciates each of these invitations. Each one of these cities has its attractions, as one star differeth from another star in glory, but it seems to me that very careful consideration should be given to the qualifications of your cities and that this matter should, as heretofore, be referred to the Executive Council for the selection of the next place of meeting, and I therefore make that motion, that we refer this entire matter to the Executive Council for their careful consideration and determination.

Motion seconded by numerous members.

The Chairman: Gentlemen, you have heard the motion of the gentleman from Philadelphia and the seconds.

Mr. McCaleb (Texas): Mr. Chairman, I rise to a point of order—that the nominations are not all in.

Mr. Law: I will be glad to withdraw my motion, Mr. Chairman, for the present. I had understood that all these invitations had been presented.

The Chairman: The motion has been withdrawn, gentlemen. Is it with the consent of the second?

A Member: It is.

The Chairman: It is in order now for the other invitations to be presented; but the Chair would suggest that those presenting them kindly limit themselves to as short a time as possible, as we have other pressing business to pass upon.

Mr. Miller (Richmond, Va.): Mr. Chairman, I take it that the orator from New Orleans having taken up most of the time I must therefore be brief. After all that has been said of New Orleans and Atlantic City, Richmond, Va., is the logical place to hold the 1911 Convention. I am delegated by the Chamber of Commerce, the Clearing House Association, the City Council and the Governor of our State to extend to you a most cordial invitation to hold your 1911 Convention in Richmond. There are doubtless hundreds in this audience who attended the Convention in Richmond ten years ago. The city since then has grown, not quite so much as Los Angeles, but it now has a population of some 127,000 people. It is a city of good hotels and hospitable homes, and I assure you that every citizen of Richmond will be highly honored indeed if you hold your 1911 Convention in our city. (Applause.)

A Member from Texas (San Antonio, Tex.): Mr. Chairman, may I come forward to the platform? Texas needs lots of room. (Laughter.)

The Chairman: We always understood it had it.

Member from Texas: Mr. President, Officers and Gentlemen of the Executive Council, Members of the American Bankers' Association, Ladies and Gentlemen: I have listened attentively to what those gentlemen have said who have preceded me, and I am going to be just as brief as I can, but I must agree with all of them, and particularly with Mr. Wexler, that there is not much to say about New Orleans, but if I were to talk about Texas as I should like I would have to consume the balance of the day (laughter and applause); so I am going to be as brief as I can, but I want to present to you a claim that is going to appeal to you not from a sentimental standpoint but from the standpoint of business.

I am not a banker, strictly speaking; I am a director in a bank and have been one for several years, and I did not know how important my office was until the Comptroller of the Currency began to ask me to sign letters, and then I knew I was some pumpkins. (Laughter.)

When I came here last Sunday one of the places I visited was the beautiful suburb of Venice, and a man met me there and said, "Hello, Washer. Do you belong to the Bankers' Association?" And I said, "Yes." "Well," he said, "Since when?" And I said, "Ever since I went in business." (Laughter.) I have always been a merchant, and when I want consolation for being a bank officer I have always thought of the story of a banker of New York who met a merchant friend of his, also a director of a bank, and he said to him, "Isaac, I had a dream about you the other night, and I want to tell it to you if you do not object to listening to it." "Well," said Isaac, "I will be glad to do so." "Well," he said, "I dreamt I died and went to Heaven, and when I got there Peter met me at the gate and he said, 'Well, Mr. Banker, we have two kinds of Heavens here—we have a Heaven for the banker and we have one for the merchant. Where do you want to go?' 'Well,' he said, 'I would naturally prefer to go to the bankers' Heaven, but,' he said, 'if you don't object, Peter, I would like to look in on the merchants' Heaven on my way there.' 'Why, of course,' said Peter, 'you will be perfectly welcome to do that.'" And he said, "Isaac, I looked into the merchants' Heaven, and there you fellows were selling clothes and peddling shoe strings and selling all kind of merchandise and wares just about like you did on earth." Well, that got away with Isaac, and he didn't know what to say or what to do; but he waited about a week and he met Mr. Banker again and he said, "Mr. Banker, by the way, I have had a dream and I want to tell you about it." "All right," said Mr. Banker, "go ahead and tell it." "Well," he said, "I dreamt that I died and went to Heaven; that Peter

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came to the gate and he said, 'Come in, Isaac, you are welcome; but we have two kinds of Heavens—a Heaven for the banker and a Heaven for the merchant. Where do you want to go?' 'Well,' I said, 'of course, Peter, I would rather go where the merchants go, if you don't mind, but I would like to look into the bankers' Heaven before I go there.' Peter said, 'All right,' and he took me into the bankers' Heaven.'" And Mr. Banker asked him eagerly, "Well, Isaac, what did you see? What did you see?" "Well," he said, "I didn't see anything; the place was empty." (Laughter.)

Now, gentlemen, I come from and I speak for Texas, the grand old commonwealth over whose domains there has floated at one time and another six distinctive flags, each emblematic of an historical epoch in the wonderful development of that great country. But of all these flags, gentlemen—and Texans have always been loyal to their standing—there is none more revered in our State today than is the Stars and Stripes (applause), the grand, proud banner under which all Americans, of whatever religious faith or political complexion they may be, love to gather—the proud banner to which all vie in showing devoted and loyal allegiance.

The people of Texas—and your Chairman tells me I must hurry—five millions strong, are the proud inheritors of an historical record the like of which is not exceeded in the annals of any State in this our great Union. I don't care what part of the country you come from you will find that redoubtable courage and foresight of the pioneers of Texas, their genius and their enterprise and untiring energy has enabled them to establish there an empire to which the whole world, and particularly the financial world, is now directing its eyes, and, gentlemen, when I say that I must tell you briefly of some of the resources of that wonderful State.

Texas has 1,125 bankers, with a capital and surplus of $90,000,000, with deposits amounting to $265,000,000, with total resources of nearly $4,000,000. Of those 1,125 bankers only a few over 300 are members of this Association. If you come to Texas for your next meeting—and I believe you are going to come there—you will find that the membership of Texas will more than double. In addition to that we will make the meeting an international one; we will gather there the financiers and the bankers and the leading men in finance of the Republic of Mexico, of which we are the gateway, and we will bring them there and you can make the meeting international in character and you can get memberships from there. Mexico is a land flowing with milk and honey; it is covered with mining and agricultural resources that have hardly been touched; and, gentlemen, it will redound to the good of the Association if you will come to Texas.

Now, just a brief word for San Antonio. Before we extended the invitation—and it has been extended to the Executive Council by our Clearing House Association and by our Chamber of Commerce—the city was visited by Col. Farnsworth, your Secretary, and he told us then that he thought we could accommodate them. Since then he has said that the hotels would not give all of their rooms. But I have a telegram in my pocket signed by all of the hotel men in San Antonio in which they agree to accommodate four thousand visitors. Now, I want to tell you that of those four thousand they can all come from without the State, for the Texas bankers, doing what they have done before, are willing to sleep out in tents or under blankets in order to accommodate their visitors.

Now, just a word about the resources of Texas. The cotton crop of Texas this year is worth $250,000,000; and, Mr. President, you know we are interested in the bill of lading question, and that is a question before the American Bankers' Association. The corn crop of Texas is worth $90,000,000; the wheat and oats of Texas are worth $70,000,000; the hay, $60,000,000; the products from lumber, $45,000,000; petroleum, $9,000,000; cottonseed oil and other products of that character, $26,000,000, making $500,000,000 in all. The value of all the live stock in Texas approximates $300,000,000. I am giving you these figures because finance and business are closely interwoven, the one with the other, and they cannot be disregarded. We raise something else in Texas; we have increased the population there in the last ten years a million and a half—and they didn't immigrate into the State, either. (Laughter.)

Now, gentlemen, cradled in one corner of this State lies the historic city of San Antonio, the metropolis of the State and the gateway to the Republic of Mexico. It is a city around which clusters everything that is grand, judicious and distinct in the history of that imperial empire. The Spanish monks settled there in the 17th century and they established a civilization. The first sprigs of civilization amongst a wilderness in the South was established there, and it has grown into giant oaks of financial, commercial and industrial greatness.

I could speak to you for hours upon these interesting features of the growth and development of our great State, but I am not going to do it, gentlemen; but I am going to say to you that no city in this country excels in hospitality the wonderful city of San Antonio, Texas. If you come there we will guarantee that you will be profited, for we will guarantee that there is absolutely not a city in the United States that will take better care of you or that can take better care of you, and we want to tell you in addition to all of that that you will increase your membership, you will improve the possibilities of the Association; and Texas has produced some bankers in her time. We sent James Stillman from Fort Worth to New York; we have sent Joe Talbot from Fort Worth to Chicago; we have sent Hilliard and Tom Randolph of Texas to St. Louis—and we didn't send the best bankers we had, either. (Laughter.) A man don't give up the best he has got. We have some good bankers in Texas, and they want an opportunity to associate and affiliate with you. But whatever we try to do, let me say, in conclusion, that we never hope to excel in loyalty and magnificence the entertainment that has been given us by Los Angeles. (Applause.) In that regard we can only endeavor to imitate. But if you will come to Texas we will give you the best we have.

The Chairman says that I have to quit, and I always respect the will of the Chair. I thank you. (Applause.)

The Chairman: Are there any other invitations?

Mr. Remmel (Arkansas): Mr. Chairman and Fellow Bankers—

The Chairman: We are verging closely upon Senator Burton's time, and I would ask you to be as brief as you can.

Mr. Remmel: Mr. Chairman, I will try to be as brief as I can. We have come three thousand miles across the continent to spend a few days in this magnificent city, and I will try to cut short and give Senator Burton a chance; but I am a native of Texas, and I want to say a word in behalf of my State; and when I say this I do not want to tear or pluck the laurels from the brow of any city that aspires to the honor of securing the next annual Convention of the American Bankers' Association. The capital of the Old Dominion has had it once, the Crescent City has had it twice, and I take it it is coming to the Southland, and if it is coming to the Southland why not go to the imperial commonwealth of that Southland where there are four millions of people eagerly waiting to throw wide open their gates to welcome the great American Bankers' Association to their State, where thirty years ago the long-horn native cattle roamed over the prairies and which today have been merged into the short-horn white-faced cattle, typical of the broadness of character and the aggressiveness of our citizenship.

Mr. Law: Mr. Chairman, I rise to a point of order. The hour of 11:30 having been fixed as the time for other business we should confine our attention simply to the receipt of invitations from these different cities which are seeking the 1911 Convention.

The Chairman: The Chair would rule that the point of order is well taken, as the time is now 11:30, and we are all grateful for the splendid speech of the seconder of San Antonio.

Mr. Remmel: That is a very fine reception, Mr. Chairman.

The Chairman: The point of order—

Mr. Remmel: The point of order, I presume, is well taken; but we do try to show some courtesy to our neighbors in the Southern country, and when we extend them an invitation to say a word in which they are interested we usually take off our hats and say, "Thank you, gentlemen; we appreciate the courtesy." And I will be brief in what I have to say, because I have something to say for Texas, and I regret very much that the Chairman of this Convention has recognized that point of order. I thought in this coutnry of ours and in this Convention particularly when we have only had two days' session—

(Calls from many members for order.)

The Chairman: Gentlemen, you have heard the point of order.

Mr. Miller (Richmond): Mr. Chairman, I move that we give the gentleman five minutes.

The motion was duly seconded and carried.

Mr. Remmel: I will be brief in what I have to say. I want to say to you, my friends, Come to the State which twelve years ago sent on her regiments of cowboys and college men, that were led by as intrepid a leader as ever faced the cannon's mouth in the midst of carnage, and who is today the foremost private citizen in the world. I want to ask you to come to that State and you will receive the welcome that will be equal to anything that you have had in any of these other cities, including this great city of Los Angeles, the memory of whose royal and lavish entertainment we will carry down through the years of our remembrance.

Now, Mr. Chairman, I want to say this for San Antonio and for the people of Texas: It is an imperial State, and as the gentleman has said about her cotton crop, it is worth the bankers' consideration. Last year she raised one-third of the cotton crop of America, and when her land is fully under cultivation will raise over eight hundred million dollars' worth of cotton a year, and it is worth while for you bankers to consider Texas and her future possibilities and her future banking accounts. It is worth consideration. And you gentlemen that have over four hundred millions of dollars invested in her railroad bonds in your strong boxes ought to come and see the physical condition of those properties instead of sending a representative there. See them with your own eyes. And I want to say just a word for my own State. When you come through Arkansas take a plunge in the healing waters of our famous Hot Springs and be cleansed. (Laughter.) That is our

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fountain of perpetual youth. And when you go into the Hot Springs country remember you are crossing the greatest ——— fields in the world, worth twenty millions of dollars; and we also want you to stop in and let us pin a diamond on your lapel to present to your daughters, the purest of the earth, and remember in your travels through Arkansas and Texas that you are most heartily welcome, and that we are glad to have you among us, and when your labors have been completed we will bid you Godspeed on your homeward journey. (Applause.)

The Chairman: There are two other invitations.

A Member: Mr. Chairman, I would like to have two minutes to say a word for Texas.

The Chairman: You are out of order. The Chair cannot recognize the gentleman. There are two other invitations: One is from the Niagara Falls Bureau of Conventions, and the other from the Convention Bureau of St. Louis, which will also go with the others in the regular order that may be determined by this Convention.

Mr. Law: Mr. Chairman, I now renew my motion that the consideration of these invitations be left to the Executive Council; and in doing so I wish to disclaim any intention of discourtesy to anybody. I simply wish to conserve the time of this Convention so that it may proceed with its regular business as heretofore arranged.

Motion duly seconded and carried.

The Chairman: The motion is carried, and the invitations will be considered by the Executive Council.

CURRENCY DISCUSSION.

We have a rare treat this morning in a currency discussion on the part of two very noted gentlemen, and before introducing the first I wish to strongly urge you gentlemen to remain in your seats until the second finishes his discourse, because I am confident that he will bring to your attention a number of points which have not, probably, been brought before you in the past and in which you will surely be interested, and I know that his speech is brief. I now take a great deal of pleasure in introducing one of the foremost members of Congress, who, after considerable urging, and only perhaps, after having a number of his friends, on our behalf, ask him to be with us, was able to make his arrangements so as to leave his State and come this long journey to make this address to you. I now take a great deal of pleasure in introducing to you Hon. Theodore F. Burton, United States Senator from Ohio. (Great applause.)

The Work of the Monetary Commission.

[Senator Burton's address in full will be found on page 134.]

The President: Gentlemen, there is every reason why you should remain in your seats. The next speaker will not consume more than fifteen or twenty minutes, he assures me, and as he will speak from the firing line of practical experience I know you will be interested in what he will have to say. Before introducing him, however, I have been requested to announce that the photographer wishes to see you upon the adjournment of this session; also that the Chairman of our Executive Council has an acknowledgment of the $5,000 gift to the sufferers from the explosion the other evening, which he would like to read to you and which I know you will desire to hear.

Mr. Livingston then read the following communication:

THE TIMES MIRROR COMPANY.

Los Angeles, Cal., Oct. 5, 1910.

To the Members of the American Bankers' Association.

Gentlemen: I have to thank the Association and its members with deep gratitude for its prompt, strong and effective action taken yesterday in the form of voting a literal sum, to wit, $5,000, for the relief of the stricken families of the faithful workers in the service of the Los Angeles Times who fell at their posts of duty in the awful holocaust of last Saturday morning. I speak for myself, the Los Angeles Times, and for all those engaged in producing it.

I also express my high appreciation of your prompt and significant action in unanimously condemning the stupendous crime committed by the conspirators and murderers. Such action was to be expected of a body of brave business men such as you are, and nothing less pronounced on your part could have been anticipated.

We will rebuild the demolished building and restore its great printing and publishing equipment completely, in order that we may go on with the battle for civil liberty and industrial freedom, for justice, law and equal rights for all citizens under the Constitution. I now reaffirm and reassert the declaration which I have so often made, personally and also through The Times, in the past: "We stand for the doctrine that every law-abiding American citizen has the lawful right to pursue, unhampered and undisturbed, any lawful occupation of his choice in a lawful way, and to be protected in that right by the whole power of the State and of the nation, if need be."

Nothing less than a complete universal enforcement of this vital principle can save the Republic and enable it to fulfill its true destiny; for true it is that freedom in the industries is a principle no less sacred than are religious freedom, political freedom or personal freedom.

I am with and for all American citizens who entertain the sentiments here expressed.

I am, gentlemen,

Very truly your friend,

H. G. OTIS, President and General Manager.

The President: Before introducing the next speaker, there is a message from the city of San Francisco which I know you will all be glad to hear, which will be presented by Mr. Lynch, Vice-President of the First National Bank of that city.

Mr. Lynch: Gentlemen, my subject is a big one but my story will be short. The year 1915 will witness the completion of the greatest undertaking ever begun in the history of the world, the cutting through of the Isthmus of Darien, from which Balboa first saw the Pacific. It has been deemed proper that that event should be celebrated by a great exposition. The city of San Francisco, backed by the State of California and the whole Pacific Coast, is going to hold that exposition, and the Clearing House of San Francisco, of which I have the honor of being President, has passed unanimously a resolution inviting the American Bankers' Association to meet in San Francisco during that exposition. Gentlemen, I tender you that invitation, and I promise you our utmost endeavor to entertain you. Thank you. (Great applause.)

The President: Gentlemen, it affords me a very great deal of pleasure to introduce to you one of your own number, Mr. Frank B. Anderson, President of the Bank of California, of San Francisco.

Pacific Coast's Need for Banking and Currency Reform.

[Mr. Anderson's paper is printed on page 123.]

The President: Gentlemen, there are just two announcements. One is for you to remember the Executive Council meeting—those who are members at present and the new members as well—which will be held in Choral Hall this afternoon immediately after the adjournment of the afternoon session of the Association. The other is the validation of your railroad certificates by the agent at his office at 553 South Spring street. The time has arrived for adjournment; a motion will be in order.

Upon motion, duly seconded, the Convention thereupon adjourned.

AFTERNOON SESSION.

The Chairman: The Convention will come to order. The regular order of business will be the discussion of practical banking questions, and the rule would limit such discussions under the five minute rule to all delegates. Is there any gentleman that would like to bring up any topic at this time? (There was no response.) I don't believe it is an absence of topics; I imagine it is an absence of attendance. There is one Section report, omitted at the morning session, and that is the report from the Institute of Banking Section. Is this Section ready to make its report? (There was no response.) That we will hold over until the proper officer comes into the meeting.

Mr. Watts: Mr. Chairman, in view of the fact that the adjournment was a bit late for the noon recess, and that the delegates will probably be a little slower in coming to the meeting, I move that we take a recess of fifteen minutes before proceeding with the program.

(The motion was seconded and carried.)

(A fifteen minute recess was taken.)

The Chairman: Gentlemen, the recess period having expired, you will please come to order. We have with us this afternoon as a speaker, a gentleman whom I am sure you will all be more than glad to hear. For twelve years he was the Referee in Bankruptcy in the City of Cleveland, and perhaps it is of special interest in that connection you may be glad to learn that he was the referee in the Cassie Chadwick case. Further than that, he is now a special counsel for the National Credit Mens' Association, and during the past session of Congress he was the head and front of the changes in the bankruptcy law that were urged upon and accepted by that body. I therefore take a great deal of pleasure in introducing to you this afternoon Mr. Harold Remington of the city of New York.

Bankers and Bankruptcy Law.

[Mr. Remington's address will be found on page 125.]

Mr. Hamilton: The President in his address recommended that some further assistance might be rendered to the Currency Commission of the American Bankers' Association in carrying on their work, that this was advisable in order that all sections of the country might be properly represented, and the conditions affecting those localities might be considered. In accordance with his views expressed, I present the following resolution:

Resolved, That the Currency Commission of the American Bankers' Association be and is hereby authorized to call to its assistance in the consideration of banking and currency deliberations such bankers and others from any part of the country that it may deem advisable

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to make its work national in scope, so that we may secure proper legislation.

The Chairman: Do you offer that as a resolution?

Mr. Hamilton: Yes sir, and move its adoption.

Motion seconded, put and carried.

Mr. Hamilton: Mr. Chairman, I have another resolution that I believe will be of interest to all the bankers throughout the United States:

Be it resolved, by the American Bankers' Association in thirty-sixth annual convention assembled, that it is the sense of this convention that the Congress of the United States at its December session should make sufficient appropriation to cover the free shipment of silver to various points in the United States;

And be it further resolved, that such appropriation would, in the judgment of this Association, tend to harmonize the sub-treasury benefits of the Government.

I move its adoption.

Motion seconded, put and carried.

The Chairman: Are there any communications from the Executive Council?

Secretary Farnsworth: The following is an extract from the minutes of the meeting of the Executive Council as of May, 1910, which is self-explanatory:

PANAMA EXPOSITION.

The following resolution was offered by Mr. Wexler, and on his motion, seconded by several members of the Council adopted:

Whereas: It is the intention of the Nation to properly celebrate the completion of the greatest and most beneficial work of this or any other age—the Panama Canal—

Be it Resolved: That it is the sense of the Executive Council of the American Bankers' Association this day assembled in Atlantic City, New Jersey, that the said great event shall be properly celebrated and commemorated by the holding of an exposition at a convenient and logical point, at which the products of our farms, fields, and mines, of our manufactories and our great mechanical achievements, can be properly exhibited in conjunction with the products of the rest of the world, and particularly of the South and Central American Republics and the islands of the Pacific Ocean; and it recommends and requests the American Bankers' Association, at its next meeting at Los Angeles, California, the passage of proper resolutions in favor of a World's Panama Exposition, to be held at the most fitting place in 1915.

Mr. Wexler: I move its adoption.

Motion seconded, put and carried.

AMERICAN INSTITUTE OF BANKING.

The Chairman: Is there an officer of the Institute of Banking Section present and ready to report? I will present Mr. Downey, Chairman of the Executive Council of the American Institute of Bankers.

To the American Bankers' Association.

The American Institute of Banking is now ten years old. In that ten years a hazy, unformed idea has been nurtured and developed by scores of ambitious and persevering bank clerks into a system of education, whose graduates are officers of banks in every city where there is or has been a chapter and many outside of chapter cities.

There are now 56 chapters of the Institute, with a membership of 9,552, all of which are conducting some plan of educating "Bankers in Banking." To graduates of the courses certificates are given. The success of these efforts to fix and maintain a recognized standard of banking education by means of official examinations and issuance of certificates is evidenced by the list of 144 Institute Graduates known as Institute Alumni.

In addition to the graduates, 75 students have passed the required examination in "Banking and Finance" and 187 in "Commercial and Banking Law."

The Correspondence Chapter (meaning members of the Institute outside of Chapter Cities) has been superseded by the new plan of associate membership, recently entered into by the joint action of the Executive Council of the American Bankers' Association and the annual Convention of the American Institute of Banking Section. This action makes all members of the American Bankers' Association associate members of the American Institute of Banking, and consolidates the Journal and the Bulletin.

Under this arrangement the Association pays to the Institute for each associate member so constituted annual dues of 75c. instead of the annual appropriation heretofore made for Institute purposes. Officers and employees of members of the Association are entitled to 50c. reduction in tuition fees for Institute study courses in "Banking and Finance" and "Commercial and Banking Law."

Following is the financial statement of the institution for the fiscal year:

RECEIPTS.

Balance on hand September 1st, 1909	$2,814.86
Chapter dues, including Bulletin, less exchange	10,429.57
Fellowship dues and per capita tax	1,281.20
Miscellaneous income	60.00
American Bankers' Association	7,000.00
Total receipts	$21,585.63

EXPENDITURES.

Salaries of Educational Director and other employees	$6,059.15
Bulletin and other printing	7,342.89
Educational Director's traveling expenses	1,048.00
Institute officers and committees	663.36
Chattanooga convention	543.97
Executive Council annual meeting	1,215.12
Authorship of study courses	765.00
Rent of general office	416.60
Prize essay contest	150.00
Postage ($889.99), incidentals ($587.68)	1,477.67
Total expenditures	$19,681.76
Balance on hand August 31st, 1910	1,903.87
	$21,585.63

The President: Gentlemen, you have heard Mr. Downey's report. If there is no objection it will take the usual course and appear in the record. The next order of business will be the report of the Committee on Resolutions. Is its Chairman, Mr. Gurney, in the room?

Mr. Gurney, on behalf of the Committee on Resolutions, submitted the following report:

Report of Special Committee on Resolutions.

The week drawing to a close has witnessed a rarely successful session of the Association, and its memories will never fade.

At every point and in every moment the hand of hospitality has been extended, as generous as it is unobtrusive.

We appreciate these numberless courtesies more than mere language can express, and along with this is mingled an admiration for the civic spirit that animates Los Angeles, and which alone makes such a city and such entertainment possible.

Therefore Resolved: That the members of the American Bankers' Association, assembled in their thirty-sixth annual convocation, express their sincere and hearty appreciation of all that has been done for them, and mention with especial gratitude the ladies of Los Angeles, the press, the automobile owners, the Los Angeles Clearing House and affiliated banks, the telephone companies, the trustees of the Temple Baptist Church and the employes of the Auditorium for the courtesies received in and about our meeting place, and to the various clubs of Los Angeles, whose doors have been open to us.

And Resolved: That these resolutions be spread in full on our records, and a suitable engrossed copy thereof be transmitted to the President of the Los Angeles Clearing House.

Respectfully submitted,

A. SPENCER, JR.,
T. R. PRESTON,
E. R. GURNEY,
Chairman.

Mr. Gurney: Mr. President, I move the adoption of the resolution.

(This motion was duly seconded.)

The President: Gentlemen, you have heard Mr. Gurney's resolution. It has been supported. All those in favor of the resolution as read by Mr. Gurney will say aye.

(The motion was unanimously carried.)

The President: The next order will be the report of the Committee on Nominations, Mr. Radford Chairman.

Mr. Radford, on behalf of the Committee on Nominations, then submitted the following report:

Report of Nominating Committee.

For President: F. O. Watts, President First National Bank, Nashville, Tenn.

For 1st Vice-President: William Livingstone, President Dime Savings Bank, Detroit, Mich.

For members of the Executive Council as nominated at Conventions of State Associations and certified to this Association by the Secretaries of the respective State Association:

Alabama: J. H. Barr, Vice-President First National Bank, Birmingham.

Arkansas: George W. Rogers, Cashier Bank of Commerce, Little Rock.

Calfornia: H. S. Fletcher, President Bank of Watsonville.

Colorado: Gordon Jones, President United States National Bank, Denver.

Connecticut: C. C. Barlow, Vice-President and Cashier Yale National Bank, New Haven.

Georgia: L. P. Hillyer, Vice-President American National Bank, Macon.

Illinois: J. O. Willson, President Peoples' Bank, Bloomington.

Indiana: H. C. Johnson, President Seymour National Bank, Seymour.

Iowa: E. L. Johnson, Vice-President Leavett & Johnson Trust Co., Waterloo.

Maryland: Albert D. Graham, Cashier Citizens' National Bank, Baltimore.

Michigan: Emory W. Clark, Vice-President First National Bank, Detroit.

Minnesota: George F. Order, Cashier First National Bank, Minneapolis.

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Montana: H. Yaeger, Assistant Cashier First National Bank, Lewistown.

Nebraska: Victor B. Caldwell, Vice-President United States National Bank, Omaha.

New Jersey: Edward L. Howe, Vice-President Princeton Bank, Princeton.

New York: Ledyard Cogswell, President New York State National Bank, Albany; James G. Cannon, President Fourth National Bank, New York.

Ohio: T. J. Davis, Cashier First National Bank, Cincinnati; W. F. Hoffman, President Commercial National Bank, Columbus.

Oklahoma: D. W. Hogan, Cashier American National Bank, Oklahoma City.

Pennsylvania: John G. Reading, President Susquehanna Trust & Safe Deposit Co., Williamsport.

South Carolina: W. D. Morgan, President Bank of Georgetown, Georgetown.

Texas: O. E. Dunlap. President Citizen's National Bank, Waxahachie.

For member of the Executive Council from States and Territories where the membership in the American Bankers' Association is less than 100, the total membership aggregating 629 members:

Edward P. Metcalf, President Atlantic National Bank, Providence, R. I.

For member of the Executive Council representing the Trust Company Section:

F. H. Fries, Chairman; President Wacovia Loan & Trust Co., Winston-Salem, North Carolina.

For member of the Executive Council representing the Savings Bank Section:

R. C. Stephenson, Chairman; Second Vice-President and Treasurer St. Joseph County Savings Bank, South Bend, Ind.

For member of the Executive Council representing the Clearing House Section:

Ralph Van Vochten, Chairman; Vice-President Continental & Commercial National Bank, Chicago, Ill.

For member of the Executive Council representing the American Institute of Banking Section:

Indiana: B. C. Downey, Chairman; Cashier Continental National Bank, Indianapolis.

For member of the Executive Council representing the Organization of Secretaries Section:

W. F. Keyser, President; Sedalia, Mo.

For Vice-President of the different States and Territories as nominated at Convention of the State Associations and certified to this Association by the Secretaries of the respective State Associations:

Alabama: B. B. Barnes, President First National Bank, Eutaw.

Arkansas: E. T. Reaves, Cashier German National Bank, Little Rock.

California: Frank B. Anderson, President of the Bank of California National Association, San Francisco.

Colorado: J. C. Houston, Assistant Cashier First National Bank, Denver.

Connecticut: M. H. Griffing, Cashier City National Bank, Danbury.

Florida: J. S. Reese, President Peoples' National Bank, Pensacola.

Georgia: C. B. Lewis, Vice-President and Cashier Fourth National Bank, Macon.

Idaho: Boyd Hamilton, Cashier Coeur d'Alene Bank & Trust Co.. Coeur d'Alene.

Illinois: Andrew Russel, Vice-President Dunlap, Russel & Co., Jacksonville.

Indiana: M. S. Sonntag, President American Trust & Savings Co., Evansville.

Iowa: Kent C. Ferman, Cashier Cedar Rapids National Bank, Cedar Rapids.

Kansas: G. C. Smith. President People's National Bank, Kansas City.

Kentucky: George R. Lewis, of the Farmers' National Bank, Glasgow.

Louisiana: L. M. Pool, Vice-President Hibernia Bank & Trust Co., New Orleans.

Maine: Edw. S. Kennard, Cashier Rumford National Bank, Rumford Falls.

Maryland: H. H. Haines, President National Bank of Rising Sun, Rising Sun.

Massachusetts: Jos. W. Stevens, President First National Bank, Greenfield.

Michigan: F. F. Browne, Cashier First National Bank, Bay City.

Minnesota: Geo. C. Power, President Second National Bank, St. Paul.

Mississippi: O. B. Quin, of the First National Bank, McComb City.

Missouri: Samuel Sharp, Cashier Montgomery County Bank, Montgomery City.

Montana: J. S. Dutton, Assistant Cashier First National Bank, Butte.

Nebraska: J. W. Welpton, President Exchange Bank, Ogellala.

New Jersey: I. Snowden Haines, Cashier Mechanics National Bank, Burlington.

New York: Cornelius A. Pugsley, President Westchester County National Bank, Peekskill.

North Carolina: Henry C. McQueen, President Murchison National Bank, Wilmington.

North Dakota:

Ohio: R. B. Crane, Vice-President National Bank of Commerce, Toledo.

Oklahoma: Jake Easton, President Citizens' National Bank, Antlers.

Oregon: E. A. Wyld, Vice-President Security Savings & Trust Co., Portland.

Pennsylvania: Frank M. Horn, of Catasauqua.

South Carolina: T. B. Stackhouse, Vice-President National Loan & Exchange Bank, Columbia, and President Bank of Dillon, Dillon.

South Dakota: F. C. Danforth, President Citizens' Bank, Parker.

Tennessee: C. A. Lyerly, President First National Bank, Chattanooga.

Texas: Geo. E. Webb, President First National Bank, San Angelo.

Virginia: Geo. A. Schmelz, of Schmelz Bros., Bankers, Newport News.

Washington: Geo. B. Burke, Manager Bankers' Trust Co., Tacoma.

West Virginia: W. B. Irvine, Vice-President National Bank of West Virginia, Wheeling.

Wisconsin: O. C. Brown, President First National Bank, Kenosha.

For Vice-Presidents of the different States and territories where the membership in the American Bankers' Association is less than 100, the total membership aggregating 628 members.

Alaska:

Arizona: R. N. Fredericks, Cashier Prescott National Bank, Prescott.

Delaware: Ezekiel Cooper, of the Farmers' Bank, Wilmington.

District of Columbia: Wm. A. Mearns, of Lewis, Johnson & Co., Washington.

Mexico: H. H. Hanson, Manager International Banking Corporation, Mexico City.

Nevada:

New Hampshire: Ira F. Harris, Cashier Indian Head National Bank, Nashua.

New Mexico: H. D. Bowman, President Bowman's Bank & Trust Co., Las Cruces.

Rhode Island: Chas. Perry, President Washington Trust Company, Westerly.

Utah: W. S. McCormick, President McCormick & Co., Bankers, Salt Lake City.

Vermont: Henry M. McFarland, Vice-President Lamoille County National Bank, Hyde Park.

Wyoming: Jno. D. Baird, Vice-President First National Bank, New Castle.

Canada:

Cuba: Norman H. Davis, Vice-President Trust Company of Cuba, Havana.

Hawaii: Cecil Brown, President First National Bank, Honolulu.

Isle of Pines: A. C. Almute, Gerona-Neuva.

Porto Rico:

Respectfully submitted,

JOHN D. RADFORD,
Chairman Nominating Committee.

W. G. FITZWILSON, Secretary.

P. S.—There are several States having a membership in this Association of less than a hundred members which the Nominating Committee of Vice-Presidents for these States failed to make a nomination for a Vice-President. It is suggested if it is not the wish of this Convention to make a nomination for such States, that action be taken at this time authorizing the executive officers to furnish the necessary names. Your attention is also called to the fact that no nomination for a Vice-President for North Dakota has been made as advice has not been received from the North Dakota Bankers' Association of same.

Mr. Radford: (Continuing) You will notice there are some blanks, as, for instance, North Dakota has not yet certified a member from that State, and when the Vice-Presidents met from the different States, or Committees to nominate the Vice-Presidents, some of these were not represented. We therefore present this in its incomplete form. Authority can be left with the excutive officers to fill out the number or it can be done from the floor. I move you, then, the adoption of the report, with authority to the executive officers to fill in the names as they are submitted from the various States.

The Chairman: That motion is for the report to be adopted as a whole.

Mr. Radford: As a whole.

(The motion was duly seconded and carried.)

Mr. Campbell: If there are no other nominations, I move the election of all those who have been reported. Of course, this is only placing them in nomination; I now move their election. (Seconded.)

The Chairman: Gentlemen, you have heard Mr. Campbell's motion, which is supported. Are you ready for the question?

(Motion carried unanimously.)

The Chairman: The gentlemen named in the report are therefore elected to their respective positions.

I now take a great deal of pleasure in introducing to you your newly elected President, Mr. Frank O. Watts, President of the First National Bank, of Nashville, Tenn. (Applause.)

Mr. Watts, as an active worker in the ranks of the Association, latterly as a member of the Executive Council and a general officer of the Association, you have at all times shown an active interest in its affairs and have proven yourself

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worthy of the honor to which you have been elected. As a member in your community your standing is such that it is fitting that this Association should so honor you at this time, and it gives me a great deal of pleasure in pinning this badge of office upon your noble breast, and not only to heartily congratulate you but also to congratulate the Association.

I have been requested, Mr. Watts, to read to you a communication which has come to hand and is addressed to you in this city.

It reads: "We, a few of your Nashville friends and admirers who are unable to be present on the occasion of your election to the presidency of the American Bankers' Association, and who deeply appreciate the deservedly high honor that is being bestowed upon one of our own, desire to record and to tender our congratulations to both the associations and yourself upon the accomplishment. As an evidence of our high esteem, we present you with this loving cup, and with it our best wish for your future happiness and success." It is signed by about forty of your Nashville friends. (Applause.)

(A silver loving cup was handed to the incoming president. Also several large bouquets were placed upon the platform.)

REMARKS OF THE NEW PRESIDENT.

President Watts: Mr. President, Gentlemen of the American Bankers' Association, and Ladies: I trust you will not consider it as showing any lack of appreciation or that it indicates in the slightest manner that I do not give the greatest possible importance to your action today upon my present bearing and upon my future, when I say that, however, much I appreciate this honor you have conferred upon me, yet I appreciate even more this unexpected tribute paid to me in this far away land by the friends of my home. (Applause.)

I have felt, gentlemen, that the honor that you have conferred upon me was not entirely personal. I have felt that you were not unmindful of the fact that in selecting me as the president of this great organization that you were complimenting the great volunteer State of Tennessee. I believe I may say without fear of contradiction, and with a pardonable pride, that I believe there is not a banker in the State of Tennessee that would not today feel complimented at this honor you have conferred upon me if he were in your midst. (Applause.) I feel that you have complimented that great section of the country, the sunny South, and last but not least, gentlemen, I feel that you have paid a compliment to my life companion.

Gentlemen, the circle that brought about this result was only a few years ago a small one, a small band of friends, close personal friends, having a faith and having a determination in the city of St. Louis, presented me to you as a candidate for the position of councilman. Later, gentlemen, in the city of Denver, this band of personal friends was enlarged, and as a result of their efforts I was made chairman of your Executive Council. It has been said oft, and possibly within the sound of every ear in this gathering, that by an unwritten law of the Association there was a succession of office. There is such an unwritten law. I believe, gentlemen, there is good reason for it. I believe that the best interests of the American bankers can be subserved by that training that is necessary to fit one for the position to which you have elected me; but if I felt that today I was being honored cause of that law, because of that rule of succession, the pleasure of this occasion would be marred. I hope, upon the contrary, that it is the result of a broadening feeling of friendship, an increasing faith in my willingness to serve the American bankers in any position at any time to the very best of my ability. (Applause.) I trust that that circle of friends during my term of office may continue to increase, and if I know my heart today, no act of mine, even after I have become a member of that influential club, the Council Club, no act of mine shall prevent that circle increasing, and I shall do everything in my power, even when I am beyond the magic circle of official life—I shall do everything in my power to advance the interests of the American banker.

I thank you, gentlemen. (Great applause.)

Gentlemen of the Convention, it gives me pleasure beyond my power of expression that the first official act of mine shall be the presentation to you of your Vice-President elect. (Applause.) I take pleasure in presenting to him this official badge of the office. My association with him has been such that I have no doubt about the wisdom of your action. My feeling for him is such that I may use the simile of Hiawatha:

> Straight between us runs the pathway,
> Never grows the grass upon it.

Gentlemen, I present to you your Vice-President elect.

Mr. Wm. Livingstone: Mr. President and Gentlemen of the American Bankers' Association: Someone has said somewhere, the author I do not remember, that

> There are billows far out on the ocean
> That never will break on the beach.
> There are waves of human emotion
> That can find no expression in speech.

And I appreciated very much more highly than words can possibly express, the very high honor which you have paid me today; and I assure you that so far as within me lies, I will endeavor in every possible way, and to the very best of my ability to fulfill the duties of the high office to which you have elected me, to your satisfaction.

Again and again, gentlemen of the American Bankers' Association, I thank you.

APPRECIATION OF EX-PRESIDENT PIERSON.

Mr. Hamilton: Before going farther with the deliberations, I wish to rise to ask a personal privilege. I wish at this time to express to the retiring President, Mr. Lewis C. Pierson, our appreciation of the magnificent service that he has rendered the bankers of the United States through his official acts as President of the American Bankers' Association. (Applause.) It is needless for me to say that Mr. Pierson has served this Association faithfully and well. He has been active not only in the affairs of his State Section, having received the honors from that Association of being its chief executive officer, but has gone on and received the honors from this Association. His usefulness does not end with his retirement as President of this Association, yet it is necessary that he must give way to the coming of others to fill this high position.

It must, Mr. Pierson, be a matter of great satisfaction and pride to you to know that you have the best wishes of all the committees, of the Executive Council, and of the membership of the Association. (Great applause.) It is surely not only a source of pride to you, but it must be a source of pride to that family of yours, that you have so creditably served the financial interests of the United States. But the crowning glory of it all is the feeling of gratitude that it must cause to that dear mother of yours, who is here to witness our feeble presentation to you of this tea and coffee service of sterling silver as a token of our appreciation of your services. (Great applause.) And on behalf of the Local Committee of the city of Los Angeles, I am also requested to present to you this token of their esteem and appreciation. (The speaker presents to the retiring President a large floral offering.) (Great applause.)

Mr. J. M. Elliott (Los Angeles) Mr. Pierson, I bear in my hand this gold button, marked "President 1909," and on the reverse "Lewis E. Pierson, New York City." No man who has ever served this Association deserves this button better than yourself. You retire from the position of President of this Association with the love, honor, and affection of all its members. (Great applause.)

Mr. Pierson: Mr. Hamilton, Mr. Elliott, and Gentlemen: There are times when words fail to express what the heart desires to say. I can only say to you that these tokens of your esteem are more deeply appreciated than I can ever tell, and I can assure you, gentlemen, that they will always, this silver service particularly, be treasured by my loved ones as an evidence that what I am has largely rested with you gentlemen. I thank you. (Great applause.)

President Watts: Gentlemen, the business as provided on your official program is at an end. It is most fitting that such a convention should end by such a tribute to such a retiring officer. (Applause.) What is your pleasure, gentlemen?

NEW DETECTIVE AGENCY APPROVED.

Mr. Rhoades: Mr. President, I would like to offer the following resolution—that the action of the Executive Council in the selection of the Burns & Sheridan Detective Agency be hereby approved.

(The motion was duly seconded.)

President Watts: It is moved and seconded, gentlemen, that this resolution be adopted. According to the Constitution two-thirds vote is necessary on a resolution of that character. What is your pleasure? Are you ready for the question?

(Calls for the question.)

President Watts: As many as favor that motion will indicate it by saying aye.

(The motion was duly carried.)

President Watts: It is unanimously carried.

Mr. Elliott: Gentlemen, as a representative of the Los Angeles Clearing House and associated banks, some two years ago I invited you to come to this city in 1910. I am thankful, we are all grateful to you, for this long trip that you have taken, and we wish you God's speed on your return journey, and a safe arrival at your homes. (Applause.)

MEETING OF EXECUTIVE COUNCIL.

President Watts: The Chairman of the Executive Council, and Vice-President, has an announcement to make on behalf of the Executive Council.

Mr. Livingstone: The Executive Council will meet immediately after the adjournment of the Convention in Choral Hall. We desire every member of the Executive Council to be prompt, because there is quite a little business to do, and a great many are anxious to take the trains this evening for their respective homes.

ADJOURNMENT.

President Watts: Gentlemen, what is your further pleasure?

A Member: I move we now adjourn.

(This motion was duly seconded, and carried.)

President Watts: I declare this Convention now adjourned.

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TRUST COMPANY SECTION

AMERICAN BANKERS' ASSOCIATION

Fifteenth Annual Meeting, Held at Los Angeles, Cal., October Fifth, 1910

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"Should the Ownership of Shares in Banks Continue to Be Represented by Certificates Commercially Negotiable, That Is to Say, Pledgable?"

BY STUYVESANT FISH, New York.

In order to include trust companies, as well as National and State banks, in this discussion, it is necessary to use the word "bank" in its broad sense, as meaning a "moneyed corporation." Our laws wisely throw around moneyed corporations many safeguards and restrictions, to which other corporations for gain are not subjected. Among them are the requirements of our "national bank act" and of the banking laws of nearly all of our States, that every shareholder in a bank shall be held individually responsible and liable to its creditors, to the extent of the amount of their stock, in addition to the amount invested in such shares.

The resources of a bank, exclusive of deposits, are therefore not to be measured solely by its capital and surplus, but by the sum of its capital, surplus and its stockholders' liability. In their competition for business our greatest banks have not hesitated to advertise this liability of their stockholders as part of the bank's resources.

On that basis we find that, in 1909, the total resources of our 22,491 National banks, State banks and trust companies were:

Capital stock	$1,800,036.368
Surplus and undivided profits	1,834,625,428
Stockholders' liability	1,800,036,368

That is to say, the stockholders' liability comprises about one-third of the net resources of our banks, and exceeds by nearly four-fifths the sum total of the net funded debt of the United States. The vastness of the amount involved demands some consideration by the banking community, not only as to the continued solvency of the shareholders, but also as to their capacity to meet possible calls; the fair presumption being that those who have pledged their shares are not in as good plight to meet such calls as are those who own them outright, free and unencumbered. It may be that some of our banks provide by their by-laws—as banks in other countries do—for a scrutiny by the officers and directors of new names offered as potential transferees of stock. There is nothing, however, in the law which requires anything of this sort, nor is any such practice general among our banks.

In view of the holders' liability thereon, bank shares as collateral to a loan may prove a source of added loss to the lender. If I remember correctly, one of our most conservative banks in New York had an experience of this sort some years ago: Having made a loan to the president of an Ohio bank in his individual capacity, on the security of shares of his bank, and acting from excess of caution, the New York bank transferred them into the name of one of its officers or employees. The borrower failed, his bank failed, and its stockholders were assessed very heavily, possibly up to the full par value of their holdings. It is only fair to add that the New York bank (with which, I beg you to believe, I was and am in no way related) stood manfully by and protected its employee in this matter, but, of course, had to face a large added loss in so doing.

My purpose is not, however, to decry bank stocks as security for loans, but to inquire whether there are not reasons of business prudence and of public policy demanding that the certificates for such stock should not much longer be available as collateral for loans.

Experience in New York during the panic of 1907 affords an instance in point.

Despite differences of opinion as to the prime cause of this our latest panic, no one can question that the ultimate cause which precipitated it was the breaking down of "chains of banks." Those chains of banks had been created through loans being made by one bank against the pledge of shares of another in the chain, which in turn lent on the stock of a third, and so on around the circle. When, toward the close of October, 1907, in a time of general stress, a close scrutiny was made, those bubbles collapsed and crisis ensued immediately.

The Legislature of the State of New York sought in 1908 to guard against a recurrence of this evil by amending its banking law so as to provide that, "No corporation to which

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this chapter is applicable shall hereafter make a loan, secured by the stock of another moneyed corporation, if by the making of such loan the total stock of such other moneyed corporation held by it as collateral will exceed in the aggregate ten per centum of the capital stock of such other moneyed corporation." (Laws of 1908, Chap. 169, Sec. 25.)

The effect of this law, however, is simply to require that those who may now wish to create chains of banks shall put up at least six links in their chain, whereby through each bank holding nine per cent. of the capital of each of the others, the group would collectively hold a majority of all, *i. e.*, fifty-four per cent. To cure the evil we must go further.

It may be interesting to see what the situation is in Great Britain. Down to the year 1855 the law was that all shareholders in trading and banking companies were liable in their persons and estates for the full amount of all the debts of the corporation, except in the case of such companies (and there were very few of them) as had been chartered by a special act of Parliament. The only banking company of that character of which we have any record is the Bank of England.

Since the passage of the act of 1855 the usual method with banks in Great Britain has been to limit the stockholders' liability to the amount subscribed for by them respectively, to provide for a large capital—say a million of pounds—and to call in a certain proportion, say one-half thereof. The amount called varies very considerably in different banks, but where one-half has been called the stockholders' position is substantially the same as that among our stockholders in the United States, except that calls may be and are made to meet the exigencies of a growing business and are not made, as they are with our banks, solely in cases of insolvency.

My friend, Mr. Lloyd, of *The London Statist—than* whom there is no higher authority—in reply to these questions:

(1) Do your joint-stock banks issue certificates of stock which are, or can be, made the subject of hypothecation?

(2) Do banks and others in Great Britain lend on the security of bank shares?

(3) About what time did the practice of issuing certificates of stock in a commercially negotiable form begin in Great Britain?

answers as follows:

"No British bank lends upon the shares of another bank as a matter of strict business, (1) because each bank has the first lien on its own shares and will not waive that lien because it gets a notice from another bank that it has lent upon them, and (2) because if to overcome that difficulty it registered the shares in its own name it would make itself liable for the uncalled capital, which no bank would do.

"One of the ablest and most experienced bankers in London tells me that in his long experience he has never known of a loan being made by a bank even on the certificates of the Bank of England, and that in the case of other banks there may be an occasional case where a banker runs a risk to oblige a customer whom he does not like to offend by any means; yet it is so unusual that he has never known of an instance.

"With regard to the issue of certificates, the Bank of England, I think I am right in saying, has issued them from the first, but other banks have issued certificates only since limited liability was introduced."

The Act of Parliament incorporating the Bank of England specifically provided that "tallies," or certificates should be issued for moneys contributed toward the stock of the bank, and that such tallies should be transferable. It was not, however, at that time (toward the end of the seventeenth century) customary to charter companies of any sort with transferable shares, but rather the exception, and, if I mistake not, there are today, in England, corporations which do not issue any certificates of stock whatever.

The custom in this country is, however, of such long standing with respect to the issue of stock certificates that it would seem undesirable by statute, or by by-law, to discontinue their issuance. All that one could suggest would be that, for the present at least, the by-laws of the several banks should provide that in future certificates be issued in form not commercially negotiable—that is to say, not pledgable—and that no future transfers be permitted, except subject to the approval of the board of directors.

Our banks do not, as the British banks do, hold a first lien on their own shares, but the directors of our banks, as trustees for the whole body of stockholders, and as stockholders in their own right, are interested to see that no weak, and especially no insolvent or "dummy" stockholders, be admitted as partners; and it is in order to bring up for discussion a question of this sort that I have undertaken the writing of this paper, believing that the reform should be made, and made from the inside, well in advance of any laws, Federal or State, which might be proposed in that behalf.

If, however, any laws restraining the transfer and pledgability of bank stocks shall be enacted, it goes without saying that in justice to stockholders who have bought and hold their shares under the laws and practice now prevailing, such new laws should be made to take effect, if at all, at some distant date, say two or three years in the future, so as to afford the present holders of bank shares ample time in which to adjust themselves to any changes which may be effected by statute.

In so far as directors are concerned, the National Bank Act provides that "Every director must own in his own right at least ten shares of the capital stock," except in the very smallest banks where the requirement is five shares, and that each director shall make oath "that he is the owner in good faith and in his own right, of the number of shares of stock required by this title, subscribed by him or standing in his name on the books of the association, and that the same is not hypothecated or in any way pledged as security for any loan or debt."

If it is right to require this of directors, why is it not both wise and prudent to require that the stockholders in an institution which trades upon credit based upon the stockholders' liability, shall at all times own in good faith and in their own right the number of shares standing in their names respectively, and that such shares, or the evidences of them, be not hypothecated or in any way pledged as security for any loan or debt?

The laws of the State of Illinois have for more than twenty years required that banks organized thereunder shall keep of record, in the office of the recorder of deeds of the county in which the bank is situated, a complete list of all stockholders, with the number of shares held by each, which lists are annually published in the newspapers.

As there is this vast liability on the part of the stockholders, as our twenty thousand banks are in daily relation with their depositors, with the holders of depositors' checks and with each other, and as the credits and credit instruments granted by, and passed between, our banks form the life's blood of our whole commerce, the question cannot be inquired into too thoroughly, or too soon.

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The Advantage to the Trust Company in Making Loans Upon Marketable Collateral Rather Than Upon Personal Credit.

By William C. Poillon, Vice-President The Mercantile Trust Company, New York City.

Mr. President and Gentlemen:

We are familiar with the claim, of many years' standing, that no class of bank loans is so safe and desirable as good, double-named commercial paper, and this is almost universally accepted as true by the bankers of the country.

Nevertheless, I am of the opinion that, year by year, a larger percentage of the total loans of the banking institutions of the United States will be made upon marketable collateral rather than upon unsecured personal credit.

In the term "marketable collateral" I include loans upon commodities, such as grain, cotton, live stock, coal, ores and metals, as well as bonds and stocks of municipalities and corporations.

It is true that only a small percentage of the large amount of commercial paper discounted by banks is defaulted upon, yet the cause of the failure of hundreds of banking institutions in the United States has undoubtedly been the inability of these institutions to realize upon their discounts to customers at maturity, even in times of no particular monetary stringency; whereas, if only part of these loans had been secured by marketable collateral, payment would have been made at maturity, in most cases, when required. This would have been possible because the borower, in all probability, would have been able to secure a renewal elsewhere, failing which a sufficient amount of the collateral could have been sold to liquidate the loan.

For the benefit of those present who are not entirely familiar with the customs governing loans to banking and brokerage houses by New York banking institutions, I will say that such loans are made almost exclusively upon stocks and bonds listed on the New York Stock Exchange, having an aggregate market value of twenty per cent. in excess of the amount loaned thereon; so that a loan of $100,000 would be secured by marketable collateral worth at least $120,000, and this surplus margin the borrower agrees to maintain at all times. In the event of a decline in the market prices of these securities the borrower makes up the deficiency by depositing additional collateral. At the maturity of these loans, if the lending institution desires repayment, the borrower can invariably do this by securing a loan elsewhere, when necessary, even though a higher rate of interest might be required by the lender.

The major part of such loans is secured by mixed collateral, partly railroad and partly industrial securities, and loans of this character command a lower rate of interest than in the case of loans secured by only one or two classes of collateral, which require a larger percentage of margin, sometimes as high as fifty per cent. in excess of the amount loaned thereon.

As the result of an experience of twenty years with this class of loans, I venture the opinion that it possesses a great advantage over double-named commercial paper, in that it has much greater convertibility, and the additional advantage that, even though the borrower has become insolvent, his security has not necessarily become impaired because of this occurrence; or, if the security is not adequate, the borrower has not necessarily become insolvent. There have, of course, been occasions when both these misfortunes occurred at once, usually in times of panic. In this event, experience has shown that the most advantageous course for the lending institution to pursue has been to carry the loan until the market value of the collateral reaches a point where it can be sold for an amount sufficient to liquidate the loan without loss. I am strongly of the opinion that fully ninety per cent. of such defaulted loans can be liquidated without loss to the lender, if such loans were made with reasonable prudence in the first instance.

It is self-evident that, each year, a larger proportion of the business of the world is being transacted by corporations, which is not strange, in view of their advantages over the limitations of individuals.

Chief among these advantages, I consider the opportunity afforded investors to take part in the profits of these corporations, without entering upon their management in any way, by the purchase of their bond and stock issues. This makes such investors, to all intents, partners in these enterprises, and affords the corporations opportunities to secure larger amounts of capital than would be otherwise available.

In the past few years the Congress of the United States, as well as the various States, has enacted legislation regulating the issue of corporate securities and requiring greater publicity in the matter of corporate operations. This has resulted in the stock and bond issues of the public utility, transportation and larger industrial companies finding greatly increased favor with the most conservative investors, not only in this country, but to an even greater degree with European investors.

As the growth of the country causes continual expansion in the volume of business transacted by these corporations, frequent new issues of bonds and stocks become necessary, and security-holders often find it desirable to procure loans upon their present holdings, in order to take advantage of attractive new offerings. As there seems to be no check in sight to this growing tendency, the opportunity will be afforded to bankers throughout the country to make loans upon such securities, to a greater extent in future than in the past; and I welcome such opportunities as of the utmost importance to conservative banking, to the end that a part of each bank's loans will be more liquid in character than heretofore.

I have not dwelt upon loans on commercial paper, as you are all thoroughly familiar with that side of this subject, but have endeavored to place before you the advantages of collateral loans as I have found them in my experience.

The security at the base of the customary commercial credits is subject to all hazards of fire, flood, earthquake, robbery and fraud to a much greater degree than is the security behind stock and bond issues, largely because the properties, plants or lines of railway securing capital issues of large corporations are located at widely separated points, and a loss of the character mentioned at any one place would represent only a small part of such corporation's assets.

In proof of my assertion of the greater desirability of collateral loans, I quote the current market rates for such loans in the city of New York: Sixty days, 3½ per cent.; ninety days, 4 per cent.; six months, 4½ per cent.; whereas, the prevailing rate for choice, double-named commercial paper is six per cent. for sixty days to six months.

My remarks are not intended to reflect in any way upon the security of commercial credits, but merely to present, to those among you who have not had the opportunity of judging for yourselves, the many advantages afforded by collateral loans.

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The Advisability of a Trust Company Maintaining an Auditing Department Rather Than Having Periodical Audits from the Outside.

By W. M. Baldwin, Assistant Treasurer of The Citizens' Savings & Trust Company, Cleveland, Ohio.

Nowadays we hear much about the advantages derived by a bank that has periodical audits by expert accountants made of its accounts and business transactions, in addition to the examinations conducted by the National or State examiners. We are told that these independent examinations inspire the confidence of the public in the financial institutions having them made. It is my purpose in this paper, however, to demonstrate to you the superior advantages of an auditing department maintained by a trust company over a periodical audit made by an independent audit company.

The primary function of an audit is to check over the bookkeeping account and securities, not only of the bank having the audit made, but also of every trust of which the bank is custodian. Of secondary importance is the ascertaining that the methods used by the trust company are modern and that all purchases and expenditures made are upon the most economical basis possible. With these premises I am sure that you will all agree, no matter how you may differ with me from the conclusions drawn.

Now, I ask you, is it not better that this checking should be done by a man who can watch such transactions and perform such work daily rather than at stated periods?

True, if there have been mistakes made, the periodical audit will disclose them, but it will only show that they have been going on for some length of time and enable the waste or loss to be stopped for the future. Had the institution, in which such errors were discovered, maintained an auditing department of its own, these mistakes would have been found on the very day they occurred, and the bank would have saved just so much.

It has been oftentimes objected that the maintaining of an auditing department is nothing more or less than the establishment of a system of espionage upon the employees and officials of the bank. No employee, however, who is worthy of the name ever places opposition in the way of the auditor. He realizes that it is a check upon his own work and for that very reason welcomes it. Moreover, it must be remembered that no individual has yet been found who is infallible, and if errors are discovered by the auditor they can be remedied before any serious results have occurred.

There is another phase of the periodical audits, however, that must be considered; the relations between the depositors and any financial institution are of the strictest confidence. Being bankers, you and I know that there are people who do not wish the nearest kin to have even an inkling that they possess bank accounts. Now, all the auditing companies or expert accountants who are making the periodical examinations, of course, maintain that they work in confidence, and I have no reason to doubt their statement. Nevertheless, they do—provided they conduct their work thoroughly and searchingly—have the opportunity of learning the names of depositors in the bank and of all financial transactions passing through it. Now, this is an ethical violation of the confidential relations between the bank and its depositors if not a legal one.

That you may have an idea of the extensiveness of the work conducted by an auditing department in checking up all accounts and other transactions daily, I shall explain the method of the auditing department maintained by the institution with which I have the honor to be connected, The Citizens' Savings & Trust Company of Cleveland, Ohio.

It was about six years ago that our auditing department was established and, I may say, none of the officials has ever regretted the move. Not only they, but the employees of the bank, realize that it is a check upon their work, and welcome the check in order that it may be established, beyond peradventure, that their work is up to the standard. Moreover, the auditor, needless to say, has been the means of suggesting many improvements and economies in the administration of the bank's affairs.

As an illustration of the economics effected I will cite the following instance:

Through the death of one of the rich men of Cleveland the bank became trustee for a large estate. In familiarizing himself with the details of this estate, the auditor discovered that the bills for coal used in operating a large office building seemed excessive. Obtaining the bills paid by the bank itself for practically the same purpose, he compared the two, finding that the estate had been paying a very much higher price than the bank. He had a chemical test made of the coal, extending over a period of four weeks, which showed that though the estate was spending more money for its fuel, it was not obtaining any more heat units from the coal supplied. Armed with this data, the auditor was successful in effecting a saving to the estate of thousands of dollars each year. This is but one of innumerable instances that I could relate showing similar savings to estates.

Now, this discrepancy between the bills rendered to the estate and to the bank might have been discovered through a periodical audit and it might not. Moreover, the time of the periodical audit might have been many months from the date when this discovery was made. Thus the estate would have been losing a large amount of money during this time, whereas, by our auditing department it was discovered and stopped immediately.

In the auditing department of The Citizens' Savings & Trust Company we use the card file system. As each department has separate files, we have cards for:

Investment securities department.	Corporate trust department.
Loan department.	Real estate department.
Banking department.	Safe Deposit and storage departments.
Savings department.	
Estate trust department.	Building.

At the risk of tiring you, I shall go into details in describing the operations of some departments, seriatim.

INVESTMENT SECURITIES DEPARTMENT.

At irregular periods the bonds and stocks owned are counted by the auditor and his assistants. When any securities are taken from the vault or others put in, memoranda are sent to this department and each day the memoranda are verified. To show you what a close watch we keep over our securities, I may say it is impossible for any stock, bond or other security to be taken from the vault except by an officer when he is accompanied by the auditor or his assistant. And this very great care which we take of our own securities is duplicated in the care of securities in our estate trust and corporate trust depart-

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ments, as well, of course, as of the collaterals pledged for loans.

LOAN DEPARTMENT.

The interest on all collateral and real estate loans is figured independently by our auditing department from its own records. Thus the cards of this department become practically a balance sheet of the total amount shown on the books of the bank. When any payments are made upon loans or new loans negotiated, records are made from the loan register and the auditor's cards are balanced with the general ledger at irregular intervals.

Moreover, the collateral of all new loans, as made day by day, is compared with the notes themselves. We require a double combination on the vault which holds them, necessitating the auditor going to the vault together with the loan teller.

When a loan is taken out during the day, a memorandum slip is made and kept until the close of the day, when if the loan does not show as paid on the loan register it must be returned to the vault. In the event of its being paid, the card on which it was registered is properly receipted by the borrower. The auditor also reports all substitutions and full memoranda of any collateral exchanged to the executive committee.

As a further check, we send periodically to all borrowers upon collateral security forms for their signature to reconcile loans. These forms describe in detail the collateral pledged, the amount of their loan, and any other necessary information. The majority of our borrowers appreciate this safeguard and all but an infinitesimal number of the reports are signed and returned without any complaint on account of receiving the blank, whereas these complaints were numerous when the blanks were sent out by outside auditors.

BANKING DEPARTMENT.

The Citizens' Savings & Trust Company has adopted the method of using the statement system. All credits and debits are taken by the statement clerks, who are under the jurisdiction of the auditing department, and entered on regular blanks, each morning the balances being called back to the bookkeepers. Not only does this prevent charging of checks to wrong accounts, but it also puts an effectual stoppage to the chance for any teller or bookkeeper using an account to defraud. These statements are ready for our depositors on the first of each month and are handed out by the auditing department to those calling for them. In the event any remain on the tenth of the month, such statements are mailed.

SAVINGS DEPARTMENT.

The method of keeping savings accounts is by the card system. Each day, as passbooks are presented to the tellers, these clerks enter on the journal sheet the balances as shown by the passbooks. At the close of the day these journal sheets are audited and compared with the ledger cards. Should there be a discrepancy, notification is sent requesting the holder of the passbook to bring it in for our inspection and examination. The ledger cards are filled in boxes of one thousand each and the amount of credits and debits to each box is kept separately and a balance is taken at irregular periods.

CORPORATE AND ESTATE TRUST DEPARTMENT.

The income of all estates for which the company is executor, administrator, trustee or in whatever capacity it acts, are checked daily with the same care and strictness as the income of the bank's own investments.

As a list of all the securities belonging to the different trusts are on file in our auditing department, it is a simple matter to keep track of the investments, and when coupons are due, to see that they are credited to each account. If it is desired to take any of the securities from the vault, one officer accompanied by the auditor must be the ones to do so. They are compelled to make out a slip stating the securities taken out and for whose account. The same process, only reversed, of course, is followed when additional securities are put in. The memoranda are turned over to the auditor, who verifies them with the records of the department.

When acting in both capacities of registrar and transfer agent, the auditor inspects and countersigns the new certicate and does practically the work of a registrar.

When the bank is merely acting in one or the other capacity, this precaution is not necessary, as the records are compared with the reports from the institution which acts in the opposite capacity.

REAL ESTATE DEPARTMENT.

Every day the rents due are audited and each three months a statement is sent to our patrons showing how their accounts stand, which we request them to sign and return stating as to whether or not it is correct. As these statements are always sent to those who are tenants, we find that it is instrumental in keeping the rent paid up, in addition to serving as a good audit.

SAFE DEPOSIT AND STORAGE DEPARTMENTS.

Plans of all the safe deposit boxes showing those that are rented are kept on file by the auditor. As soon as a box is given up and the key surrendered, the key and the lock are renumbered and transferred to another box, thus making it impossible for anyone who has had a duplicate key made of the one received from us being able to get into the box which he has given up. The income from this department is, of course, checked with our cards. For articles of bulk, which are placed in the storage section of our safe deposit department, cards are made out and from time to time all articles and packages are checked over and counted to see that they agree.

BUILDING.

A card is made out for each tenant occupying an office in the building showing in brief the terms of lease, and the reports of the manager are carefully checked up by means of these cards. No item is paid for the maintenance of the building unless it has met with the approval of the auditor and the voucher therefore bears his signature.

ACCOUNTS OF BANKS AND BANKERS.

Each month an audit of the balances shown by the banks of New York, Cleveland, Chicago and other cities is made. The interest from these banks is proven and figured independently by this department. All drafts and checks are returned direct to the auditor, and all accounts are reconciled independently of the draft tellers.

CERTIFIED CHECKS.

All certified checks are signed by the auditor and listed in a register which gives each check a number, and at the end of each day the total amount is posted to the general ledger. As the checks are paid they are checked off on the register, in which there is a column for the date paid, after which they are filed in numerical order and retained in our files.

EXPENSE VOUCHERS.

No bills are paid for company expenses until they have been examined and approved by the auditor, and the voucher issued for their payment must bear his signature.

That, in rough, is the method employed by The Citizens' Savings & Trust Company to safeguard all its departments and depositors. And, as I said before, we have never regretted having instituted the department. Of course, in order that the work may be of the very best, it is necessary to choose a man whose integrity is above suspicion as auditor, and I am free to say it is not always possible to find a man with the proper qualifications. He must not only be an expert accountant and familiar with all classes and descriptions of financial transactions, a man who is absolutely above the domination of any influence whether exerted by an official of the bank or some outside agent, but he must be a diplomatist of the finest water in order that he may carry out his duties, and when there is a possibility

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for an economy being effected having that economy put into operation without arousing the enmity, or even ill-will, of any of the officials or employees.

If, from my description of the working of the auditing department of The Citizens' Savings & Trust Company, I have been able to convince any of you of the advantages afforded a trust company that has its own auditing department, I shall feel well paid. For any financial institution it is always of the first importance that every feature of its business, the safety of its securities, the genuineness of the paper upon which its money is loaned, be examined and checked from time to time. Especially is this true of trust companies in view of the fact that they carry so much responsibility to the estates of which they are executor, or serve in any other capacity. And I venture to say that any trust company which institutes an independent auditing department of its own will receive the maximum of efficiency with the minimum of expense.

Investment of Trust Funds and the Respective Interests Therein of Life Tenant and Remainderman.

By Isaac H. Orr, Trust Officer St. Louis Union Trust Co.

The number of trust estates wherein one person receives the income for life and the corpus or principal fund passes at his death to another has greatly increased in recent years.

The advantage of having a trust company as trustee for such an estate is apparent and, as a result, trust companies are assuming charge of a large majority of the trusts created for a long period of years or during life.

Aside from its continued existence and solvency one of the great advantages of a corporate trustee is the fact that it is required to keep, and does keep, permanent records of all transactions. It is of first importance that the records relating to the investment of trust funds should be full and complete.

From the experience of older companies we learn that the best results have been obtained, not by having one officer make such investments, subject to the approval of a board of directors, but by saving a group of men or a committee selected from the roster of officers and directors who are charged with the special duty of investing the trust funds. This committee should meet in regular session and keep a permanent record showing the members present, the investment authorized, the price paid, and from purchased. When the individual members of such a committee realize the fact that their personal judgment on the investment is registered for future reference there will be added appreciation of the responsibility assumed.

The first and most important question to be determined is the character of the investment. To determine this, the trustee will first consult the will, deed or other instrument creating the trust. This may specify the character of the property or securities in which to invest the trust funds. If so, such specification should be followed. If the instrumenet itself fails to give instructions or limitations concerning the investment, the trustee must look for guidance to the statutes of the State wherein the trust is created.

Twenty-six States have passed laws relating to this subject. In a number of cases the provisions of the statutes are not adequate to cover all of the contingencies that arise. Others are sufficiently comprehensive and explicit to enable a trustee to properly administer any trust. It may be of interest to set out at length one such statute:

Massachusetts, for instance, in her statute relating to trust companies, provides that trust funds

"Shall be loaned on or invested only in the authorized loans of the United States, or any of the New England States, or the counties, cities or towns thereof, or of the States of Illinois, Iowa, Michigan, Minnesota and Wisconsin, or the counties or cities thereof, or stocks of State or National banks organized within this commonwealth, or in the first mortgage bonds of railroad corporations incorporated in any of the New England States and whose road is located wholly or in part in the same, and which has earned and paid regular dividends on all its issues of capital stock for two years last preceding such loan or investment, or in the bonds of any such railroad company unencumbered by mortgage, or in the first mortgages on real estate in this commonwealth, or in any securities in which savings banks may invest, or upon notes with two sureties of domestic manufacturing corporations or of individuals with a sufficient pledge as collateral of any of the aforesaid securities." (Massachusetts Laws 1902, Chapter 116.)

The statute of each State has its own peculiar provisions, but where particular securities are named and approved for trust investments they follow the general rules heretofore applied by Courts of Equity. All of the States approve the investment of trust funds in bonds of the United States, States, counties, cities and other subdivisions of the State, such as school, drainage and levee districts. Loans secured by first mortgages on real estate and also first mortgage railroad bonds are generally approved. The Massachusetts statute approves stocks of State and National banks incorporated within that State, whereas New Hampshire expressly excepts from its list of legal investments stocks in banking corporations and trust companies. It may be stated as a safe general rule that a trustee is rarely, of ever, justified in investing trust funds in corporate stocks unless he is given express authority so to do in the instrument creating the trust or by statute. Among other investments authorized by different States may be noted the following:

Collateral trust bonds of railroad and public service corporations under certain conditions (Delaware);
Car trust certificates and equipment stock (Delaware);
First mortgage bonds of any corporation (Illinois);
Debenture stock of railroads under certain conditions (Minnesota);
Ground rents or real estate (Pennsylvania);
Loans secured by real estate or other sufficient collateral (Texas);
Preferred stock of any steam railway under certain contions (Wisconsin).

In many instances, the statutes of the State attempting to regulate the subject of investment are rendered less effective by reason of some general expression which may be so construed as to modify or evade the restrictions imposed. For instance, one statute (Colorado), after authorizing the board of directors of a trust company to invest its trusts in United States, State, county or city bonds, further provides, "or in such real or personal property as they may deem proper." Another (Kentucky), after specifying real estate, mortgage notes and bonds, continues, "or in such interest bearing or dividend paying securities as are regarded by prudent business men as safe investments, and to make loans with such securities as collateral." The State of Michigan, after a most comprehensive statute enumerating the different approved securities, concludes, "or in such real or personal securities as they (the board of directors) may deem proper."

It would not be profitable even if we had the time to discuss in detail the statutes of the different States, as each must become familiar with the law of his own bailiwick; but it may be of interest to note the easy and comprehensive manner in which some of our Western States (California, Montana and North Dakota) have disposed of this subject in a three-line enactment as follows:

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"A trustee must invest money received by him under the trust as fast as he collects a sufficient amount in such manner as to afford reasonable security and interest for the same."

This contains the crux of the subject under discussion.

Aside from the letter of the instrument creating the trust or the strict provisions of the statute law governing the same, there are a few general principles which the investing trustee must ever have in mind. The trustee may retain investments received as a part of the estate. Thus it often happens that the trust estate is composed of property in which the trustee would not, in the first instance, be authorized to invest, but having received it as part of the principal fund, it is his duty to retain. But as any part of the estate is reduced to cash, the trustee must assume the responsibility of re-investment, subject to such restrictions as may be imposed by the creator of the trust, by statute or by the general law. There must be in every instance the exercise of absolute good faith and reasonable diligence. As one author states it, "Trustees are always to employ such care and diligence in the trust business as careful men of discretion and intelligence employ in their own affairs." Both law and reason prohibit investments of a speculative character. If it is a success, the trust estate gets all of the profit; if a failure, the trustee stands all of the loss. Hence, it is never justifiable to invest trust funds in a trade, manufacturing or business enterprise. The trustee must also bear in mind that no profit to itself can be retained out of or on account of a trust investment, except the usual and reasonable compensation allowed for its services.

The respective interests of the life tenant and remainderman demand the constant attention of the trustee. The one wants the highest possible income and the other the safest possible investment. Both interests must, within reason, be conserved. Separate accounts should be kept from the beginning, showing income and principal funds. This is a simple matter, but as the administration proceeds, questions will arise as to what constitutes *principal* and what *income*.

Income of property consists of the proceeds or what the property produces, the profit which comes from its use in business, or what is paid for its use by another than its owner. *Principal*, or capital, is the property itself. A trustee must be careful to distinguish between real income and that increase which comes from an increase in the value of the property. For example, if trust funds are invested in a certain piece of real estate the principal is not the cash paid, but the real estate itself. If that is sold at an advance, the profit is a part of the principal and not income. In a series of able articles recently published in the *Trust Companies Magazine*, under the head of "Fiduciary Accounting," Mr. Vierling has considered at some length the perplexing problems of income and principal. We can only mention a few of them in the briefest sort of way:

Stock dividends: A trustee holds shares in a corporation which declares and distributes a stock dividend. Is this to be credited to income or to principal?

There are three well-defined rules on this subject, which may be denominated respectively the Pennsylvania, the Massachusetts and the English rule. They lead to essentially contrary conclusions.

The Pennsylvania rule proceeds on the theory that the trustee should ascertain the time when the fund represented by the new stock was accumulated. If it represents earnings made before the life estate began it belongs to the corpus or principal; if after the life estate begins, then to income. If the fund represents earnings made both before and after the life estate began, then the stock dividend should be apportioned between income and principal ratably.

The Massachusetts rule regards cash dividends, whether large or small, as income, and stock dividends, whenever earned or however declared, as principal.

In England an ordinary, or usual cash or stock dividend, belongs to income, while an extraordinary cash or stock dividend belongs to the principal fund.

Special taxes for improvement of real estate.: A trustee holds real estate abutting an unimproved street. The municipality paves the street, greatly enhancing the value of the real estate. Query: Shall the special tax bill be charged against the life tenant or the remainderman?

As a rule, all taxes, whether general or special, are charged against the life tenant, but whether the assessment for a public improvement benefiting the property must be borne by the life tenant or by the remainderman, or apportioned between the two, depends to a large extent upon the circumstances of the particular case, and especially upon the probable duration of the improvement as compared with the expectancy of life of the life tenant.

Thus, if an improvement for which a special assessment is levied is of such temporary character, requiring renewal from time to time, then the life tenant may be said to reap substantially all the benefits and the remainder is not enhanced in value, and the life tenant should bear all the expense; but where there is a permanent improvement, increasing the value of the remainder, the assessment should be borne ratably by the life tenant and the remainderman. (L. R. A. (n. s.) Vol. 10, Page 342.)

Bond redemption premiums: Trustee holds bonds acquired at or below par, which are subject to call before maturity upon payment of a premium by the obligator. Such bonds are called and the premium paid. Does the premium belong to income or to principal?

A trustee was recently called upon to answer this question. The life tenant claimed the premium paid as a part of the income; the remainderman contended that it belonged to the principal fund. The lawyers searched the books for a precedent, without success. Finally the trustee submitted the question to a Court of Equity, which decided in favor of the life tenant.

The foregoing examples illustrate the responsibility of the trustee in properly ascertaining and apportioning the income and expenses connected with the trust estate between the life tenant and remainderman. These questions frequently call for the advice of counsel, and occasionally a trustee may be compelled to apply to a Court of Equity for directions, but in the long run it pays to incur the necessary trouble and expense of disposing of the matter in the right way and at the right time.

Many phases of the subject assigned cannot be touched upon in the time allotted, but it is hoped that what has been said will serve to emphasize the importance of accurately ascertaining the limitations within which trust funds may be invested, the care and diligence required, and the necessity of properly disposing of all questionable points as and when they arise.

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Shall Trust Companies Charge for the Care of Small Accounts?

By Edward O. Stanley, 2d Vice-President Title Guarantee & Trust Co., New York.

The relations between the bank and its depositors have not always conformed to the usual relations between merchant and customer. Yet there is absolutely no reason why they should not. The banker is buying the use of the customer's money, and is paying therefore in the collection of the checks and other items which may be presented, in the safe-keeping of the funds until they are wanted by the customer, and in the interest, if any, which he allows upon the customer's balance. In no other branch of trade would the merchant wittingly pay something where he received nothing in return; nor would the professional man regularly and continuously perform a service for clients entirely able to pay him and receive nothing therefor. Yet this is precisely what the banker is doing when he accepts an account which continues without a loanable balance or one that is so small as to be absolutely negligible, though he continues to perform the various services required by the dealer in the care of the account.

The banker simply throws upon the larger account, which has a considerable loanable balance, the proportion of the burden of expense which the small account entails.

The abuse of banking facilities by the small depositors has been of gradual growth. Before the competition for accounts became so fierce, when banks were not so numerous in the cities, and were at an inconvenient distance in the country, when, too, there was no solicitation of accounts by banks and trust companies, a much smaller proportion of the entire financial transactions of the country was paid by bank check than now is the case, and it was only dealers of some financial standing who carried a checking account in a bank. Very small tradesmen conducted their transactions in cash. Family settlements were nearly all made in the same way. With the extension of our banking facilities, in the number of institutions, in their location in every part of our cities and in the smaller country towns, with the advantage of the convenience and safety of a bank account becoming more fully recognized and fostered by advertising, the bank checking account has been extended until it is used for the daily payments of the smallest of businesses, as well as by most families, though of modest income, for housekeeping and for personal expenses.

This development has resulted in an enormous number of small accounts being handled by the banks and trust companies. So long as no interest was credited to any of the checking accounts, it did not seem to the banker so important to correct the inequalities which existed in the accounts which he carried, between the larger account of comfortable balance and the small account which had but little, if any, loanable balance.

The first action taken by the banks to bring accounts to a more accurate relative position was in the esablishment of a system of charges for collection of checks foreign to the city where deposited. It is to anyone so evident that a check calling for the payment in a distinct city of a certain amount of money, when placed in his home bank by the dealer, cannot at once be used as loanable funds by his bank, but that several days must elapse before it can be collected and credited to the depository bank, and that this is an expensive service which the bank is performing for its customers, that it seems surprising that there should ever have been any objection on the part of dealers to the charge for collection of foreign checks. It was simply that they had not been used to the system. It is a part of the determination more closely of just what is and what is not profitable banking.

The dealer had for many years been accustomed to having his checks collected at no cost to himself, the cost having been met by the interest received by the banker from the loan of a portion of his deposits, no interest on the deposits being allowed to the dealer. Now that interest is usually allowed, the bank, finding its profits only in the difference between the interest allowed on the entire credit and the interest received on that portion which it is permitted to loan, must further protect itself against the extrordinary expenses by charging against credit of foreign checks, the cost of collection of such checks, which it is so manifestly unfair should be distributed among those whose credits are wholly local and therefore collected with but a small part of the loss of time and the cost of foreign checks.

This point, however, is now pretty well understood between dealers and banker, and it would seem as if the next problem which the banker has to consider along the same line, is that of the care of the small and unprofitable accounts.

Now, it must be borne in mind that the privileges which a bank extends to its customers are of a positive value. They are costly to the banker and must in some way be paid for by the depositor. If an analysis of an account shows that, deducting the checks out for collection and the percentage required by the State law to be maintained as reserve, there is left to be loaned a balance so small as to be of but little value to the banker, it is quite evident that he must in some way seek for remuneration if he is to continue to carry such accounts in his institution. Rather than to require the withdrawal of all accounts of this class, we believe it to be the better policy to continue the account and to make a small monthly or quarterly charge for the care of it.

It is probably well known to you that it has long been the practice in England to charge for the care of small accounts. Our fellow-bankers there make it somewhat more difficult than do we to open a bank account, being extremely careful in their investigation of the credit and of the moral and financial standing of the proposed dealer. The bank then charges a definite sum for the care of the account. The custom has so long and so universally prevailed in Great Britain, that we understand it is never objected to as being ususual or improper. The carrying of a bank account there is consequently in itself regarded as quite a good recommendation of a man's credit, and so it is, considering the careful examination before it is opened, and the severe conditions under which it is maintained.

There are in England two classes of accounts—current accounts as they term them, which are subject to check, and deposit accounts, which as we understand it, correspond to savings bank accounts with us. These last are subject to notice of withdrawal, usually seven days, and interest is allowed thereon at rates as advertised. This is quite in accordance with our custom. Current accounts, that is accounts subject to check, do not bear any interest and no charge is made, provided "a remunerative balance is kept at credit," but should the balance not be considered remunerative, a commission is charged according to the amount of work the account involves. The London banks also usually make a charge for collection on all checks outside of London.

Speaking from our own experience in charging for the care of small accounts, an experience, we will admit, not of long duration, as we adopted the policy only a few months ago, we would say that due partly to the nature of the varied business which our institution conducts as a title insurance and mortgage loan company, as well as a banking trust company, we found we were accumulating

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in our banking department a large number of small accounts of an average balance of less than $200. It cannot be conclusively maintained that the amount of the average balance is an accurate test of the profitableness or unprofitableness of the account. The average loanable balance, deducting out for collection and required for reserve, is more nearly accurate.

If an account be small and also very active, requiring much bookkeeping and much tellers' and correspondence work, in paying the debits and collecting the credits, with a very small actual balance, it is clearly unprofitable. Furthermore, the need of careful watching of accounts by bookkeeping and tellers, lest they be overdrawn or lest payments be made against uncollected credits, lies almost wholly in the small accounts. The large accounts need but little supervision for overdrafts or drawing against uncollected credits.

Going carefully over our ledgers, and making some exceptions in the case of desirable depositors, we gave ample notice to all depositors of an average balance of less than $200 of our intention to charge $1 per month for the care of the account, beginning with a certain date. The result of these notices was very interesting. A number regretted their inability to meet the conditions and accepted the charge uncomplainingly. Many more, however, stated that they would endeavor to bring the balance to the minimum amount and so avoid the charge. A very few made objection to our policy, and a number of accounts were closed; but the accounts closed were of almost no value whatever to the institution on the aggregate amount of deposits. We think, though we have not accurately determined it, that more in amount was gained in the increase of the average balance of those who remained with us than was lost by the withdrawal of accounts.

Among the small accounts will usually be found nearly all of the unsatisfactory and troublesome customers. If the adoption of this policy shall result in the elimination of some of them, we think that the banker will welcome the release from this trouble rather than regret their departure.

Of course, so far as accounts were closed, by so much was there diminished work on the part of the office force.

This policy, we think, is further valuable in keeping away from our institution some of those impecunious but ever hopeful individuals who believe that they have found a new method of obtaining credit by tossing checks on different banks from one to another, without sufficient balance to meet them when the check is drawn. The plan is quite a discouragement to the small check kiter.

We believe, really, that the real success of this plan depends very much upon the discretion of the officers who are entrusted with carrying it out. It cannot wisely be made a fixed, unchangeable rule. Absolutely quiet accounts, giving no trouble, with but little bookkeeping on either side of the ledger, accounts hopeful of growth, especially those where the dealers may have other and larger accounts, should not be included in the list to be charged for. The plan being novel, should be explained with much care and consideration to customers, and they should be urged, so far as possible, to bring their balances to the required minimum. It should be shown that the bank does not desire to make the charge, but does wish to change the account from unprofitable to a self-sustaining one.

We believe, as the result of our own experience, that this plan may be instituted with success and quite to the satisfaction of bankers in many cities. The limit of the chargeable account and the amount to be paid is, of course, a matter for local determination, and we would not assume, from our brief experience, that we have hit upon precisely the right amount in either case.

The largest State bank in New York State, in fact, we believe in the country, is the Corn Exchange Bank, the President of which, Mr. William A. Nash, is one of our best-known bankers. This bank is notable in having twenty-four branches located in all parts of the city. Any policy which this institution may adopt has therefore the advantage of being tried at once in all parts of our city, with all classes of customers, under all conditions of banking which may be presented, from the financial down-town district to the up-town shopping district, among the factories of Long Island City, and among the suburban dwellers in various parts of the outlying sections of our now widely extended city.

This institution has had in operation now for about two years this plan of making a charge of $1 per month for the care of accounts of less than an average balance of $200. Their distinguished president does not hesitate to express his unqualified approval of the policy as wise, scientific and eminently satisfactory in its practical workings. But he says that it must be enforced with much discretion on the part of the officers and therein lies the secret of its success.

"We have found it," says Mr. Nash, "to have resulted in no permanent diminution of our total deposits. The first result was a loss of a very considerable number of depositors, nearly all of whom were worthless to the institution, so far as profits were concerned; but their small aggregate balances were fully compensated for by the additions which the small depositors who desired to continue their accounts, but who wished to avoid the charge, made to their balances."

"We presented," he continues, "the argument to our depositors that it was manifestly improper for us to perform so considerable a service for them, both in the work of tellers and bookkeepers, as to carry their account, to collect and to pay their checks, and with no compensation in interest earned on their balance for the bank."

It used to be held that an account to pay the bank should carry an average balance of about $1,000. While, of course, accounts vary widely in the work required on the same average balance, yet we think this is still held to be far from correct. It must be readily seen, therefore, that a balance of under $200 is notably unprofitable. The depositor readily recognizes the soundness of this argument. He does not attempt to differ from it.

Mr. Nash does not think that where the plan has been in operation alongside of other banks not making such charge that they have suffered in reputation, or in the dignity of the institution, or any unpopularity from the course they have pursued. Yet he could hardly be too emphatic in saying that the success of the plan is dependent largely upon the discretion of the bank's officers who are charged with its execution.

The charge should be sometimes waived in favor of those who may be carrying several accounts, one or two of which may fall below the minimum, or who usually have good balances, but for a time may fall below the required amount, or possibly for other reasons in an extremely quiet account. Certainly, in explaining the plan, the bank's officers must be discreet and diplomatic and obliging, and if that be done, he believes that it will be found to be uniformly a success.

Another bank in our city undertook this plan some years ago. They have continued it since in a quiet way, not making it apply arbitrarily to all accounts, but only to unsatisfactory ones. They express their satisfaction with its working so far as carried out.

The strenuous competition for accounts which has arisen among banks and trust companies during the past few years has forced the rate of interest allowed to a point, in many cases, not only unprofitable, but dangerous, in that it brings a sharp pressure upon the institution to seek uses for its funds at higher interest rates than are compatible with entire safety. If we are to be forced to the payment of such rates upon deposits as leave but a narrow margin for our operation expenses between the rate received on the loanable balance and the rate paid on the entire deposit, then we must certainly refine our methods to a point where we can be sure that we are not carrying unprofitable accounts.

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We must note, in a different rate of interest allowed, in difference in desirability of various accounts. We must charge where we have no proper loanable balance. We should credit no interest until the account has reached such an amount that it shows to the banker a profit upon its proportion of the expense, and the operation of these rules should be automatic. If the account falls below the determined limit, it should be charged for. Rising above that, and below the next determined limit, there should be no charge; but the account should receive no interest, and if averaging above the higher limit, and if in other respects the account is worthy, then it should receive interest at the agreed rate, with possibly a still higher rate for inactive accounts of large balance, which should prove the most profitable of any to the banker.

For ourselves, we have placed, as we have before stated, the limit below which accounts should be charged, at $200; the limit below which no interest should be received at $500, though a number of banks in our city feel that $1,000 is the proper minimum for interest-bearing accounts, and the minimum of average balance which should receive interest above the lowest rate, at $3,000.

With the plan of charging small accounts in operation, interest can be allowed on smaller balances than otherwise, for we are coming closer to making each account pay for itself. By this arrangement one account is not leaning upon another for support, and we can give to each its just due.

The plan which has been suggested of requiring a free balance of $500 in all accounts is really an admirable one. It is absolutely correct in theory. The only question of its application is one of expediency in dealing with large customers.

The point at which the minimum limit should be established will vary in different localities, nor do we suppose that we in New York are able to determine what these limits shall be in other parts of the country. Presumably the city may carry a higher limit than the country; but that the principle which we have enunciated of a finer differentiation between accounts of varying amounts and degrees of desirability is correct and is scientific, we have no manner of doubt, and we believe that future banking is much more likely to be done along these lines than in the looser way of the past.

Why should not the banks and trust companies of certain localities agree upon their terms in respect to interest allowed and for the care of accounts? It would be much more dignfied to have uniform rates than to have the cut-throat business which many have been engaged in from the unseemly scramble for larger deposits, and thus to prevent the shopping about of customers from bank to bank with their deposits.

Banking methods are changing as rapidly as those in commercial activities. It is a common remark that the sons have failed to succeed in business because they followed the methods of their fathers. Commercial business to be successful must be more closely figured, more scientific. This is equally true of methods in banking. Competition compels a more accurate determination of just what is and what is not profitable. The accounts must be analyzed to the closest degree. We must rely upon small and carefully figured profits, and we think that the more particular sorting of accounts and making charge for the care of those which have not in themselves a sufficient earning power to make them profitable is along the line of safe, proper and scientific banking.

The Personal Element in Trust Company Work.

By Edgar Stark, Trust Officer, Union Savings Bank & Trust Co., Cincinnati.

Personality as defined by the dictionaries is the "Quality or state of being a person and not a thing or abstraction."

It is the originating and impelling human power in the great world's work.

All the great facts of history, every advance in the arts and sciences, the marvelous developments in agriculture, manufacturing and commercial life, since the cradle days of the race, bear the impress of a personality, and are stamped with the image and superscription of some man.

Emerson has well said, "that every great institution is but the lengthened shadow of a man."

The world's greatest history has not been molded and shaped by the masses—men in the aggregate—but by certain individual personalities, such as Moses, the great lawgiver; Alexander, Napoleon, and down to the great personalities of modern times.

In the up-building of our own great country, the construction of the great trans-continental railroads, the marvelous development of this great Pacific Coast, trace each back to its source and you will find a personality, a man.

When I think of an ocean cable the name of Cyrus W. Field immediately comes to my mind.

The faces and forms of the great captains of industry of today are known to very few; they make their impress largely through other minds and hands. In the seclusion of their private offices, surrounded only by their trusted lieutenants, they conceive and plan great things, leaving it to their subordinates to carry out the work, and in this way, utilizing other men, multiplying themselves almost indefinitely, but the master mind of a personality is back of it all.

The men behind the guns are all right provided Dewey is on the deck.

The personality, however, suggested by the topic, "The Personal Element in Trust Company Work," is, in its workings, somewhat different, but none the less potent and effective; it is the close touch and contact of one personality with another; the influence existed ofttimes unconsciously.

You have all heard time and again as an objection to corporate Trusteeship that "A Corporation has no soul"—in other words, the personal element is missing. This charge is absolutely false. A Corporation is only an organization, a combination of individuals, persons, and can and only does live and act through the personalities of its members on those who manage its affairs. It is their heart throbs that give life, vitality and effectiveness to the corporation they represent, and its success is measured and only limited by their ability and consecration, the extent to which they put into the business their own personalities —their very selves.

The modern Trust Company is neither a "freak" nor a "sport"—the off-shoot of some other business—but is, as it were, a new creation, called into being by the needs of mankind, and it can and does meet those special needs as no other method or plan can, for there is scarcely a condition or contingency in a man's affairs, be it large or small, that cannot be met and covered by the modern Trust Company.

It is in this branch of the business and that of Post Mortem Administration, that I, as a Trust Officer, am most intensely interested. While our Trust Department also includes the transfer and registration of Stock and the certification of Bonds, these I rather look upon as incidental, eagerly looking forward to the time when the business will justify their transfer to a separate department, and the Trust Department confined exclusively to true business, using the word "trust" in its highest sense.

All business is based upon trust and confidence, but Life Insurance Companies and Trust Companies occupy a pe-

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culiar and far more important position, for in them center trust and confidence in its highest form. In the every-day business of the world, a man is expected and expects to take care of his own affairs; that's his business in life, and if loss or failure comes he can only blame himself. But where a man, by hard work and self-denial, carries a Life Insurance policy or accumulates a fortune, be it large or small—for the protection of his loved one dependent upon him—the situation is entirely different; he must of necessity depend on some one else. True life insurance is payable only after the death of the insured; an estate is not administrated until after the death of the testator; to be false and untrue to such a trust is unpardonable.

The responsibility is great, the work laborious and oft-times trying, but is not, or at least, should not be slavish. A slave does not do the best work; his heart is not in his work; he works because he is compelled to. No such spirit can accomplish the best results in any business, particularly in the strictly trust business; it must not only be sincere and conscientious, but hearty, heart in the work, the work in the heart—the personal element—until the work really becomes a joy and pleasure.

While Trust Companies are not organized and carried on primarily for charitable purposes—for to be worthy to be trusted with other people's affairs they must show themselves capable of handling their own affairs wisely and profitably—still I know of no other business where there is such opportunity for unselfish service. And while I admit that the dollar mark is the standard or scale by which the great majority of mankind measure success, and in that success expect happiness, say what you may, unselfish service is the key, the only key, that unlocks the door to true happiness.

"He that loses his life—gives it out—shall find it."

But I have no desire or intention to weary you with a lengthy discussion; what I have said in a crude and homely way are but facts well known to you all. Integrity, ability and industry are absolutely essential to the business—but without the personal element, the putting in of ones' very self, the fullest results cannot be obtained. This is true in active trusts such as Assignments, Receiverships, etc., as well as in Post Mortem Administration. A valuable business, but in a bad way, may be saved or lost to its owners and the community at large by the presence or absence of the personal element. In the administration of estates it is also absolutely necessary. If there is a mean streak in a family it is very apt to creep out in the division of "Father's Estate." Who of us have not met with such experiences? But by the patient exercise of the personal element long and expensive litigation may be avoided, interest harmonized and families kept together. All this in a way is a labor of love; it cannot be charged for in the fee. The statutes do not provide for compensation for such services, it cannot be itemized in a bill, it does not pay directly in Dollars and Cents, but aside from the satisfaction experienced from a duty well and faithfully performed it does pay materially in the long run, for a satisfied client is the best and most effective sort of advertisement.

The company which I have had the honor to represent from its organization has made it a rule never to decline a small trust, believing as we do, that being a creature of the State, and granted certain privileges thereby, it is a duty we owe to society at large, to act as Administrator, Guardian of estate, etc., even where the amount involved is frequently less than $1,000 and the statutory compensation insignificant, for otherwise such matters are left to some inexperienced relative or worse, and the small patrimony, but their all, is lost or squandered. And here the personal element comes in, in its highest form; by careful attention and the exercise of a personal interest many an orphan child is cared for, educated and fitted for life, all from a very insignificant amount of money, where otherwise it would have become a public ward, dependent upon charity.

In the discussion of this topic I trust that many of those present will give us their experience in the line suggested and make the discussion a sort of experience meeting, for the scope of the business is so large and experiences so different, that it will be mutually helpful to know how the other fellow gets along. This, to my mind, has been one of the many benefits the organization of the Trust Company Section of The American Bankers' Association has brought to its members.

The Duties and Responsibilities of a Trust Company in Connection with Investments to be Offered to the Public.

By F. J. Parsons, Vice-President of the United States Mortgage & Trust Co. of New York.

[Mr. Parsons was unable to be present and in his absence his paper was read by the Secretary, who in introducing it stated that the topic Mr. Parsons had chosen to present covers but one of the many classes of investments which might be grouped under the general thought assigned for consideration, and the principles laid down, while applicable in the main to mortgage operations in all cities, refer more particularly to the safeguarding of Western and Southern investments of this character made by Western institutions. The Secretary added that Mr. Parsons had taken the liberty of using in part, a paper prepared for delivery at a previous convention to which he had been invited, but where circumstances made it impossible for him to be present.]

It is an admittedly hazardous undertaking for a conservative Eastern man to visit the expansive and enthusiastic West. As one of the agents of the company which I have the honor to represent has tersely stated it, "One is in danger of having the partition between his brains and his imagination worn away" by such an experience. So long as operations are conducted from the Eastern seaboard, reasonable safety is assured, as the moist and murky atmosphere of that coast operates as a check upon over-enthusiasm. The difficulty involved in inducing one Eastern corporation to part with its funds, and the methods employed for its protection has been thus humorously described:

"Between the desire of the Western representative for the transfer of funds to his vicinity and his full realization is an objection which, I am told, is as much a mystery to Eastern conservatism as it is to Western enthusiasm. I allude to the mortgage committee of this company. Just what it is, and who compose it, is one of the insolvable problems confronting all the representatives of the company. I am told that you can worship it without violating the Ten Commandments, or damn it without incurring the penalties of everlasting punishment. Some have seen it, but whether it works with a slot or by pushing a button, none know. It is said to be impersonal, incorporeal, and mysterious. If it can travel, and will come West, however, I will guarantee that while it may not act indifferently, it will be less susceptible than heretofore to those peculiar attacks, the paroxysms of which are felt more severely by us than itself."

The step has been taken. We have crossed the continent. We have seen the West, and it is our earnest desire that while false impressions, if any existed, may have been corrected, and that hereafter we may look at your splendid country with open eyes, nothing of that true conservatism which in the long run is as necessary to the permanent well-being of the West as of the East may have been lost.

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It is appreciated that the duties and responsibilities involved in the making of mortgages which are to be used as a basis for investments, bonds, are very great. Such bonds are usually purchased by individuals of limited means and with little opportunity of judgment of the merits of the underlying security. Moreover, from the standpoint of the lender, the margin of profit represented by the difference between the rate of interest paid upon the bonds and that received from the mortgages securing them, is so small as to make it essential that the business be conducted in such a manner as to preclude the possibility of losses under foreclosure.

It is therefore apparent that the factor of prime importance involved is that of *safety*, and it is to this phase of the problem to which my remarks will be principally confined.

The first requisite for safety in mortgage loaning is that those States whose laws are distinctly unfavorable to the lender be avoided. Under this head might be mentioned a heavy tax upon capital employed, burdensome foreclosure requirements, and stringent homestead and exemption laws.

In certain States, loaning companies are taxed upon their entire capital stock, despite the fact, easily susceptible of proof, that but a small percentage of the same is invested within the State. The manifest unfairness of such a practice will be plainly seen when the result is contemplated should all the States adopt a similar course. No better reason is furnished, however, for such laws than that the State is not in a position to know whether the companies' statements in this respect are correct or not, and therefore, the only safe course is to tax the entire capital.

Such taxation, as a rule, fails of its object. Money is a commodity which seeks the highest return consistent with safety, so that taxation beyond reasonable bounds in one State causes it to seek other and more hospitable fields. Moreover, the borrower is ever the servant of the lender, and even when the latter nominally pays the tax, the actual result is a direct tax upon the former, in the form of an increased interest rate.

The taxation of individual mortgages, the mortgagor having already paid the tax upon the property without offset by reason of the mortgage, is an especially objectionable form of double taxation, tending as it does to encourage subterfuge and evasion, and hindering the free loaning of funds. The procedure in New York State, whereby a special tax of one-half of one per cent. is paid at the time the mortgage is recorded, is probably as satisfactory as any system of mortgage taxation thus far devised. The borrower, of course, usually pays the tax, but thereafter the mortgage is free from taxation for any purpose within the State, and all doubt and uncertainty and consequent cause for anxiety is removed at the outset. In some States there is a period, ranging from six months to two years, within which borrowers may redeem their property, after foreclosure has taken place, while in others certain classes of property are either exempt from execution under foreclosure or are hedged about with technical requirements, making it difficult to loan upon them with safety; all of which tends to deter capital and is also reflected in the interest rate charged upon loans.

It is also important to select carefully, from the standpoint of location and natural resources the cities in which loans are to be made. The history of the past has shown that cities of artificial creation, those largely dependent upon a single industry and those whose growth is either greatly above or below the normal, are bound to suffer severely in times of depression and should therefore be avoided as fields for mortgage loans. Only those cities should be considered which have natural advantages for shipping, distributing or manufacturing, or those with rich surrounding territory or advantages of climate. The growth of cities such as Chicago, St. Louis, Kansas City and Omaha, in the Middle West; Denver and Salt Lake City in the mountainous country; Los Angeles, San Francisco, Seattle and Portland, on the Pacific Coast; Detroit, Cleveland, Minneapolis and St. Paul, in the Central North, and such thriving cities in the South as Atlanta, Jacksonville, Houston, Dallas and San Antonio, is not due to chance, nor in any large degree to the will of any man or body of men, but is made possible by reason of the natural advantages which they possess. Instances could be cited of the folly of attempting arbitrarily to locate a city without regard to natural laws, and the deserted streets of more than one town whose activities largely decreased with the passing of the surrounding forests or the exhaustion of adjacent mines, make clear the necessity for diversified industries as a requisite for permanent growth and safety. "Boom" towns should be avoided, as in the excitement of rapid growth there is no opportunity for judging of its soundness and permanency. During the land excitement of the early 90s *prices* were inflated to a point which in some cities has not yet been reached by *values* despite the actual growth of almost twenty years. On the other hand, if the factors which have created a town are not sufficiently strong to cause a healthy growth, a safe and profitable mortgage field cannot be expected. For these reasons outside capital should not be invested in a city until a population of at least 40,000 has been reached, by which time a reasonably accurate forecast of future growth may be obtained.

Next in importance, it is necessary to exclude such sections of a city as are retrograding in value and locations which, owing to topographical defects or nuisances, are undesirable. The causes bringing about the decay of certain parts of a city are so complex as to make it difficult to gauge the rate of recession in values, and the presence of unfavorable features is automatically reflected in rentals, and in the convertibility of property, so that loans should be confined to improving locations which are well defined and free from objections. It is also essential to avoid vacant land, and all property devoted to special uses. In the event of acquisition under foreclosure, unimproved land is simply a source of expense, and there is for special utilizations particularly in dull times, or in the event of the necessity for a change from the original use, an uncertain income, a limited market, and a consequent necessity for a considerable sacrifice in price if it becomes necessary to effect a sale.

Broadly speaking, loans should be confined, in cities of moderate size at least, to those classes of property in general demand; such as retail business property, office buildings and detached residence property, with exceptions in the case of loans for a reasonable percentage of the value upon modern and well located wholesale property, and substantially built and well arranged flat or apartment houses in the larger cities, provided, however, disproportion between land and building values is not too great. The decided tendency to apartment house life having, as such movements usually do, an economic impulse, will have to be admitted, and must be taken increasingly into account.

Any lender, operating over a wide area, cannot expect over a period of years to avoid losses except by keeping in personal contact with the cities in which loans are made. Frequent visits to the field of operations are essential and a systematic recording of the real estate and mortgage transactions therein is necessary.

A comparative study of rentals and values in similarly situated cities of equal size is of the utmost importance in order that tendencies towards inflation in individual cases may be made apparent and avoided. The local representative with a more limited field of observation to draw from, is sometimes misled by excessive prices for property, and exorbitant leases entered into for certain localities by merchants who in times of great prosperity thus discount the future. The lender's study of a wider field makes it possible to avoid many of such errors. No principal, however, can maintain that intimate touch with conditions which is possible for a representative within the city, so that carefully selected, intelligent and responsible local

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representatives are a necessity of the business; men who have lived for a number of years in their respective localities, and who have kept themselves informed upon real estate values and mortgage conditions. In order that a thoroughly efficient and mutually satisfactory service may be rendered, the representatives should themselves be students of the principles which make for safety.

The question of the net income over a period of years is one of the greatest importance. While there are exceptions to the rule, in all cities there is usually an agreed income basis upon which all improved property, aside from high priced residences, is sold. For instance, in cities of moderate size, well located and nominally improved office or retail store property is expected to net from 5 per cent. to 6 per cent. on the investment, and second class business and residence property from 6 per cent. to 8 per cent.; so that with the income basis in mind upon which a given class of property changes hands, the value ascribed to it should not exceed a figure upon which the net rentals have paid such a return over a period of years. The return which a purchaser is willing to accept is affected, of course, by the anticipated appreciation or depreciation of the neighborhood.

The mistake should not be made of assuming that because a certain amount of money has been paid for or expended upon a property the value is equal to that sum, or that a property having at one time been worth a certain amount is worth that sum at the present time, or will be so necessarily in the future. For safety, a property must reasonably approximate the character and value of its surroundings; for loaning purposes an expensive residence in a neighborhood of small cottages is of but slightly more value than its humbler neighbors, and a retail store on a quiet residence street may be almost valueless. With the growth of a city constant shifts and changes are taking place, which, while enhancing the value of certain sections, depreciate and render undesirable other locations. It is true, that aside from times of great activity, or of unusual depression, the price paid for property is the best indication of its value. Moreover, the great majority of buildings are suited to their surroundings. It is the exceptional conditions, however, under which losses occur that must be guarded against.

It should be borne in mind that in the event of foreclosure the principal of the debt will probably be increased by unpaid interest, taxes, insurance premiums, attorneys' fees and court costs, and it is also reasonable to suppose that before the end of the foreclosure and redemption period, if any, the property will have depreciated in value by lack of care, so that in all but the largest cities, a loan in excess of 50 per cent. of a careful valuation of the property is not considered conservative.

The instalment principle, whereby the loan is reduced annually or oftener by a stipulated amount, is frequently adopted by careful lenders and is a most valuable feature, tending as it does to offset unfavorable changes in the land value or depreciation by reason of the increasing age of the building. Incidentally, the borrower is trained in habits of saving and thrift. Not infrequently, such payments, made during a period of prosperity, have been sufficient to bring a loan well within the margin of safety at a time when general conditions were such as to have made it absolutely impossible for the borrower to have then made the necessary reduction.

The moral hazard is an important factor in this as in other forms of business. It is essential that borrowers whose business habits are objectionable shall be avoided, and that loans shall be confined, if not always to men of large means, at least to honest and thrifty individuals whose past record is favorable and future prospects are reasonably good. The physical security for a mortgage loan, however, should at all times be adequate aside from the personal bond. A bank, with its close and intimate knowledge of the changing financial condition of its customers, can and quite properly does depend, to a large extent, upon their general reputation and business ability, but a mortgage lender, parting with funds for a longer period and being secured by fixed rather than by floating capital, must be assured that such security in itself is sufficient.

So long as new fields of endeavor remain open to the enterprise of men, there will doubtless be in the future as in the past, those ever-recurring periods of "nervous prosperity," as some one has so aptly described them, and of subsequent and inevitable depression. Wealth will constantly shift and change—sometimes disappearing, sometimes reappearing in new and different form; therefore a constant and intelligent watchfulness is imperative.

While men inhabit the earth, however, homes will be required for shelter and business buildings for the exchange of necessities. To those, therefore, whose loans are confined to a moderate percentage of the value of property in universal demand, located in improving sections of growing cities, and who will observe the other fundamental principles herein briefly set forth, the changing conditions of business need be less matters of concern than in any other field of investment.

The Duties and Responsibilities of a Trust Company in Connection with Investments to be Offered to the Public.

By Dimner Beeber, President of the Commonwealth Title Insurance & Trust Co., of Philadelphia, Pa.

When one considers the direct benefit that accrues to a bond and the mortgage securing it, if it appears that the trustee in the mortgage is a trust company whose reputation for care, prudence, integrity and conservatism is high, it is easy to see that there must be deep interest in a discussion of the topic now under consideration. We are not always apt accurately to appreciate the vital importance of the mere reputation of a trust company. But we may be well assured that the public discriminates with great accuracy between the reckless and speculative and the careful and conservative, and bestows its confidence where it is most deserved, and this judgment is not necessarily determined by the size of its capital or the amount of its deposits.

In the long run the characters of its directors and executive officers determine the class to which a trust company belongs much more effectively than the size or frequency of its dividends. The truth of the statement as to the importance of the mere reputation of a trust company is sufficiently evidenced by the promptness with which promoters of a doubtful or uncertain enterprise seek to engage in an alliance with a company to which they are total strangers and of which they know only by reputation. It is a tribute to the trust company which has a reputation for conservatism, because their business experience has taught them that the mere name will lend much needed assistance. All of us have doubtless experienced the ready introduction to our attention which a bond and mortgage with such a high class trust company as trustee receives, and it is not too much to say that many a bond and its obligor and the prospects of the enterprise secure at least a careful and exhaustive examination merely because of

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the fact that the trustee is a trust company whose reputation forbids the thought that it would lightly take on itself the responsibilities and duties of a trustee.

Conceding then the importance of the public estimation of the standing and conservatism of a trust company, and the undoubted attraction which such companies have for the promoters of new enterprises, many of which are essential to the material progress of the country, the inquiry as to what are "the duties and responsibilities of a trust company in connection with investments to be offered to the public" become acutely interesting. The duties and responsibilities of a trust company in connection with such investments are best suggested by a consideration of what is the real necessity for a trustee in a mortgage securing bonds or other securities. The peculiarity of the trustee's situation is that it is chosen by the promoters, founders or conductors of an enterprise to represent bondholders or the holders of other securities whose interests, in fact, are antagonistic to those who choose it. At the very beginning of the business, when the trustee evinces too great anxiety to protect the interests of bondholders, it is apt to disconcert, and perhaps repulse, the parties who bring it business, because it is undeniable that some promoters or managers of business are too apt to resent too much interference with the plans which they had prepared for the protection of those from whom they expect or hope to borrow money.

Nevertheless, it is of vital importance, before any contract relations are assumed, to have it clearly understood that the trust company is unwilling to assume the duties of performing a contract whose sole purpose is to attract and protect investors, unless the contract is in reality expressed in a form that gives to the investors the greatest security that the ingenuity of the writer of the deed of trust or mortgage can construct. It is in vain for a trust company to hope to escape censure if, when disaster comes, the bondholders, who are the real owners of the property involved, find that they have a contract to enforce their rights so loosely and defectively drawn that in reality they have scarcely any security at all. There is too much justice in the claim, under the circumstances, that it was the duty of the trustee, pretending to represent bondholders or security-holders, to see to it that every known device or remedy or mode of procedure that could make more certain the absolute rights of the bondholders was adopted, to escape the imputation of gross negligence, if not, in fact, bad faith.

The first and prime requisite is that the deed of trust should remove all doubt as to what is the real property given as security for the bondholders. Every species of property, real, personal or mixed, should be described with such detail and faithfulness that there could be no question as to what was embraced in the description. It has not been at all uncommon for bondholders to learn to their great loss that they did not have a lien upon any such extent of property as they were led to believe they had when the bonds were negotiated. Preparation of mortgages or deeds of trust is a work requiring the greatest care on the part of the draughtsman, and any one who chooses to compare some of the older instruments with those more recent and up to date will be struck with the immense number of additional remedies to enforce collection being added from time to time.

The modern deed of trust is a growth from a very simple and rather crude instrument, but it gives much more efficient remedies and speedier action to those who have risked their money for the benefit of the enterprise. Nor has the trust company done its whole duty if it merely has provided a clear description of the property existing and mortgaged, because almost all of these instruments provide for the mortgaging of subsequently acquired property. The application of such a clause to such subsequently acquired property is often a problem of considerable difficulty. One cannot be too careful to provide that mere repairs or substitution of old property for new shall not be considered as an increase to the property originally mortgaged, thereby justifying an increased issue of bonds. Bearing in mind the conflict of interests between the mortgagor and the bondholders, it is not exercising the utmost good faith to the latter to agree that any one representing solely the obligor is to decide the value of the additional property mortgaged. It is much better to provide, and usually there is no difficulty in securing the assent of the obligors that it should be provided, that under such circumstances at least someone representing the bondholders should be consulted in fixing the value of subsequently acquired property. This must not be construed into an argument in favor of the proposition that the trustee is obliged in the first instance, in the beginning of an enterprise, to attempt to fix the value of a property mortgaged, because, in my judgment, this places an impossible burden upon the trustee. It is often impossible for a trustee or the bondholders to place a value upon the mere physical property mortgaged in a new enterprise, because at this stage it is impossible to tell what may be the value of such property when assembled for the purposes for which it is to be used, and used in connection with intangible rights such as licenses or patents. But when an enterprise has been in successful operation for any period of time, a standard has been fixed by which with reasonable accuracy the value of the whole property can be fixed, and, when this time has arrived, it may not be difficult to fix the value of additions.

I also regard it as one of the duties of the trustee to be satisfied that the corporation creating the mortgage and issuing the bonds has been legally organized, and has the power to create a mortgage, and issue bonds, because, when a trustee assumes its duties, it would not be clear that it had exercised due care if it subsequently is established that the whole contract which it made was void because of the inability of one of the parties to the contract to make it. This does not, in my judgment, impose too great a burden upon the trust company, for it can generally be accurately learned through the aid of competent counsel having experience in such matters whether such power exists. It should be remembered that the trustee in making the contract involved in the trust mortgage is representing a class of people generally all of them unknown at the time, and this very uncertainty as to who will be the owners ultimately of the bonds would seem to make it clear that the trust company in their absence, and assuming to represent them, should make sure of the fact that it is entering into a contract with a corporation competent to make it. It may not be altogether easy for the trust company to be able to satisfy itself as to the priority of the lien, but the difficulty in this respect is frequently exaggerated. As to the lien, however, the trust company should not become the trustee in a mortgage describing it as a first lien, unless it is satisfied that such is the fact. Owing to the possible uncertainty the additional obligation is imposed on the trust company to be careful that the terms describing the lien of the mortgage should not be equivocal.

Another phase of the question is this: Should the trust company, having done everything that it could do to make the mortgage complete in all respects, undertake the sale of the bonds to the public? This is a comparatively novel question, although its novelty does not necessarily mean that the trust company might not under proper circumstances undertake to sell the bonds secured by mortgage in which it is trustee. Speaking only as a Philadelphian, so far as I am informed, not one of its trust companies has a department devoted to such purposes. Whether the absence of such departments in the Philadelphia trust companies is due to the general conservatism that characterizes the transactions of all their business, or whether it is the deliberate judgment after a consideration of the advisability of such a department, I am not able to say, but one can easily see many objections to it. At the same time I cannot presume for a moment to criticise the practice because I am aware of the fact that many reputable, conservative and highly esteemed trust companies in the

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adjoining States of New Jersey and New York have such a department. Without being hypercritical, however, it seems to me that a trust company that undertakes to sell for its own profit bonds secured by a mortgage in which it is a trustee has made it almost impossible to defend itself with the interests of the obligors that it will be easy to consider it as personally interested in the way of profits in the success of the enterprise. And under such circumstances, any disaster that reflects upon the honesty, or the conservatism of the obligors is likewise apt to reflect in the same respects on the trustee. Would it not be difficult to escape the charge that it, as a trust company, whose very name implied the trust relation, was engaged with others in originating and promoting an enterprise whose success was impossible because of inadequate conception of difficulties plainly to be seen after disaster has arrived? We ought not to forget that, originally, at least, the idea upon which the foundation of the trust company was planted is that of Agency. In its origin the trust company did not pretend to be acting as an independent entity dealing with others as strangers and at arms' length. It was an Agency to act for others and assumed a trust relation towards all who confided their business to it. It was an Agent subject to the control of a principal under instructions more or less clearly defined, and it is a universal rule in every system of law of which the writer knows that such an Agent can never have an interest antagonistic to the interest of the principal. A corporation mortgage or deed of trust naming a trust company trustee makes it the representative of the bondholders, and the corporation deals with it as such. The purchaser of the bonds, in legal effect, accepts, and, in fact, appoints the trustee his agent for the purposes mentioned in the mortgage. This relation is a trust relation, and while it is defined by the written terms of the trust, yet it is something more than a mere contract involving a confidence reposed in another, and somewhat different from the relation two parties hold towards each other because a written contract between them prepared by them at arms' length from each other. Under such circumstances should a trust company undertake to sell bonds secured by a mortgage in which it is trustee? In either view, does it gain a special advantage over other regular dealers in bonds because of its intimate trust relation with the purchasers? If it does, ought it to be willing to accept such an advantage, and does it not expose itself to a charge of something more than mere negligence, in fact of something like bad faith, if disaster comes to the bonds?

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Detailed Report of Proceedings.

Fifteenth Annual Meeting TRUST COMPANY SECTION, Held at Los Angeles, Cal., Oct. 5, 1910.

MORNING SESSION.

WEDNESDAY, OCTOBER 5, 1910.

Vice-President Fuller in the Chair.

The Vice-President: The fifteenth annual meeting of the Trust Company Section of the American Bankers' Association will now come to order. The proceedings will begin with prayer by the Reverend J. Whitcomb Brougher, Pastor of the Temple Auditorium of Los Angeles.

PRAYER.

Dr. Brougher: Almighty God, our Heavenly Father, we thank Thee for the occasion that brings together this company of men representing the great financial interests of our country. Thou hast promised to give unto us wisdom, and we pray that Thou mayest give unto them wisdom in the conduct of all the business of this day, not only in connection with this section, but with every other section of this association, that such transactions may take place as will increase more and more the prosperity of our country and increase the confidence of our people in those who hold responsible positions in these banks. May more and more men of integrity and character find their place at the head of these institutions, so that more and more our country may become firmly established in its great financial relations. Let Thy blessing rest upon all that is done this day. Direct and guide us. We ask all this for Christ's sake. Amen.

The Vice-President: It is with deep regret that I have to announce the unavoidable absence of the President of this section, Mr. McIntosh. In the absence of the President it becomes the duty of the Vice-President to preside at the meeting. I have very great pleasure in introducing Mr. Joseph Scott, the President of the Los Angeles Chamber of Commerce, who will give us the welcoming address. (Applause.)

Mr. Scott: Mr. Chairman and gentlemen: Bankers are more exacting than lawyers. I was informed two or three weeks ago that I was expected to speak, and I gave my address to the printer that it might be printed in various journals of aspiring names, in order that my name might go down to posterity. I therefore will have to inflict upon you the burden of reading this address to you, and after that I am going to talk to you.

Address of Welcome by Joseph Scott, President of Los Angeles Chamber of Commerce.

It becomes my very pleasing duty and also my great privilege, to extend to you, through the Los Angeles Chamber of Commerce, of which I have the honor of being President, a cordial welcome to this, the fairest spot on God's foot-stool. You will pardon my modest reference to the climatic and other advantages of this beautiful section, but inasmuch as it was that which drew most of us here, and which has kept us here since, I desire to attract your attention to it also. You will find not only evidences of nature's beauty, but likewise a demonstration of the hardy efforts of the pioneer who has gone out on to the desert places and into the desolate ranges where only cactus and sage-brush thrive, and has renewed the face of the earth by his energy, ability and scientific knowledge. These efforts have been made under severe conditions and discouraging prospects. The water supply of this section, where water must always be king, had weakened the efforts of the most optimistic as to the future of Los Angeles and vicinity, and only the sterling American spirit, a spirit which you and all of us share in common, has enabled us to battle with the grim forces of nature by going 225 miles away from here and harnessing from the virgin snows of the lofty Sierras the waters of the Owens River, which will come through the longest municipal aqueduct of the world to free us, and succeeding generations, from the fear of insufficient water supply. For this enterprise, this city has burdened itself to an extent which I am sure is attracting your attention, and which, we flatter ourselves, has excited your admiration. To the south west of us, American genius has had to come to the support of Dame Nature by building around our harbor, at San Pedro, a breakwater long enough and strong enough to give to us what we believe is one of the finest waterways in the world and by which we hope to provide an outlet and inlet for commerce between this thriving community and every section of the commercial world.

We want you to feel, as you walk down our streets and look into the faces of your fellow-citizens now residing here, that most of them have come from dear old spots back East, which will always be near and dear to them as the home of their early manhood and earlier childhood, but coupled with this love and affection for the scenes and memories of old, is the warm, undiluted devotion for this new and even fairer land, which has responded so nobly to their efforts and which is prolonging for themselves and their dear ones a still longer lease on life in this blessed country.

We hope that the inspiration which brought us here and kept us here may possibly produce a similar effect upon some of you, but, in any event, whether you are just simply coming and going, "as ships that pass in the night," please be assured of our best wishes that your stay may be productive of every possible good, not only of the important business which brought you together, but likewise to give you an opportunity for recreation and relaxation in what is the natural playground of America.

I want to say a word to you gentlemen informally and colloquially. Nearly everybody in the city of Los Angeles has come from some section of these United States, and their experiences in this city and vicinity may be worth while your knowing. I hope you will take an opportunity during your stay here to rub elbows with the men who have done things in this community, and find out where they came from, how they came here, and what persuaded them to stay here.

They say all kinds of funny things about Los Angeles. There was a greenhorn Irishman came out here in the boom days of 1887. In that day, the banker and the lawyer were not considered so much as the real estate operator. When the greenhorn met an old timer at the corner of First and Spring, the old timer took a look at the greenhorn and he said, "Mike, what brought you here all the way from the Kingdom of Kerry?" He said, "Pat, honestly I came out here to make an honest living." The old timer looked at him and said, "Begorra, you will soon be a millionaire if you do that. You will find no competition in that line out here."

But one thing, you will notice a spirit of boosting in this great city. It may be tiresome and obnoxious to you at first, but I want to tell you that every community boosts itself. The man of New York is a little more complacent about it: the man from Boston recognizes the historical connections of his city, and tells everybody about it. So we go down the line, some of us fellows that have trod up and down Broadway. I remember going back to the East once myself and being somewhat ashamed of my boosting proclivities, I sat back in the company—not of bankers, but of other people interested in boosting other enterprises. And every one that got up before me—I was the lone delegate from California, and I was about seventeenth on the program. We got up about three o'clock in the morning in that part of the world where they believe in prohibition by legislation, but not necessarily by practical experience of their own. And each man got up from his section. The man from Boston got up and said: "I come from the grand old commonwealth of Massachusetts which witnessed the dawn of civilization on this great continent, when the Pilgrim fathers landed on Plymouth Rock," and so on. And the man from New York said: "I come from the great Empire State of New York, that holds in the hollow of its hand the financial destiny of this great republic." The man from Pennsylvania got up and said: "I come from the great Keystone State that has in the bowels of the earth enough mineral wealth to supply the world for centuries." The man from Ohio got up and said: "I come from the place where the Presidents have been manufactured in the past, and will be manufactured in the future." The man from Virginia got a little hot about that, and he told about the Presidents that Virginia had produced. Along about the end, about two o'clock in the afternoon, about the seventeenth on the program, up came this poor, lone, desolate delegate from California, who found out he was not the only fellow in the boosting business. And I thought it was my time to tell them where I stood. I said: "Gentlemen, I come from the grand imperial State of California, larger than the whole of New York, New England, Pennsylvania and Ohio put together, and if Christopher Columbus had landed on the Pacific Coast you fellows would not have been discovered yet." (Applause.)

Now, I want you to get around about our section. I am awfully glad you brought your wives and your sweethearts. This is the country and the climate where man breathes perennial youth. If a man cannot love his wife in this climate and under these circumstances he ought never to have been married. (Laughter.) This is the country where romance and chivalry have always been sustained. In the older days of the Castillian, you must remember, politeness and respect and courtesy for the opposite sex was absolutely necessary in any kind of a social world; and when the gringo came along from the places where you have been thriving he became a confirmed and

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ardent lover of his wife. It is not because we come to this climate that we boost it, but it is because we derive a benefit from it. And I hope that the ladies will see that their husbands stay in this climate a considerable time, so when they come back to the dear, charming place in the East they will be sorry that they left the charming spots in California; and the wives will do as they have done in the past, yank them back to this most blessed spot of God's green earth, right here in this vicinity. (Applause.)

The Vice-President: I now take pleasure in introducing Mr. J. C. Drake, who will welcome us on behalf of the trust companies of California.

Address of Welcome by J. C. Drake, President of Los Angeles Trust & Savings Bank.

To the Members of the Trust Company Section, American Bankers' Association:

If you will place before you the map of the United States and point out the position of Los Angeles, it will be seen that you have assembled at one of the corners of this great Republic. Indeed, had the Convention been called to meet in Eastport, Maine, the distance to be traveled by most of you would have been less than the long journey you have made in crossing the plains and the Rocky Mountains to arrive in this city on the Pacific Ocean. To those who have made this journey for the first time, and who, doubtless, have heard but little of this city, it may be permissible to state briefly some historic information.

We are told that centuries ago this place was called "Yang-na," and its population consisted of three hundred creatures, barely above the animal plane. Then follows the period of Spanish occupation. Cabrillo, "the Christopher Columbus of California," entered the bay of San Diego in September, 1542, and a little later sailed into the bay of San Pedro, now a portion of this municipality. But the real history of California began in 1769, when Captain Gaspar de Portola came to expel the Jesuits from Lower California and to establish Father Junipero Serra, the Franciscan, in Alta, California. The same year, the expedition reached the site of what is now Los Angeles. They rechristened "Yang-na," calling it "Pueblo de Nuestra Senora de Los Angeles." Father Junipero Serra began to establish the chain of missions that has won him immortal fame. At the end of the eighteenth century, Los Angeles consisted of thirty adobe houses. Mail came from Mexico once a month, over El Camino Real—the King's Highway. In 1817, the first record of a school appears. In 1847, Mexico lost California and this pueblo became a town of the United States.

Between 1850 and 1870, Los Angeles was known as one of the toughest towns in the country—but it has improved since. In 1870, the population was 5,000 with 110 saloons. In 1880, the population had increased to 11,000. In 1890, to 50,000. In 1900, to 102,000, and today it is more than 300,000 and there are only 200 saloons, while we have 37 banks. It is estimated that by the end of the next decade we will have a bank for every saloon. The original pueblo contained 36 square miles, while today there are 101. In 1860, the assessment roll was $1,000,000; today it is $350,000,000.

It is the metropolis of Southern California, and therefore of the citrus fruit industry. In 1856, one carload of citrus fruit comprised the output. In 1884, it had grown to 400 carloads, and this year it is estimated there will be 50,000 carloads, with a valuation of $25,000,000.

Gold is no longer California's chief mineral product. Petroleum, with a yearly output of sixty million barrels, has deposed the yellow metal.

The last material rain fall to visit Los Angeles was the 11th of April—now six months ago. No doubt many of you observed, in approaching the city, the arid condition of the soil, and as your trains drew across the bridges over the Los Angeles River, you could see only its banks and bed, with no water in sight. Notwithstanding this, the agriculture is in a flourishing condition, the green leaves are seen on the orange trees, the rose bushes still bloom, and the lawns are verdant. Water, the blood of the soil, has been pumped from its percolating underground streams and distributed over the lawns and orchards.

In the banking line, there are 37 institutions, with $23,000,000 capital and surplus, and deposits of over $120,000,000. The bank clearings for 1909 were $675,000,000; being an increase of $150,000,000 over the preceding year.

The population is now increasing at the rate of over twenty thousand a year, and new buildings are being erected in excess of a million dollars a month. The city and interurban electric railways, with nearly a thousand miles of trackage, dispatch over twelve hundred trains a day. San Pedro, now an integral part of the city, is just beginning its career as a commercial harbor, to promote the tide that will sweep along the Pacific Coast upon the completion of the Panama Canal. Within three years, we hope to complete an aqueduct, bringing abundant supply of domestic water from the Sierra Nevada Range, at an outlay of $25,000,000.

In regard to the financial institutions represented by this Section, the State of California can claim to date only seventeen trust companies. By recent act of the State Legislature, the assets of the Trust Department of these institutions are kept entirely separate from those of the commercial and savings. The use of the word "trust" by companies or corporations can only be obtained hereafter by such institutions as comply with the new bank act, and qualify for the performance of their duties by depositing approved securities with the State authorities. This will lend a desirable dignity to the name of "trust company," which has heretofore been used as part of the name of all kinds and conditions of associations and corporations, doing any and all kinds of business.

Here you are, in southern California, a State with more than a thousand miles of sea coast, a State separated from the commercial center of the Union by two thousand miles of mountains, desert and plain. In behalf of the trust companies of this great empire State, I have the honor and the pleasure to bid you welcome.

Response to Address of Welcome by Vice-President Oliver C. Fuller.

The Vice-President: In the absence of our President it becomes my present duty to respond to our address of welcome on behalf of the Trust Company Section of the American Bankers' Association, representing a membership of more than one thousand trust companies, with resources aggregating more than four billions of dollars, and particularly on behalf of the members present, most of whom have traveled long distances to be with you. I thank you, Mr. Scott, and you, Mr. Drake, for your cordial greetings, and through you, their representatives; we desire to thank the citizens of Los Angeles and the trust companies of California for their generous hospitality so delightfully extended to us. The welcome you have given us is so warm, and the preparations you have made for our comfort and entertainment are so perfect, that there is no room for doubt that we shall enjoy ourselves to the limit of our capacity while in your midst, and that when we leave we shall carry away with us cherished memories of Los Angeles, of her charming people, of her splendid institutions, of her delightful climate and of her beautiful, picturesque surroundings, never to be forgotten.

The primary purpose of these meetings is the benefit derived through exchange of ideas, the accounting of experience and the discussion of practical methods for bettering the service that we are all endeavoring to render to our institutions throughout our respective communities. Nevertheless, the opportunity of making your acquaintance and cementing friendships that come to us through these annual gatherings are not to be counted among the least of the advantages gained from these meetings.

Hoping that our sojourn here may prove of mutual interest to you and to us, and that when we have departed you may feel in some measure repaid for all your kindness to us, again I thank you.

The next in order on the program is the annual address of the President. Mr. McIntosh expected to be at this meeting and prepared an address. When he found it impossible to be here he forwarded it to me with the request that I read it, and with your permission I will do so.

Annual Address of the President, H. P. McIntosh.

I regret that it is impossible for me to be present at this meeting, so have asked Vice-President Fuller to read a few suggestions I have to make, which I trust may result in benefiting and improving the Trust Company Section.

It has been and is still customary at our annual meetings for the President of the Section, the Chairman of the Executive Committee and others to suggest improvements and reforms in trust company business methods which I fear, in a great many cases, are forgotten after the adjournment of the respective meetings at which such suggestions are made, hence no benefit is derived from them; therefore, it seems fitting that the annual reports of the Section be reviewed to remind you of some of the valuable suggestions that have been made, in the hope that this may result in many of these suggestions being made actualities.

At Denver, in 1898, Mr. Breckenridge Jones, the Father of the Trust Company Section, suggested that "the Section or the incoming Executive Committee cause to be prepared and submitted at the next meeting a form (fixing the powers and duties of the trust company as trustee under corporate mortgages) to be inserted in all such mortgages where a trust company is trustee." I fail to find where this suggestion was carried out, so I recommend that a Committee be appointed at this meeting to prepare such a form and submit it at the next meeting of this Section. At the same meeting he also suggested that the Executive Committee at the next annual meeting submit to the Section "some well-considered views as to the best way of keeping the accounts of a trust company." Doubtless the two books of Trust Company Forms that have been prepared by the Executive Committee, one in 1899 and the other last year, have accomplished considerable in this line; but cannot more be done? Under the rules of the Interstate Commerce Commission and the rules of the State Public Service Commissions, railway and other companies operating under them have adopted a uniform system of accounting.

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Their operations are just as diversified and intricate as those of a trust company, so if uniformity of accounts can be employed by them and by banks, why can't it be employed by trust companies? I think it can; hence why shouldn't we do something to accomplish this? Might it not be well to also appoint a Committee to promote such a system?

At New Orleans, in 1902, Mr. Clark Williams delivered an address entitled "More Adequate Protection of Municipal Bonds through the Certification of Trust Companies," a very instructive and valuable address. The figures and facts contained in this address make a convincing showing that the certification of municipal bonds by a trust company is a subject to which our Section should give its most careful attention, bending its efforts to have statutes enacted in those States having none on this subject, providing that municipalities SHALL have their bonds certified by a trust company, and if such a statute cannot be enacted, have one enacted that municipalities MAY have their bonds so certified; such a statute to empower the municipal officers to incur the expense of certification, thereby removing the doubt that some of them have as to their right to incur such expense without statutory permission. It will then be clearer sailing for the trust companies to persuade them to do it. Ohio passed such a statute last winter, and as a result the officers of one of the largest cities and counties in Ohio are considering very favorably having their bonds certified by a trust company.

There are other methods for safeguarding the issue of municipal bonds, reported on by the "Committee on the Better Protection for Municipal Securities" in their reports in Volume 1904 to 1908 of the Proceedings of this Section, pages 156 and 235, to which I respectfully refer you.

The question of bank examination is one of which a great deal has been said and written in recent years, resulting in the enactment of laws in some of the States providing for the examination and regulation of these institutions, which has already had a beneficent effect on the general situation, as well as beneficial to both the banks and the public.

It may be pertinent to inquire to what extent the examination of banks should go? It would seem in this matter that the more frequent and thorough such examinations are made the better.

If it were possible for a banking department to make at least three examinations a year, at irregular times, of every bank within its jurisdiction, the examiners spending sufficient time to make a thorough audit and to become familiar with the affairs of such banks, checking over every item of their assets, investigating the paper and investments carried, and be able to intelligently advise where mistakes had been made, and firmly insist upon the laws under which such banks are acting to be observed, that would be a condition to be desired.

No bank operating under State or United States laws, if it is conducting its business as required by the laws of such State or the United States, need fear examinations, however frequent or thorough, but, on the contrary, will welcome such examinations and lend its aid to the agents appointed to make the same. I believe that all legislation providing for the general bettering of the banking situation and tending to give more frequent and rigid bank examinations should receive the hearty support of every bank official, so that the day may come when such a thing as a bank failure shall be a memory of the past and all banks shall be safe and sound.

It will add to the credit of trust companies to seek such legislation rather than to have it forced upon them. Let us continue to harp on the subject until every State has State examination of trust companies.

Another law that should be enacted in many States is one providing that an insolvent trust company be liquidated by the State Superintendent of Banks instead of the usual way of by a receiver appointed by a Court, which in too many cases results in the appointment of a party more distinguished in politics than in finances, resulting usually in a very expensive liquidation, while the expenses of liquidations by State Banking Departments have demonstrated that these are very much less than the former.

Our Committee on Protective Laws has done and is doing effective work procuring protective legislation, but the enactment of the laws above referred to will require the effort of every member of this Section, so might it not be well to assist this Committee by appointing a Sub-Committee in each State where such laws are wanting, composed of some of the most active members of this Section in such State, the vice-presidents of said States to be ex-officio chairmen of said Committees in their respective States? These Sub-Committees to co-operate with the General Committee, and as they are residents of their respective States they would, for this reason, not be charged with interference as the General Committee sometimes is. No doubt such Committees as these could aid the General Committees very materially, as any legislation which this Section desires to have enacted in any State ought to be under the control of the vice-president and trust companies of such State.

Besides the compilation of the laws relating to trust companies of the United States, published and distributed by your Executive Committee last year, the National Monetary Commission has prepared and printed this year a "Digest of State Banking Statutes," which every bank should have. Without going into a fuller description of it I will refer to the "Tabular Summary of State Legislation Governing Trust Companies," which I embody in this report. It is too lengthy to have read now, but I recommend that when you receive the report of this meeting you examine it, because from it you can obtain in a very convenient form a synopsis of the trust company legislation in your own respective States as well as in others.

At New York, in 1904, Mr. Geo. W. Young strongly recommended the forming of State organizations of trust companies, using these words:

"The perfection of the organization of trust companies in the various States is the best preventative of any differences between the banks and trust companies that may affect the interests and conveniences 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 shall have a voice."

Mr. Young's recommendation was heartily endorsed by Mr. Festus J. Wade in these words:

"I fully concur in everything Mr. Young 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."

These recommendations are well worthy of our careful consideration, in fact, more than consideration, they are worthy of fulfillment. No matter how few trust companies there are in a State, if there are only two, they should organize; thus they become better acquainted and ascertain that their competitors in a very large majority of cases are trying to do business under the same standards that they are, thus removing the antagonism that so often exists among competitors, and giving an opportunity for the exchange of information and views that are mutually beneficial. The State Vice-Presidents can employ a part of their time to the advantage of this Section in forming into a State organization the trust companies in their respective States.

You will notice that I have outlined more or less work for the State Vice-Presidents, and while I realize that some of them are very active in promoting the welfare of the Section, there are others very inactive, almost all the latter having reluctantly accepted the position and only did so on the understanding that it entailed practically no work.

It seems to me that at this meeting, and in future, only such parties should be elected Vice-Presidents as will realize that this position is more than a mere honorary one, but entails work upon its incumbent. In other words, have all the Vice-Presidents instead of only a portion of them such as will work aggressively and industriously for the Section.

During the slightly over fourteen years' existence of the Trust Company Section of the American Bankers' Association it has accomplished much for the benefit of banks generally and for trust companies specifically; however, there is still much to be done, therefore we must continue to be active, alert and industrious, working ardently and conscientiously for the promotion and safeguarding of the best interests of the companies, thereby promoting and safeguarding the best interests of their patrons, because the interests of the companies and the patrons are mutual.

It has been well said that eternal vigilance is the price of liberty; let us say that eternal vigilance of trust companies is the price of their safety and success and their patrons' confidence and esteem.

Mr. Kauffman: Mr. Chairman, is a motion in order now as to the suggestions made in the President's report?

The Vice-President: Yes, sir.

Mr. Kauffman: I then move that the suggestions made by President McIntosh in his annual report relative to the appointment of several committees for the purpose of carrying out the suggestions that have been made heretofore, be referred to the executive officers of this Section, and if in their wisdom such committees should be appointed, authorizing them to appoint the necessary committees, and authorizing them also to fix the number of such committees.

Motion seconded.

The Vice-President: Gentlemen, you have heard Mr. Kaufman's motion. It is a very proper one. It is not necessary to repeat it. Is there any discussion of that motion?

(Motion put and carried.)

Mr. Cutler: I move that the report of the President be accepted and placed on file and reported in the proceedings of the Section.

Motion seconded.

The Vice-President: I will state that this is not a report. The report is made by the Chairman of the Executive Committee. This is merely the annual address and it is filed. That is the natural order of things, and I think that it will follow that course without the necessity of a motion.

Mr. Cutler: I withdraw, then, at your suggestion, the motion.

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The Vice-President: The next order of business is the report of the Executive Committee, by Mr. Lawrence L. Gillespie, its chairman. (Applause.)

Report of the Executive Committee, by Lawrence L. Gillespie, Chairman.

About 400 years before the birth of Christ a band of 10,000 Greek mercenaries were being led by Xenophon out of the interior of Asia Minor where it had fought for Cyrus in his unsuccessful effort to dethrone his brother. Artaxerxes. After about five months of hardship and privation they succeeded in plodding their way back until they had reached a mountain called Theches, and it is then recorded that when the men who were in front had mounted the height and looked down upon the sea a great shout proceeded from them, and those behind, thinking it was some fresh attack, began to run forward, the noise increasing as the number at the summit augmented, and Xenophon says that he mounted his horse and pushed forward thinking it must be something of very great moment and presently he heard the soldiers shouting, "Thalatta! Thalatta! The Sea! the Sea!" and the men and their captains and generals embraced one another with tears in their eyes, for the appearance of the Euxine Sea reassured them and they knew that their journey was nearly over and that they would see their wives and children again.

The emotions which the sight of the sea stirred in these fearless Greeks are repeated when we members of the American Bankers' Association who have had the privilege of taking this long journey from the East through the fertile central regions of our country and over its wide-spreading plains have ascended that great chain of mountains which so ruggedly guards the approaches to the coast and finally come in sight of the sea in its magnificent tranquil splendor as we view it here near Los Angeles. It seems to remind us of the ancient civilization whose shores it unites with ours and to speak of the feverish activities of the newly risen empire amidst its waters, and of the progress of that great effort toward enlightenment, self-government and progress being made by the greatest republic of modern times in its newest and most dependent of dependencies.

The breezes which blow along its surface breathe no more unmistakably of freshness and exhilaration than do the intercourse and enterprise of the citizens and business men of our cities which are near its shores indicate the ambitions and perseverance which dominate their activities. It is good for the bankers of other parts of the country to travel out here in order to inform themselves of the great commercial strides being so rapidly and effectively made in these regions. If the Trust Company Section of the American Bankers' Association subserved no other purpose, it would justify its existence in the distribution of information concerning the several portions of our country among its members as a result of our meetings from year to year in our principal cities.

When these meetings are over, however, it must not be lost sight of that the organization is maintained through its central office at No. 11 Pine Street, New York, and that it has an Executive Committee composed of fifteen gentlemen chosen by the Section from among those who have shown the largest degree of interest in the work of the Section at its conventions and in other ways. This Committee with quite commendable industry devotes itself to the advancement of trust company interests as far as it feels that it can go without exceeding the bounds of its authority and jurisdiction. It has also other special committees having on hand particular work such as, for example, the Committee on Protevtive Laws, from which you will hear directly. During the year preceding the last one our committee published as a result of exhaustive study a book on Trust Company Laws in the several States and this year we have produced an equally valuable volume of Trust Company Forms, a work of original compilation and research. In the past year also more has been done than in the past to center interest and attention upon trust companies and to emphasize their established importance in the financial world. Last autumn a special luncheon was given in New York at which many prominent bank officials and bankers joined with the officials of trust companies to meet the newly elected officers of Trust Company Section and hear reports on trust company growth. Last Spring the Secretary of the Treasury, Honorable Franklin McVeagh did the Section the honor of coming and lunching with its Executive Committee. and gave it every assurance of his confidence and expressed his warm cordiality towards this branch of our national financial structure.

The importance of the influence and the wideness of the scope of usefulness of trust companies may be gathered from the fact that it is estimated that there are upwards of 1,800 institutions in the United States which exercise functions usually recognized as pertaining to trust companies, and that their resources aggregate about $5,000,000,000. Of these, 1,065 are members of this Section with resources of upwards of $4,000,000,000. This is a splendid showing, indicating that most of the larger institutions have recognized the advantage of membership.

In the State of New York the trust companies have developed under favorable conditions and have enjoyed the benefit of a strict and detailed banking law which was especially extended and amplified following the difficulties in financial circles associated with the year 1907. The resources of trust companies in New York City were in December 31, 1907, $869,000,000; now they are (as of August 20, 1910) $1,338,000,000, an increase since that time of $469,000,000. The resources of the trust companies of the State of New York are, at the time of this writing, $1,503,000,000, bringing them quite close to the resources of the savings banks of New York, which have attracted so much attention and aroused so much discussion. The latter's resources are $1,676,000,000. As compared to the deposits of the clearing house banks of New York the deposits of trust companies of the State are nearly on a par, the deposits of the former being at this time $1,280,000,000, while those of the latter are $1,245,000,000.

There is every indication that the momentum gained by trust companies during the past ten years is not abating, but that we shall see their influence spread in broad, conservative and useful lines.

We have during the past six months experienced a new kind of a panic which did not assume the gravity of a depression. It was a panic spread over a considerable period and came to us in a hesitating way, really consisting in a depreciation of values more than in any actual apparent curtailment of trade and credit.

In these financial difficulties we are glad to note that the trust companies of the United States have in no way been involved. With their strength and prudence demonstrated by their history, and with judgment derived from experience and self-reliance, it is a matter of congratulation that they have approached closer to the banks of the country in a spirit of friendly business intercourse and with a realization that most of their interests are shared in common. We cannot conceive of any catastrophe to the banking interests of the country which would not be harmful to trust companies, and vice versa. Their successes and their misfortunes would be inextricably woven together. In this spirit of comradeship the banks are observed to be meeting them more and more. This has been shown in recent years very clearly in the meetings of this Association when bankers and trust company officers serve together on important committees, with the common object before them of establishing and extending a sound and conservative banking policy throughout the United States.

At present there does not seem to be any cause for apprehension that the banking situation is in danger of being undermined. The deposits in banks and trust companies in New York are at unprecedented figures and the required reserves of the banks are further fortified by the cash reserves of the trust companies not required to be held when the panic of 1907 was upon us. Hot winds may have blown, but our farmers and statisticians promise us abundant crops. Furthermore, the people of the whole country have learned the value of prudence and reasonable economy. No one has been able to escape the educational features of our recent financial experiences, and we are all anxious to work on a more healthy and sound basis than during the mad rush of four or five years ago.

In our political life there is still need for promptings to caution and reflection. Acts by individuals in great public office with widespread influence and authority may be far-reaching in their effect, and when suddenly exerted have a tendency not merely to effect the objects intended but also to create a feeling of uncertainty and fear for the future on the part of all property interests, certainty of considerate action on the part of the government and the courts being the greatest possible factor towards national and financial development.

Undoubtedly the most important problem before the country is one which, as they say of the poor, we have always with us. It is the so-called currency question. Since so much labor and study has been expended on this subject by students, financial experts and practical bankers, I shall not presume specifically to advise any particular legislation. Some enactment, however, looking to a change we must have, and it is for us to devote our serious attention to this subject, and to extend our support to those engaged in the work of reformation to the end that we shall not each year meet a situation where we have either too much money for the reasonable demands of business, thereby encouraging speculation through low rates for loans, or have an expanding business handicapped by a fixed and limited currency actually subject to contraction through the process of reserve requirements when brought into frequent use in credits and deposits. I will only put before you one thought on this subject: Shall we always persevere in a required reserve against deposits which makes that reserve practically dead money since it cannot be used? Would it not be well to encourage the retention of much larger reserves than are now held by means of publicity and notice, but have the reserves free for use whenever needed?

The bankers of the country have the greatest confidence in the results of the labor unsparingly devoted to these subjects

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by the National Monetary Commission, who have devoted conscientious, thorough and extended study and analyses to the diverse financial requirements of our populous and extended country, and when at length we receive from them the substance of their work and recommendation we should be ready to give them a fair and temperate hearing.

The Vice-President: What is the pleasure of the Section with reference to this report of the Executive Committee?

Mr. Cutler: I move that it be accepted and placed on file. Motion seconded, put and carried.

The Vice-President: The next on the program is the report of the Secretary, by Mr. Philip S. Babcock.

Report of the Secretary, P. S. Babcock.

To the Members of the Trust Company Section, American Bankers' Association:

Gentlemen: I beg to submit herewith my report for the year ending August 31, 1910.

The financial statement from September 1, 1909, to August 31, 1910, is as follows:

CREDITS.

By Appropriation of Executive Council	$8,000.00	
" Sale of 41 copies Trust Company Laws	85.75	
" Sale of 8 copies Proceedings, 1896 to 1903	24.00	
" Sale of 9 copies Proceedings, 1904 to 1908	27.00	
" Rebate on Insurance	16.34	
		$8,153.09

DISBURSEMENTS.

Salaries	$3,186.30	
Convention expenses, Chicago	290.30	
Rent	550.00	
Petty cash, office supplies, etc.	80.46	
O. C. Fuller (Chairman Executive Committee), expenses and disbursements, 1908-1909	250.00	
Gold badges (retiring President and new Executive Committee)	25.10	
Postage, stationery and printing	252.20	
Traveling expenses	39.86	
Proceedings 1909	1,378.74	
Executive Committee meeting at Atlantic City	536.85	
Departments' expense, ice, water and towels	18.64	
Account transportation, Los Angeles Convention	25.00	
		$6,633.45
Credit balance		$1,519.64

You will note that we turn back to the general funds of the Association $1,519.64, notwithstanding the additional cost of publishing the proceedings of our last convention in one volume with the proceedings of the Association.

You will also note that no part of our appropriation has been used in publishing the book of "Forms for Trust Companies," this having been paid for entirely by subscriptions from our membership.

The entire cost of this publication to date, covering 500 completed books and 500 books printed but not bound, including express charges, descriptive circulars, postage, etc., was $4,296.84, while the receipts for books sold (290 at $15 each and 9 at $20 each), with interest on the account, have been $4,542.84, showing a net profit of $246.

While the affairs of the Section have thus been economically administered by your officers, it is felt that it has not been at any lessening of the Section's activities in the interest of its members. On the contrary, as pointed out by our Chairman, Mr. Gillespie, much has been done to emphasize the established importance of Trust Companies in the financial world, and to increase the knowledge of the usefulness of this Section of the American Bankers' Association.

That this is so is shown by the present membership, 1,070, the largest in the history of the Section and the largest net gain in any year since 1906. You will find in your seats a printed list of this membership by States. States having five or more members are entitled to a Vice-President.

The very valuable address of Daniel S. Remsen, Esq., "Post-Mortem Administration of Wealth," delivered at our last meeting in Chicago, has been extensively used by our members; over fifty thousand copies having been distributed throughout the country.

During the year I have endeavored to make the Section of continual benefit to its members, both by correspondence, by articles published each month in the "Journal" of the Association, and by furnishing information to papers interested in Trust Company matters.

Respectfully submitted,

P. S. BABCOCK, Secretary.

The Vice-President: What is the pleasure of the meeting with respect to the Secretary's report?

(It is moved that the report be accepted and filed, duly seconded and carried.)

The next in order on the program is the report of the Committee on Protective Laws, by Mr. Lynn H. Dinkins, its Chairman.

Report of the Committee on Protective Laws, by Lynn H. Dinkins.

New Orleans, September 21, 1910.

To the Chairman and Members of the Trust Company Section:

The General Assemblies of fourteen States were scheduled to meet during 1910 in regular session. The Vermont Assembly, however, does not convene until October.

Massachusetts, New Jersey, New York, Ohio and Rhode Island, having already adequate laws protecting the use of the word "Trust," and statutes providing for State examinations of trust companies, the efforts of your Committee were confined to Georgia, Kentucky, Louisiana, Maryland, South Carolina, Utah, Vermont and Virginia.

Mississippi has the necessary statute covering the use of the word "Trust"; and before its legislature convened a thorough canvass of the State was made to learn how its people felt about State supervision. This investigation determined us not to bring the subject before the legislature before 1910. The preceding Assembly had enacted laws under which directors are required to make quarterly report, under oath, to State officials. It was believed that these laws had not yet been in operation long enough to measure correctly their value and efficiency.

Louisiana passed the protective statute covering the use of the word "Trust." The Committee was also successful in having a commission revising the criminal code of the State provide therein for proper enactments to punish the making or the use of false statements to obtain property or credit. The legislature postponed the consideration of this new code; but, it is believed, when the code is adopted, that this feature of it will meet the views of General Counsel Paton.

Virginia passed the "Trust" protective act.

No financial legislature could be secured in South Carolina. The Secretary of the State Bankers' Association there, Mr. Wilson, is convinced that same is desirable, and has agreed to visit the capital when the legislature next meets in order to give the matter his personal attention.

Maryland passed a satisfactory banking law on broad lines; this became effective on June 1, 1910. The Banking Commissioner is endowed with all necessary powers to examine, supervise, act as temporary receiver, and, in general, to take care of the banking interests of the State.

Kentucky's Legislature, after considering a number of proposed bills, each strongly advocated by separate interests, was unable to agree upon any statute, and the matter was left as heretofore.

In Utah and Georgia nothing was accomplished, other than to bring needed legislation to the attention of a number of bankers and to secure promises of more active co-operation in the future.

Mr. Cutler represented the Committee at the conference with the Savings Bank Law Committee, held in New York on February 10, 1910, upon the segregation of savings deposits. The report of your Executive Committee will show the action taken by it in connection with that question.

Mr. Arthur Adams, who has been a member of the Committee for several years, recently resigned, having severed his connection with Trust Company work.

More than forty States will hold legislative meetings during the year 1911. The Committee has already succeeded in securing the enactment of such legislation, in most of these, as was originally confided to its care.

Whether or not it is desirable to extend the activities of the Committee toward securing additional protective legislation is a matter which we think should be settled by the incoming Executive Committee.

We desire to express our appreciation of the valuable assistance rendered the Committee by the Secretary of the Section and by our General Counsel, Mr. Paton.

Respectfully submitted,

LYNN H. DINKINS.
F. H. FRIES.
P. C. KAUFFMAN.
RALPH W. CUTLER.

The Vice-President: Gentlemen, you have heard the report of what is by far the most important committee of this section, a committee the work of which has been of inestimable value, not only to the Trust Company Section, but to the entire American Bankers' Association. What is your pleasure regarding this report and regarding the Committee itself?

Mr. Poillon: Mr. Chairman, I move that this Section vote its thanks to the Committee for its interest and hard work in this matter during the past year, and that the report be received and placed on file.

Mr. Shorrock: I would suggest, Mr. Chairman, that the mover of that resolution add to the motion that the Committee be continued.

Mr. Poillon: I second the motion.

The Vice-President: Mr. Shorrock amends the motion to the effect that the Committee shall be continued.

(Motion as amended, put and duly carried.)

Mr. Dinkins has called attention to the fact that there is a vacancy on that Committee which will be filled by the Executive Committee, if there is no objection, and I take it for granted that was the purpose of your motion, Mr. Shorrock.

Mr. Shorrock: Yes, sir.

The Vice-President: I regret exceedingly to learn that Mr. Stuyvesant Fish, of New York City, who kindly promised to give us an address at this hour, is unable to be present. He has forwarded a paper which I will ask Col. Fries, of North Carolina, to read.

Mr. Fries: It is a matter, ladies and gentlemen, of sincere regret that this able paper can not be presented by the able writer His subject: "Should the ownership of shares in banks

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continue to be represented by certificates commercially negotiable, that is to say, pledgable?" is ably discussed as follows:

Should the Ownership of Shares in Banks Be Represented by Certificates?

[Mr. Stuyvesant Fish's paper will be found on page 177.]

Mr. Shorrock: Mr. President, might I suggest, if it is in order, that this paper be accepted and placed in the record. It appears to me that it is of so much importance that simply hearing it read at first hand is not sufficient to give you a full understanding of it. My suggestion would be, and in order to bring it before the meeting I put it in the form of a motion, that this paper of Mr. Fish's be referred to a special committee to investigate during the coming year the procedure or laws in effect in different parts of the country, and to make a report at our next meeting.

The Vice-President: I think it is well to explain that Mr. Brougher informs me that this room was intended for meetings to be held only at night, and it is so arranged that in the daytime it is almost impossible for the Chair to recognize a face sitting with their backs to the light. Therefore the Chair will request that members, when they arise, will announce their names, and I would be glad to have the gentleman state his name who just made the motion.

Mr. Shorrock: My name is Shorrock. Is the motion in order?

The Vice-President: The motion is in order if it is the pleasure of the meeting. It is customary—in fact this paper with all the papers read here today will be printed in the regular book of proceedings, which book is sent to every member of the Section, and the suggestions made in such a paper as that would naturally be taken up by the Executive Committee unless otherwise directed by this meeting. The motion is in order if it is seconded. The motion does not seem to be supported, and I presume it is because it is customary to have papers of that sort referred to the Executive Committee; and I think if the gentleman will change his motion to accord with the regular method of referring it to the Executive Committee for consideration, it will be better.

Mr. Brown: I move, Mr. Chairman, that this matter be referred to the Executive Committee.

(Motion seconded and duly carried.)

The Vice-President: We will now have the pleasure of hearing an address by Mr. William C. Poillon, of New York City, upon the subject: "The Advantage to the Trust Company in Making Loans Upon Marketable Collateral Rather than Personal Credit." Mr. Poillon, kindly take your place on the stage.

The Advantage to the Trust Company in Making Loans Upon Marketable Collateral.

[Mr. Poillon's address in full is printed on page 179.]

The Vice-President: "The Advisability of a Trust Company Maintaining an Auditing Department Rather than Having Periodical Audits from Without," is a subject upon which Mr. W. M. Baldwin, of Cleveland, Ohio, has kindly consented to address us.

The Advisability of a Trust Company Maintaining an Auditing Department.

[Mr. Baldwin's paper is printed on page 180.]

Mr. Fries: Mr. President, in order to facilitate the nomination of the five men who will serve on the Executive Council, I desire here to offer a resolution:

Resolved, That a nominating committee of five be appointed by the Chairman, which Committee shall receive names in writing from delegates present, from which the nominating committee shall select five members of the Executive Committee for the term ending in 1913, and that this committee shall report back to the Convention for its action.

(Motion duly seconded, put and carried.)

The Vice-President: The Chair will announce the names of the Committee after a few moments when he has had an opportunity to decide upon that. The address by Mr. Baldwin is the last of the regularly prepared addresses. The following subjects have been suggested as of interest to the Section, and it is hoped that they may promote active discussion by the members present, who are urged to speak freely upon them. The first subject is "The Personal Element in Trust Company Work," and Mr. Edgar Stark, Trust Officer of the Union Savings Bank & Trust Company, of Cincinnati, Ohio, has kindly consented to open that subject by a few remarks.

The Personal Element in Trust Company Work.

[Mr. Stark's paper may be found on page 186.]

The Vice-President: I am sure that every member will agree with me that both Mr. Stark's subject and the address he has given us are very interesting, and the Chair will be pleased to hear from others on the same subject, and would invite a free expression from any of the members present. The purpose of selecting these subjects is to bring out discussion and to give everyone an opportunity to express himself.

Unless there is someone willing to say something further on this subject, we will go on to the next, which is: "Investment of Trust Funds and the Respective Interests Therein of Life Tenant and Remainderman." The discussion will be opened by Mr. Isaac H. Orr, Trust Officer of the St. Louis Union Trust Company of St. Louis, Missouri. (Applanse.)

Investment of Trust Funds and the Respective Interests Therein of Life Tenant and Remainderman.

[Mr. Orr's paper is given on page 182.]

Mr. J. C. Drake: Mr. Chairman, in view of the fact that we are reaching the luncheon hour, I wish to say in behalf of the Trust Company officials of the State of California that we have been exceedingly interested in the valuable remarks made and the interesting topics taken up by this Section. The remarks of the last officer on trusts, are exceedingly interesting to the California trust companies, which may be regarded in comparison to those across the Rocky Mountains as in their infancy. I would like to bring a little discussion up as to the present situation.

The broad clause cited in his address as to the scope for investment of trust funds no longer exists in the State of California. We have now a new Bank Act referred to in my preliminary remarks, which, for the first time in California, has tabulated into concrete form certain banking laws. Under this new act, no funds in trust can be invested otherwise than under the laws provided therein for the investment of funds deposited in savings banks. The law goes forward and states specifically how funds in savings banks ought to be invested. I will say briefly that they are all secured loans, and no loan on real estate can be made except it be a first lien thereon. The practice in the institution I represent in regard to trust funds has been, by order of the Board of Directors, to invest them in municipal securities of this State, county, or school districts, or in first mortgage loans on improved productive real estate of at least twice the value of the loan. Those two classes of investment comprise the funds in our trust department. We are enabled in this State to place the investments of trust funds in municipal bonds at a rate which will bear the beneficiary at least four per cent, and very often five per cent, as an income. On our real estate mortgages of the character described, we have invariably secured at least six per cent.

I should like to talk with you further on our State, but, as the President of the Chamber of Commerce has stated, we all get to boosting if we occupy the floor long; and we live so far west that we wish to be shown how from Missouri and other States. (Applause.)

The Vice-President: The Chairman feels deeply grateful to Mr. Drake for saying something voluntarily on the subject upon which he has spoken, and hopes that other members will follow his example. It would appear as if the papers that have been prepared and read have all been so excellent and so exhaustive that the members present hesitate to say anything more. But it would seem as if some one in the audience might have something to suggest not fully covered by the papers, and the Chair would be grateful for any other discussion on any point, or any corrections that might be suggested regarding the information contained in the papers that have been read.

Mr. Holliday: Mr. Chairman, I would like to ask Mr. Orr a question of practice, as to how he would treat a case where a ground lease is made for a long term of years and a commission is paid for negotiating that lease, to whom would he charge that commission? The remainderman or the life tenant or divide it equally?

The Vice-President: Mr. Orr, will you kindly answer Mr. Holliday's question?

Mr. Orr: If that occurred in my experience I would refer that to counsel. Really, the only thought I hoped to be able to impress upon the members present is the importance of investigating and deciding those questions when they arise. Ordinarily all commissions paid to agents to perform the service are chargeable against the income. But when you come to negotiate a 99-year lease, in most of the States that is recognized practically as a sale of the land. In other words, if you sold a piece of property for $5,000 and paid a real estate agent $250, that would come out of the principal fund. Now, if you negotiated a 99-year lease, that would be a close question for counsel to determine, having in mind the law of the particular State. Any property that will stand a ninety-nine years lease will stand a reasonable counsel fee to protect the trustee.

Mr. Dinkins: Mr. Chairman, I would like to inquire of Mr. Orr: What is the custom of this company in connection with the maturity of bonds within the term of a life tenant that have been purchased at a premium; whether he charges off annually, or whether he waits until the time of maturity? And against whose account does he charge the premium?

Mr. Orr: The custom of my company is not to buy any bonds at a premium except for very large estates, which are able to absorb at once the premium. The custom of any company, however, would not be a safe rule to follow. Any premium paid on an investment for a trust estate must be amortized in some way, so that the principal fund is protected. The strictly accurate way would be to, when the investment is made,

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ascertain the rate of interest at which it is made, and deduct from each coupon the proportionate amount to restore the premium to the principal. That is the legal way to do it. But in these latter days we have been able to get so many good bonds at or below par that we will not consider a premium. In large estates, however, where the premium is less than the first coupon, we sometimes buy a line of bonds and absorb the premium at once.

The Vice-President: Is there anyone else who would like to ask Mr. Orr any questions? He seems to be able to answer fluently, if not adoitly, the questions on any subject touched upon. The matter just touched upon by Mr. Dinkins is a very important and interesting one, and one that is now in the courts in many cases. The Chair is informed that there was a recent decision in the District of Columbia declaring that the premium paid for bonds bought for an estate of which the interest went to a life tenant, that the premium paid was the premium paid by the trustees for their own protection and for the protection of the estate, remainderman, and that the amortization of that premium was unfair to the remainderman. It is a very interesting topic, and it is in many cases within recent days, and, as I say, is now under consideration in many cases. Is there anyone else?

Before proceeding further, this is the last topic that we will discuss this morning. The Chair will announce the Committee on nominations: Col. F. H. Fries of North Carolina will be the Chairman; Mr. F. H. Goff, of Cleveland; Mr. Edwin Chamberlain, of San Antonio, Texas; Mr. Ralph W. Cutler, of Hartford, Conn., and Mr. Benjamin Strong, Jr., of New York. Mr. Strong seems to be sitting aloof and seems to be enjoying himself, and I am sure he will be glad to participate in the work. The Secretary will be glad to receive suggestions and will pass some slips on which any of the members present will be privileged to suggest the names of anyone they may think suitable for membership on the Executive Committee.

Mr. Fries: Mr. Chairman, may I ask those who make suggestions to give not only the names of parties, but the company they represent and the town they come from.

The Vice-President: If you will permit me, Col. Fries, I think they should name the position that they hold in their company. It should be borne in mind that out of the five men nominated. whose office will expire three years hence, according to custom—not according to law, but according to custom—there will be selected a man who will perhaps be the future president of this Section, and that should be borne in mind by the members of this committee. The Executive Committee selects its own Chairman, and although it is not a by-law and not necessary, it has been the custom for the Chairman of the Executive Council to be advanced to the position of Vice-President, and so on. Bear in mind that matter in nominating.

Mr. Ralph W. Cutler: Would it be proper at this time for the sub-committee to report on matters of business?

The Vice-President: Mr. Cutler, it would be proper if there is no one else who would like to speak on any of the topics that have been discussed. Bear in mind that not only the topics last discussed, but any of the topics that have been discussed, are open for further discussion on the part of the members, and I would suggest that any motion other than that of the regular order of business be deferred until we have finished with this discussion. The Chair will take the liberty of breaking into that order of business in order that this committee may get to work and the members may be nominating whom they choose.

Mr. Holliday: I move we take a recess until 2:30.

The motion seconded and a vote taken.

The Vice-President: The meeting is not adjourned. The Chair has not announced the result of the last vote upon Mr. Holliday's motion.

Mr. Gillespie: If it is open to discussion, I would suggest that that motion be appended and that the discussion be closed with the single exception of a resolution which Mr. Cutler has from the sub-committee, and which he would like to report. I suggest that amendment.

The Vice-President: The motion is not open to discussion, having been put and apparently carried, in the opinion of the Chair.

Mr. Gillespie: The Chair has not announced the result of the vote.

The Vice-President: If Mr. Holliday, the mover of the motion and the members present are willing to reconsider their action by vote, or to have another subject introduced before the result is announced, it can be done; and unless the Chair hears some opposition to that, he will give Mr. Cutler the floor temporarily.

Mr. Cutler: Is that the decision, Mr. Chairman?

The Vice-President: That is the decision of the Chair.

Mr. Cutler: It has been stated by President McIntosh in his address that the matter of election of the vice-presidents from different States has not been wholly satisfactory, and the matter has been taken up by the Executive Committee, of which I am in charge, with the result that on Monday last, day before yesterday, a sub-committee was appointed by the Executive Committee, consisting of Colonel Fries, Mr. Chamberlain and myself, to draft a tentative plan for submission to this convention, and with your permission I will read that. This, you understand, is absolutely tentative and only for the purpose of bringing the matter before the Convention for discussion:

Resolved:

Whereas it is desirable that the Vice-President of the Trust Company Section of the American Bankers' Association should more thoroughly represent the Trust Company members in their respective States.

Therefore, be it

Resolved: That it is the sense of this meeting that the by-laws of the Trust Company Section should be amended to accomplish this result. Such amendment should provide that in States having trust company organizations, a vice-president of the Trust Company Section should be nominated and elected at the annual State convention. Such election should be certified by the Secretary of the State Organization to the Secretary of the Trust Company Section.

In States not having a separate Trust Company Association, but having a State Bankers' Association with trust company members, such members should, at the time of the annual meeting of the State Bankers' Association, elect a vice-president, and certify his election, in the manner provided for in the case of the separate State trust company organizations.

Where a vice-president for any State has not been named in either of the above ways, the election of such vice-president shall be left to the executive officers of the Trust Company Section.

The time of office of the State vice-presidents shall begin at the time of the next annual convention of the Trust Company Section following such election, and shall continue until the election of his successor.

Inasmuch as notice is required in advance of an amendment to the by-laws of the Section, I would like to submit that on behalf of the Committee as a notice that at the next meeting of the Convention such a resolution or resolutions—such by-law in accordance with this outline will be submitted, and I will move you that a committee be appointed to draft appropriate by-laws for consideration at that time along thees lines.

Mr. Gillespie: I would like to say just a word in seconding this resolution presented by Mr. Cutler. The question of the method of election of the vice-presidents representing the Trust Company Section in different States has come up for discussion several times before our committee, and with the results as substantially embodied in the resolution just read to you by Mr. Cutler. This resolution speaks for itself. It is in line with the method of more democratic representation that we have had formerly in the Trust Company Section from the several States. The several States will get a good voice in the Section of their vice-presidents. The rule at present adopted of allowing the representatives from the States that are present at this Convention to elect the vice-presidents theoretically is very good, but in certain cases it has worked out bad, and there has not been much representation from certain States. In those cases it has devolved upon the officers of the Association to appoint these vice-presidents frequently. We think it will increase the influence of the different State organizations. In many States, organizations known as the State Organizations, whose banks are connected, will feel that they have a right to select a responsible officer who is a part of the management of this Trust Company Section. I think it will bring it to their attention much more than it has in the past. I would say a word in connection with one line of Mr. McIntosh's address in which he speaks of vice-presidents occasionally feeling that the office is unimportant. There has been a distinct effort made in the past two or three years to make the officers from the States think they have a real responsibility. They were called upon individually to prepare reports for this convention, showing the work in their different sections; and I want to say that we have received very gratifying replies to our requests along those lines. The Executive Committee cannot be too strong in recommending this resolution to the members. It will simply tell you the result of their deliberations which have been reported more than once, and they leave it to you to decide whether this is for the best interests of the organization.

The Vice-President: Gentlemen, you have heard the motion made by Mr. Cutler and seconded by Mr. Gillespie. Is there any further discussion of that?

(Motion put and carried.)

The Vice-President: The motion is carried. The Chair will announce the names of the committee later in the day.

Mr. Edw. H. Reninger: Mr. President, Mr. Dimner Beeber, President of the Commonwealth Title Insurance & Trust Company, of Philadelphia, is with us today to join in the discussion of the topic which was postponed until this afternoon. I think that if he had heard him before the suggestions were made for members of the Executive Committee, we would all have been glad to have named him as a member from Pennsylvania. I find that the only one from Pennsylvania now on the list goes out this year. Judge Beeber is here as one of the representatives of one hundred and fifty of the trust companies in Pennsylvania, and I want to suggest to the members here present that he would be a very good man to nominate for that position.

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The Vice-President: The Committee will meet immediately at the beginning of the recess which we will take under Mr. Holliday's motion, and will be glad to receive just such suggestions. The motion to adjourn has been duly carried, and we now stand adjourned.

AFTERNOON SESSION.

The Vice-President: The meeting will come to order.

The Secretary: Mr. Chairman, the United States Mortgage & Trust Company of New York publish every year a book of the statistics of trust companies of the United States, and the President has sent me the advance sheets of this publication for this year, and it puts the trust company situation in such a new and such an impressive form that I think it would be interesting for you gentlemen to hear this short preface, and also to have it incorporated in our proceedings, if you approve of having this read.

The Vice-President: If it is the pleasure of the meeting. I understand it is a quotation?

The Secretary: Simply a quotation, but it gives a set of figures of the trust companies of the United States in an original form, which I think will be very interesting to all trust company men here.

The Vice-President: Unless I hear objection to the paper, the Chair will authorize Mr. Babcock to read it.

Mr. Dimner Beeber: Mr. President, I move that it be read and made a part of the proceedings.

Motion seconded, put and carried.

(The secretary then read from the publication referred to as follows:

The Trust Companies of the United States guard a treasure amounting at the very least to $30,000,000,000. Of this total over $5,000,000,000 represents the value of their own banking resources, and the impressive sum of approximately $25,000,000,000 represents wealth which they protect as trustees and administrators.

Those Trust Company operations which may be described as merely banking functions have for many years been summarized in reports to State authorities and in voluntary statements to clients. These reports afford the public a basis for opinion as to the solvency of the various companies, and, at the same time, furnish the data for accurately estimating the magnitude of their operations.

The results of the execution of other Trust Company functions, such as trusteeship of corporate mortgages, administration of estates, fiscal agencies, custody of wills and securities, registration and transfer, etc., are (with the exception of Pennsylvania and possibly of one other State) reported neither to State authorities nor to individuals, and, consequently, the aggregate of such operations, while surprisingly large, has never been generally known.

The growth of this feature of Trust Company business has been rapid and its present volume is enormous, exceeding many times the banking feature. This has been caused by general business expansion and, more especially of late years, by the organization of larger commercial units whose requirements demanded new facilities.

Thirty years ago corporations borrowed needed capital by selling mortgage bonds to small groups of investors, one of the individual members of which generally acted as trustee of the mortgage; today, these corporations borrow from one to one hundred millions of dollars at a time, secured by mortgages to Trust Companies, and covering great bond issues sold to the investing public of this country and Europe.

The Trust Companies hold in trust the mortgages against which mortgage bonds are issued; they also hold in trust great blocks of securities pledged for collateral trust bonds; they act for holders of equipment trust bonds; they are intermediaries in escrow transactions between corporations; they hold in trust millions in stocks and bonds deposited in connection with reorganizations, mergers, etc.

Although the total of the wealth so held in trust can only be estimated, yet on August 1, 1910, approximately 85 per cent. of the bonds of corporations whose securities are listed on the New York Stock Exchange is secured by mortgages under which Trust Companies act as trustee. Furthermore, while the great city institutions act as trustee for large issues representing many millions of dollars, the Trust Companies in the smaller communities throughout the country act as trustee for local issues which in their aggregate reach an enormous total.

Today the Trust Companies of the United States control greater resources, have stronger reserves, are transacting business under better laws, and enjoy larger opportunities for usefulness than ever before.

The Vice-President: Gentlemen, I think that was a most interesting statement to all of you. It is almost impossible to comprehend the magnitude of the business covered by it. I think it is not generally appreciated.

The next in order on the programme is a paper on the duties and responsibilities of a trust company in connection with investments to be offered to the public. I regret very much to learn that Mr. F. J. Parsons, Vice-President of the United States Mortgage & Trust Company of New York, who had consented to open this discussion, is not present; but Mr. Parsons sent a brief paper on the subject which, if there is no objection, I will ask the Secretary to read, in order to open this question for discussion. The Secretary will kindly read the paper.

Responsibilities of a Trust Company in Connection with Investments.

[Mr. Parson's paper is given on page 187.]

The Vice-President: Mr. Dimner Beeber, President of the Commonwealth Title Insurance & Trust Company of Philadelphia, has also kindly consented to say something on this subject. We will be pleased to have him come forward. (Applause.)

[Mr. Beeber's address appears on page 189.]

The Vice-President: Is there anyone who would like to add to what has been said on this subject? It is a most interesting subject, by the way. There being none, we will proceed to the next topic: "Should Trust Companies Charge for the Care of Small Accounts?" The discussion will be opened by Mr. Frank L. Sniffen, of the Title Guarantee & Trust Company of Brooklyn, New York. Mr. Edwin O. Stanley consented to say something on this subject, but, finding that he was unable to be here, a member of his company, Mr. Sniffen, will read his paper on that subject.

Mr. Sniffen: Mr. E. O. Stanley wrote this article and asked me to read it, with your indulgence. It is not very long.

Should Trust Companies Charge for the Care of Small Accounts?

[We give Mr. Stanley's address on page 184 of this publication.]

The Vice-President: The Chairman would be very much pleased to hear from anyone else on this topic.

Mr. Stewart: Mr. Chairman, it seems to me that we all have a fellow feeling in that regard. I know in the case of our company we have at least one-third of the total of our accounts which you might say do not pay. I should for one be very glad to hear from other gentlemen what their limit is, and how they treat their accounts. I guess we all agree that Mr. Stanley has the correct theory. The question is whether it works out in practice. I know in our case we limit ourselves to interest on accounts over one hundred dollars. I would like to hear from some of the other gentlemen here what their rules are.

The Vice-President: The next on the programme is: General discussion of such other topics as may be proposed and may have the approval of the presiding officer. The Chair would like to say that in case any of the members present should like to discuss any of the subjects that were discussed this morning, or any of the papers that were read this morning, it would come under this present heading, and it is possible that at the time some of these papers were read it was not fully understood that the members were expected either to question or criticise or to amplify the papers. This part of our programme is intended to be a general discussion, and we would like very much to have it so. I trust that no one will hesitate to recur to any subject that they were not quite satisfied with this morning. We would be glad now to hear any suggestions.

Mr. McKee: Mr. Chairman, I would like, if I may, say just a word. A thought occurred to me while listening to the paper prepared by Mr. Baldwin in reference to the internal auditing department in his institution. Mr. Baldwin explained in a very interesting manner the very elaborate and detail system that is in vogue in his institution for the purpose of checking up and verifying accounts. To my mind, any financial institution of magnitude should have approximately such a system established as a part of its internal workings, covering the verification, careful checking of cash received and paid out, requiring countersignatures to checks and vouchers, keeping accurate accounts and verifying of securities received and delivered, requiring the custody, safe keeping of such securities under the very best possible burglar proof conditions, under the joint control of two or more trusted employees, including at least one officer; all of those things are first class and should be part of the internal arrangement, as I stated, of any financial institution doing a business sufficiently large to justify an elaborate system. The auditor described by Mr. Baldwin's paper I would say is neither more nor less than an officer of his institution. Such an officer, while human nature is as it is, might be influenced to refrain from criticising a superior officer, in whose discretion might lie his term of employment or the amount of his compensation, or he might be moved to pass over what seemed to be a trifling error of some employee with whom he had established intimate relations growing out of a daily contact for a number of years. Such irregularity might develop in the future, if unchecked, into a glaring defalcation. In my judgment, every employee, officer or servant of a financial institution should have, in addition to the very best system that can be devised of checking accounts and securities, the checking and examination of outside independent examiners—men whose business it is to make such examinations, and whose chief asset in that business is the reputation of being fearless, vigilant, analytical, conservative investigators or auditors—such a man to be employed by the directors and to be responsible only to the directors, whose work should be gone over in detail by a committee of the directors after each periodical examination, and

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his work then to be made a part of the report of the auditing committee of the directors to the full board. Such a man would not fear the danger and be moved to refrain from criticism through fear of his superior officer or through favor to a fellow employee. Listening to Mr. Baldwin's paper, there came to my mind at once the question, who audits the auditor? (Applause.)

Mr. Baldwin: In reading my paper this morning I had no intention or desire to cast any reflection on the work of independent auditors. I believe in having an independent auditor, but I believe you should have both. In addition to the work as outlined this morning, I might add that the Trust Companies of Ohio are now under the general supervision of the State bank superintendent, who makes a very careful examination of the bank and of its assets and checks its accounts; and in addition to that we have the semi-annual audit of our stockholders, who are appointed by the board of directors, and the people making that audit are not in any way connected with the active management of the bank, either as members of the executive committee, directors or otherwise, and they make their examination of all the assets and securities, and report directly to the Board of Directors. I will simply add that, as one of the things which is done in addition to what I outlined this morning.

A Member: In connection with the remarks, I think you all recognize that there is an advantage in an outside auditor; but in my judgment the auditing companies in the United States have not kept faith with the development of the Trust Companies of the United States. One of our neighbors provided for an independent audit by an outside company twice a year, and there did not pass twelve months until they found their trust officer was a defaulter for a large amount. The auditing company, one of the most prominent in the country, was communicated with. They came down and went over the affairs of the company a second time, and stated that it would have been impossible for them to have detected the defalcation.

I was very much interested in what the representatives from the Citizens' Savings Bank said in connection with the check which his company is now maintaining as against savings deposit withdrawals. That is a subject we have found a stumbling block on many occasions with an outside audit. A great many savings depositors resent any inquiry from the company by an auditor with reference to their accounts. Members of the same family wish to have the fact of their connection with a savings department remain a secret; and it seems to me, as Mr. Baldwin mentioned, requiring the tellers to maintain a daily record of the balance shown on the books presented of the withdrawals or deposits, and a comparison of that record by the auditor with the ledgers in connection with it—that sort of work I do not believe could be accomplished by an outside audit.

Mr. Foye: Mr. President, it might be interesting to say that in Massachusetts it has become the custom to employ outside auditors. We have a banking audit or examination periodically, possibly twice a year, coming at any time we wish. In addition to that we have our stockholders' examination. They examine twice a year or more frequently if they desire, and each time they come in they bring with them a firm of public accountants, anywhere from ten to twenty men. They make an unbiased report, and they criticise not only our books but our officers. Therefore the officers are very anxious to make everything look pretty near right, even to an outside accountant. Of course bank people feel that outside accountants or certified public accountants don't know banking. Many times they don't. A great many times when they do, or when they think they know it, they make unjust criticisms; but nevertheless it is all along the right line, and we always take it in the right spirit. We get a great many valuable hints from them, and I think it is in the right direction. We have twenty-five thousand deposits and over 350 employees, and we have an internal audit; but we look forward to those visits and feel that after the examination is made that we have got a clean bill of health.

In connection with small accounts, I might say for the benefit of my friend who spoke, that we have felt that accounts under $200 should be carried for possibly six months or a year, and if they show no signs of increasing, we write them a letter asking them if they cannot increase, and at the expiration of another six or eight months, if we find they do not, then we politely ask them to either increase or close. It is our policy to pay interest on balances of $500 or over, and under that amount we do not pay anything, interest being payable semi-annually. We believe an account of less than $500 does not pay. We believe an account of from three to five hundred dollars is a fair personal account to carry for a while, in the hope that we may get other business from it.

Mr. Toy (Sioux City, Ia.): Do I understand the gentleman to say that they pay interest on open accounts?

Mr. Foye: Only on the average balance. We pay only once in six months. We carry the average right along from day to day, and in every six months' period figure back interest on that average.

Mr. Toy: I will say that that custom is not prevalent in the State of Iowa. I am interested in twenty-four banks, of which the Farmers' Loan & Trust Company holds a controlling interest. The deposits aggregate over five millions of dollars, and in nearly forty years' business in that State we have never paid a penny interest to anyone on an open account unless it was a deposit from a State institution, which, under the laws of our State, now require interest at two per cent. Savings accounts pay interest at three per cent., which is computed twice a year. But this thought came to me on little accounts of one or two hundred dollars, and taking care of that account, and at the same time regarding such accounts as being an asset for a profitable banker, that it appears to me to be a dream. It is not always the small accounts that are the unprofitable accounts. We have had to ask customers to close what we might term large accounts. These accounts were made up very largely of collections, where the aggregate amount of the collections in transit would amount to more than the average balance. Now, there are many of those accounts on the books of our banks that if they were thoroughly investigated would be found to be very unprofitable—quite as unprofitable as these little penny accounts that we are complaining about. So that it is not always the small accounts that are the most unprofitable accounts.

I would say in regard to the auditing work that in those banks to which I have called your attention we have two auditors who make an examination each six months; that is, the banks are all examined twice each year, in addition to which the regular examinations are made by the national bank examiners, and the State bank examiners, as the case may be. But I think we all agree that the State and national bank examinations do not amount to much. They go into a bank that has an aggregate deposit or a deposit of, say, two or three hundred thousand dollars, or four or five hundred thousand dollars. They will go in the morning and go out in the evening, and report that they have made an examination of that bank. Necessarily their time is limited, because their compensation is regulated at about twenty or twenty-five dollars a day. Hence they cannot give very much time to the bank, and when they leave the bank they know but little more about it than they did before they enter. So it appears to me that these examinations are very largely unreliable, so that the examination that we make or have made by these auditors or competent accountants employed by the Trust Company, go in not only to the accounts, but into the merit of every note and every account in the bank. They examine the records and know all it is possible to know by making inquiry as to the value of each account. I think the time is coming when every institution will have a trusted employee in their own organization that will investigate and report those accounts to the officers. It is certainly very embarrassing to have an outside accountant come in and criticise the officials of banks when the accountants themselves could not run the bank successfully.

Mr. Foye: Allow me to add that wherever we have deposits from corporations or firms where we allow a line of credit, they do not receive interest. I did not state that, and I state it now for fear you might have a wrong opinion as to the way we allow interest.

The Vice-President: Is there anyone else who would like to discuss this or any of the preceding topics? If not, we will pass on the regular order of business, the roll call of States, to be answered by the vice-presidents of the section in brief written report dealing with the history of the trust companies in the several States during the preceding year, and with the conditions under which they are now operating, and other matters of interest pertaining to them. The vice-presidents may be heard from in brief addresses amplifying or explaining any topics contained in their reports by giving previous notice of their intention to the secretary. I will add to that that we will be very glad for any vice-president handing in his report to make any brief remarks he wishes in connection therewith. It is not the intention to shut off discussion or to prevent anyone from making remarks, but to expedite matters. The vice-presidents will hand in their reports to be presented and make only brief remarks upon them.

CALL OF STATES.

The roll call of States was then proceeded with as follows:

Alabama,
Arizona,
Arkansas,
California.

When California was called, Mr. Drake took the floor and spoke as follows:

Mr. Drake: Mr. Chairman, I beg to state that the State of California about a year ago passed its first banking act. Previous to that such legislation as to the banking institutions of the State operated under were of a fragmentary nature. It became my duty to be one of the members of the committee which co-operated with the State Legislature in framing that act, being the one member of the fifteen to represent the Trust Companies. We took up and presented to the State legislators a draft of a bill following very much the lines of the New York State laws. We soon found ourselves in some difficulty among ourselves as well as the legislators, but we eventu-

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ally got through an act that is certainly a good starter, if nothing else. First of all, it defined the word "bank," including three classes of institutions—a commercial bank, a savings bank, and a trust company. This is the first time the trust company received official recognition as a bank. However, in the operations of taking care of funds and receiving deposits, etc., a trust company was not permitted to mingle trust funds with those it would receive on deposit subject to check or on time agreements. This brought forth the necessity of what was called a departmental banking clause. Hence, to do any one of the three, financial institutions, complying with certain agreements can do one, two or three kinds of business; but it must show on its checks, it must show on its windows or in its name itself the different kinds of business it transacts. If the capitalization of a trust company is $200,000, before it can accept any trust whatever, it must deposit approved securities with the State Treasurer of one hundred thousand, and when its trust funds exceed half a million, it must place five thousand additional, and when these reach to something like five millions, its maximum deposits with the State Treasurer are $500,000.

There is no reason from this time on, as the State develops the necessity of the trust company as a valuable adjunct to that development, and with the restrictions now thrown around it, and the examinations required by the new bank examination act, which is parallel to that of the State of New York, with an official at the head of it with a compensation of $10,000 a year and all expenses, that we should not prosper and the trust company have its proper footing on the Pacific Coast. (Applause.)

(The secretary called the roll of the States, and the reports of the vice-presidents were filed with the secretary.)

Mr. Poillon: In connection with the report from the State of New York, I was anxious to say that as a result of the panic of 1907 the legislature of 1908 of the State of New York passed a large number of laws in connection with the better supervision of State banks and trust companies, particularly along the line of increasing cash reserves, limiting loans to corporations and to syndicates particularly, and increasing the powers of the Bank Superintendent. Sufficient time has now elapsed to demonstrate the wisdom and the practicability of these laws, and they have since been adopted in some States in full, and in many other States in part, and it would seem to me that the Hon. Clark Williams, Superintendent of Banks of our State during the panic, under whose supervision the revision of the banking law was prepared, is entitled to the credit for having initiated the movement, and that the present superintendent, Mr. Cheney, should be accorded all the satisfaction that comes from having fulfilled his predecessor's policy.

NOMINATIONS AND ELECTIONS.

The Vice-President: Is the committee on nominations ready to report?

Mr. Fries: I want to say to the association that it was a pleasant and yet difficult duty imposed on us today. Never, perhaps, have there been so many good men offered for the different places, and not one but what had rivals proposed to the ones we have at last selected. The geographical situation of the gentlemen, the services on the committee by others heretofore from the same town or institution, various conditions have led the committee to recommend the following names. I would desire to say that those names are offered unanimously by the committee after a very hard and laborious two hours' work on the whole situation.

Mr. J. C. Drake, President of the Los Angeles Trust and Savings Bank, of Los Angeles, Cal.

Mr. W. C. Poillon, Vice-President, of the Mercantile Trust Company, New York City.

Mr. Roland L. Taylor, President of the Philadelphia Trust, Safe Deposit and Insurance Company, Philadelphia.

Mr. E. E. Foye, of the Old Colony Trust Company of Boston, Mass; and

Mr. Isaac H. Orr, of the St. Louis Union Trust Company, of St. Louis, Mo.

The Vice-President: I am sure we are all indebted to the committee for their careful consideration of this subject and for the list of very excellent names which they have handed in. But it must be understood that the nomination of these gentlemen by the committee does not exclude nominations from the floor. If anyone wishes to make an independent nomination, other than those named by the committee, they are at liberty to do so.

(It was moved that the nominations be closed, which motion was duly seconded and carried.)

(It was moved that the secretary be instructed to cast the unanimous vote of this section for the gentlemen named by the report, which motion was seconded and duly carried, and the secretary cast the ballot for the gentlemen named.)

The Vice-President: The next order of business is nominations for president.

Mr. Cutler: Mr. Chairman and gentlemen of the convention, I desire to place in nomination a most worthy and estimable gentleman, a man who, to whatever position we have elected him, has filled it with honor and credit to himself, faithful always, in season and out of season to the welfare and success of the Section. Our future would be safe in his hands. I have the honor, gentlemen, to place in nomination Mr. Oliver C. Fuller of Milwaukee.

(Nomination seconded.)

Mr. Cutler: I desire to move that the Secretary cast the ballot of the association for Mr. Fuller as our president.

The Vice-President: Mr. Cutler, I will have to declare your last motion out of order. The nominations are still open and will be until the meeting desires them closed. I will be glad to hear other nominations.

(It was then moved that Mr. Gillespie take the chair, seconded, and Mr. Gillespie took the chair.)

Mr. Cutler: Mr. Chairman, I move that the nominations be closed and that the Secretary be instructed to cats the ballot.

(The motion was seconded, put and duly carried, and the Secretary cast the ballot for Mr. Oliver C. Fuller for President.)

The Secretary: Mr. Fuller, in the absence of Mr. McIntosh, I have the pleasure of presenting you with the badge of office. (Applause.)

The President-elect: Gentlemen, it is impossible for me at this moment to express the depth of my appreciation for the honor that you have conferred upon me. I thank you from the bottom of my heart, and I trust that I may be able to serve you faithfully and to your satisfaction and to mine during the ensuing year. (Applause.)

The next is the nomination of the first vice-president.

Mr. Fries: Mr. Chairman, perhaps the Association has but a faint idea of the work that devolves upon the chairman of the Executive Committee, and all of the members know how faithfully that duty has been performed by Mr. Gillespie during the last twelve months. The success of the institution has rested in his hands, and you yourself have seen today how creditably he has discharged those duties. I therefore know I voice the sentiments of everyone when I nominate for the position of Vice-President, Mr. Gillespie.

(The nomination was seconded, and it was moved that the nominations be closed and that the Secretary be instructed to cast the ballot for Mr. Gillespie, which motion was carried; whereupon the Secretary cast the ballot for Mr. Gillespie as First Vice-President.)

The President-elect: I will ask Mr. Gillespie to step forward and receive his badge of office. I take great pleasure in presenting to you this badge. I have no doubt you will wear it with great pleasure to yourself and to the Association.

Mr. Gillespie: I wish to thank you very much, Mr. President, and the members of this Section, for the great honor they are conferring upon me, and I will continue to do the best I can in the work of this Section. (Applause.)

The President-elect: The next in order is the election of Vice-Presidents from each State. Under our present rules the Vice-Presidents are nominated from the floor, and we would be glad to hear nominations.

(Whereupon the Secretary called the roll of the States, and nominations were made from the floor or left to be made by submitting the names to the Secretary; and it was moved and seconded, and the motion duly carried, that the Secretary cast the ballot for the gentlemen named as Vice-Presidents.

THANKS TO CALIFORNIA AND LOS ANGELES.

Mr. Gillespie: I would like to make a motion for those attending this meeting to show their appreciation of the great courtesy and cordiality which they have received at the hands of the bankers of California and of Los Angeles, and to show this by a rising vote.

The President-elect: The motion is unanimously carried, except that the members from Los Angeles keep their seats.

Mr. Stark: Before we adjourn, it seems to me it would be only fitting to take some action in regard to the book forms adopted by the Section since the last meeting. Anyone who will compare the book issued in 1909 with the one just put out will see that this committee deserves the hearty thanks of this Section for the work that they have done. I move that the thanks of this Section be extended to the committee for this work.

(Motion seconded, put, and duly carried.)

The President-elect: The Chair expresses its appreciation of the fact that, in spite of all the inducements for members to stay away from this meeting today—in the shape of attractive entertainment, not only a trip to the Island, but, Mr. Drake informs me, that provision has been made to carry 1,100 people on automobile rides in addition, I believe, to the excursion to Catalina Island—the attendance has been very good under these conditions. And the patience of those who have attended has been fully demonstrated when it is seen that so many have remained throughout the day. Notwithstanding the difficulty of the hall, the demolishing of the building across the way, and the setting of the table for some banquet that seems to be in progress in the other room, we have had a very interesting meeting. I thank you, gentlemen, for your attention during the entire day. Is there any business that should come before this meeting?

(It was moved that the meeting adjourn, the motion seconded, and duly carried.)

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SAVINGS BANK SECTION

AMERICAN BANKERS' ASSOCIATION

Ninth Annual Meeting, Held in Los Angeles, Cal., October Sixth, 1910

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The Future of Bonds.

BY EDMUND D. FISHER, Deputy Comptroller, City of New York.

The future of bonds as an investment is bound up, to a greater or lesser extent, with practically every question which affects financial and industrial activity. It is manifestly impossible, within the appropriate limits of an address, to deal in more than a general way with some of the fundamental causes which produce from time to time marked and sometimes violent fluctuations in the value of investments with fixed maturities, and to point out some of the weaknesses in our general methods of transacting business which are responsible for these fluctuations.

Interest return on the market value of characteristic securities during the past three decades has undergone a marked change. This return on railroad bonds was, in 1879, 5.90 per cent.; in 1889, 4.93 per cent.; in 1899, 3.95 per cent.; while in 1909 it was on a basis of 4.18 per cent. The return on high-grade municipal securities during this period has averaged about 1 per cent. lower than these rates, except in the last decade, which has been characterized by a change in the general movement of bond prices. It is quite evident, therefore, that from the broad standpoint, the usual law involving interest returns has prevailed; namely, that as wealth and capital have increased the interest return on invested capital has declined.

Economists have been endeavoring to ascertain the chief reasons underlying the more recent and startling change in bond values. The large increase in the production of gold since 1896, the extraordinary increase in commercial transactions, the broadening of the opportunities for investment by larger and more frequent issues of railroad and industrial securities, extravagance and the greater use of luxuries throughout the world, the maintenance of large standing armies, the building of powerful navies, the capital waste through three disastrously expensive wars, the inflation from the increase of national bank-notes in this country, the expansion of the scope of savings bank investments and the capital loss due to the San Francisco earthquake have all been causes for the marked lowering of bond prices during recent years.

The abnormal increase in the supply of gold, followed by higher commodity prices, has recently been frequently ascribed as the main reason for this change. There is, however, a serious question whether increased gold production has been the dominant factor. While it is probable that the stimulating effect of gold has been a contributing element in the increased activity of the world's business, still, the outlook over a long period of years tends to approve its quantitative force in materially affecting prices. Gold production has more than trebled in amount during the last thirty years, but it is very doubtful whether the much smaller increase in commodity prices during the same period has been mainly due to this cause. The truth is that gold cannot be classed as an ordinary commodity. It is a law unto itself. The demand for it is constant. It always has value and its holder is quite as frequently satisfied with its latent worth as with the advantage of its actual use. It is therefore true that gold in use, either in bar or coin form or its equivalent, is the only gold that has an influence as a commodity in affecting prices. As this is an inconsiderable portion of the world's store, and as the amounts used are largely for reserve purposes and are so employed under definite banking regulations, it would seem that the effect of its use upon commodity prices is inconsiderable in long periods of time, but may be acute during short periods.

Business is, after all, only the mechanics of distribution. It began with the barbarian, who seized what he could to maintain life. Civilization now compels a man to earn his living by serving others. Radical departure from the principle tends to unsound business methods. There is, of course, the broad period of transition from barbarism to civilization, passing through the various phases of seizure, barter and exchange. Exchange was first based upon simple and restricted mediums of value, which gradually broadened until gold became the standard. But with the expansion of business activity even gold, with its equivalent, the bank-note, became cumbersome as a general medium of exchange and was supplanted by the check, the draft and bill of exchange—all expressive of the confidence between man and man and the close touch between the banking system and the business world. This really means that credit is fast becoming the chief medium of exchange, with gold for reserve purposes and for the adjustment of domestic and international balances.

As the momentum of a period of business activity de-

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velops credit expands and ultimately works into a condition of inflation which temporarily depreciates the purchasing power of the unit, namely, the dollar; with a resultant increase in commodity prices. Then, after the crisis of inflation is reached, the reverse process takes place, credit automatically contracts and gold quietly retires to its position as a latent rather than an active force. giving the business world a period of needed rest. The measure of inflation which remains after such a period continues to be a force in maintaining a higher level of prices until the credit on which it is based has been liquidated. For instance, the volume of liquidation was much greater after the panic of 1903 than after that of 1907, with the result that the amount of capital released for investment in the former period was larger than the amount that has been released since 1907. As a consequence, the average level of bond values has not yet recovered. The amount of gold, or its equivalent, that remains continually in active circulation, or in active reserve form, in excess of the normal increase required by a growing population, is the only gold that can permanently affect prices. Any increase in credit caused by the growth of the deposits of banking institutions, which are required by law to keep minimum reserves, tends also to inflate prices. The decrease of the average reserve in this country during recent years from twenty to about twelve per cent. indicates a strong tendency to such inflation. It is evident, therefore, that gold must be given a not too important place as a cause, both in the increase of commodity prices, and the interrelated depreciation of bonds as investments with fixed maturities.

The growth of this country, and its consequent increase in importance among the nations of the world in its financial and commerical relations, has emphasized some of the defects that have long been inherent in both our banking and business methods, and which have also tended to depreciate bond values. An unsound currency has placed us at a great disadvantage in our relations with other countries, especially during times of readjustment following periods of undue business inflation. European financiers, with their ability to raise money at all times through the medium of well-established centralized banks, have been enabled to absorb much of our capital in times of business stress, when we are helpless through lack of similar facilities. They sell to us when our prices are high and buy from use when our prices are low.

The expansion of business in the last years of the old century and during the first years of the new, largely induced by the growth of capital during the several years of economy following the panic of 1893, was coincident with the new tariffs and the organization of powerful corporations which extended control in their various industries to a previously unheard-of degree. The public felt that a new era in business prosperity had come. Active demand for capital stimulated our credit expansion. New issues of bonds—railroad and industrial—were offered. Real estate activities began to develop, diverting capital to non-liquid investments. With it all came advances in commodity prices and a coincidental increase in the cost of living to the individual. Corporations were forced to bid higher rates to satisfy their needs and the buying power of the income of older and lower rate bonds declined, through competition with securities bearing a more attractive rate. This change that has come over the bond market in recent years has also been due to the gradually decreasing supply of investing capital on account of foolish extravagance and needless waste. During the period under discussion the non-producing class in the United States has increased from 28 to 40 per cent. without the loss being offset by any material increase in economic efficiency. This has operated directly as a factor in increasing prices. The social unrest, growing out of the undue diversion of earning power to monopolistic corporations, has accentuated the question as to the ultimate integrity of their securities. Supreme Court decisions, interstate legislation, legislature investigations, have all indicated that the recent period of extravagance has been burdened with the excresence of questionable practices in corporate management.

In the past ten years there has been a distinct advance in public knowledge of what robbery in high finance really is. Thus, the time has now come when a change in method is demanded, and there is evidence of an impetus towards general corrective tendencies. The time will shortly come when, through governmental control of the issuance of securities and oversight of the business methods of large corporations, bondholders will have greater assurance as to the intrinsic value of their investments. In past years the conservative capitalist did not care to invest his money in stocks because of the continuous fluctuation. His confidence in bonds has also been similarly shaken.

Recent events in the financial and political world, however, point to a period of quietude in business, when the recuperative powers of the country for investment will return. Necessity, growing out of business difficulty, stimulates periods of thrift which tend to reduce commodity prices, increase wealth and consequently the investing power of the people. Furthermore, the bond markets are not likely to be flooded with the great volume of competing securities which has characterized the last decade. In this country the need for improvement in our currency system is attracting much public attention, and the necessity for the establishment of a central bank for this purpose is becoming more apparent. The creation of such an institution would go a long way in reducing the severity of recurring crises which have so often disturbed our trade, for under our present system there will always be the need, occasionally, for clearing the cumulative force of error which develops with every period of business activity. With this reform in our banking system bond values would quickly return to a basis more nearly commensurate with our growing national wealth.

Before these various and vexed questions, which involve social, financial and business changes, are settled, there will inevitably be continued confusion in the public mind as to the proper relative values of all securities. During this period it is quite clear that the higher grade bonds of well-managed corporations and municipalities will hold the first place in the regard of the investing public. The extent to which banking reform is a great national necessity was amply proven during the panic of 1907, when the credit of New York and other large cities in the country was used to ease the stress of the crisis. Government returns show that at that time in order to release the situation, national banks all over the United States were compelled to take advantage of permission from Washington to deposit high-grade municipal and railroad bonds as collateral security for Government deposits.

It is very pleasing to me to make specific reference to a security with which I have had some personal experience. Comptroller Prendergast, since assuming the management of the Department of Finance of the City of New York, has been setting an example to municipalities throughout the country by introducing sound economic principles and efficient business methods into the management of the city's financial affairs. These important reforms are producing results which will stimulate interest in municipal securities generally. The successful development of great public improvements by private capital is an important element in enhancing the value of the bonds of any large city. Within the past few weeks a gigantic underground transit system, constructed by the Pennsylvania Railroad Company at a cost of $110,000,000, has been opened to the New York public. Another great transit improvement of equal magnitude and importance is being developed by the New York Central Railroad at an estimated cost of $125,000,000. Such expenditures of private capital, and the additional facilities which the improvements afford, must necessarily bring added business to the city, thereby enlarging its taxing power and relatively increasing the value of its securities. The value of New York's bonds as an investment of the highest grade depends not only upon an added taxing

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power growing out of this and the city's large and continually increasing population as shown by the last census, but also upon the efficient administration of its business and the undoubted evidence of good faith exhibited by its administrative officers.

The future of bonds, then, is bright. Bankers should unite in a plan for a sane and sound currency. Corporations should conform to the Federal and State laws guaranteeing fair play. Cities will be better governed. The productive power of the country will increase, and wealth, which is dependent on all these things, will seek investment. And gold? Why, that will continue to pour into the world in varying quantities as in the past; always in demand, yet always stored away; a latent and an active force. As that portion of it which is a factor in this country will always be in the hands of the members of the American Bankers' Association, the ultimate solution of its problem may be safely left to them.

Amortization of Bonds.

By John Harsen Rhoades, of Rhoades & Co., Bankers, New York.

It is my purpose to explain briefly, at the outset, the theory of amortization, and the justice of the process in a proper field—the administration of an estate; and thereafter to dwell upon its powers for good and for evil when applied to the management of a savings institution.

A moment's thought to the term itself. The word "amortization" is derived from the Latin *ad*, *at*, *mortem*, death; and the French equivalent, *amortisement*, means the reduction of a debt through the agency of a sinking fund. When used in a banking sense "amortization" implies the charging off of premiums or the crediting of discounts upon securities purchased above or below par, or below par, in order that the price of a bond at maturity may be brought to par, its redemption value.

In handling an estate one must exercise care that income and principal are segregated, for income should be paid to the life tenant, and principal preserved intact for the remainderman; the fact that both life tenant and remainderman may be one and the same person does not alter the case.

When the life of a bond purchased above par through its redemption becomes extinct, the premium paid is lost. Equitably, this loss must be charged against either income or principal. Where the wording of the will leaves the method optional, premiums should be charged against income, for the reason that the life tenant is entitled merely to the interest *earned* upon the money invested, not necessarily to the interest received upon the face value of the bond.

Premiums may be amortized or written off in two ways—in whole and at once upon the purchase of a bond, or gradually. Once and for all time to charge them against *income* is a method which is unjust to the life tenant, especially so with a bond commanding a large premium, for the charge may then be so great as to consume for a number of years the semi-annual interest received from the mortgagor. The life tenant is thus deprived of income to which he is rightfully entitled. The theory of scientific amortization presumes that premiums will be gradually extinguished by reserving at each income period a small portion of the interest received, the amounts reserved being such that, at the maturity of the bond, they will total the premium paid.

For example, if a thousand-dollar bond, redeemable at par at the end of twenty years, bearing interest at 4 per cent. payable semi-annually, were bought at 110, or for $1,100, it would be purchased upon a 3.31 per cent. basis. The basis or investment cost can be ascertained from any table of bond values, and is used to distinguish the rate of interest earned upon sums invested from the rate of interest received upon the face value of the bond. In the above case the semi-annual interest received is at the rate of 4 per cent. per annum upon a thousand dollars, or $20, but the interest earned for the first six months upon the money invested, viz., $1,100, is at the rate of 3.31 per cent. per annum, or $18.22. Hence, the life tenant is only entitled to $18.22—the interest earned—and the difference, $1.78—the amortization—should be considered principal, to be set aside by the trustee to take care of the original $100 premium, which would otherwise be lost at the expiration of the life of the bond. At the second interest period the interest earned is still at the rate of 3.31 per cent. per annum, but should be computed upon $1,098.22. If this process be continued until the maturity of the bond it will be found that the total amortization will equal the premium paid.

It would seem as if, in common justice, the theory should work both ways, and we should amortize discounts as well as premiums, but here is where theory and practice must needs part, as it is impracticable for the trustee of an estate to amortize or credit discounts, because the interest earned is greater than the interest received, and he has not the funds, nor may he invade principal, to pay over the excess of the life tenant. For instance, if a thousand-dollar bond, having 20 years to run, bearing interest at 4 per cent. payable semi-annually, were purchased at 90, or for $900, the semi-annual interest received is $20. But at the end of the first six months the interest earned upon the money invested, viz., $900, is at the rate of 4.78 per cent. per annum, or in fact $21.51.

In the management of an estate the purpose of scientific amortization of premiums is clearly apparent. But the administration of an estate is quite a different proposition from the management of an institution for savings.

As already explained, it is the business of the trustee of an estate—the will permitting—to pay the life tenant, when feasible, all income earned and to preserve the principal for the remainderman, and it should be emphasized that the trustee of an estate is responsible to the remainderman merely for securities, not essentially for their cash value at the time of receipt or purchase.

In the management of an institution for savings the paramount duty of the trustee or director is to keep the invested principal of each and every depositor as if it were cash—for deposits are a cash liability—to the best of his knowledge and belief intact, and be ready, however remote the contingency, to make a cash payment in full to each and every depositor upon reasonable if not immediate demand.

With the stock savings banks, such as, with rare exceptions, characterize the West, the director is privileged to reserve out of earnings as much as he desires for stock dividends, and hence the amount of actual interest earned is of minor importance. But with the Trustee Savings Bank there is no stock, and such net earnings should be paid to depositors as are consistent with the stability of the institution, and, inasmuch as they are not money-making concerns, competing with one another for deposits, it is obvious that the banks should unite on a dividend policy subservient to the best interests of each and all, for only on such lines can they best serve the philanthropic purpose for which they were founded—the encouragement of trift.

Perhaps the merits and demerits of amortization, in its application to the management of a savings institution, can best be demonstrated by carefully scrutinizing a law recently enacted in the State of New York. It is but fair to say in its defense that the Savings Bank law governing

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investments is rigid, only the purchase of the highest grade securities being permitted.

On January 1, 1908, the country had not wholly recovered from the panic; bonds were much depressed in price; and many of our savings institutions discovered the startling fact that, if they appraised their securities at their estimated market, or probable liquidating worth, they would be unable to show a surplus. Assuming that all investments were gilt-edged, and certain to be paid at maturity, and thinking purely of dividend payments, to the exclusion of conservation of principal, they persuaded themselves and the legislature that the old law, which demanded a semi-annual report of their condition, based upon market values, should be abrogated, and that mortgages upon real estate should be appraised at par, and bonds at basis or investment cost, adjusted to date by the gradual amortization of premiums and discounts. For illustration, a bank which purchased ten years ago a 3½ per cent. bond of forty years' life upon a 3 per cent. basis, or at 111, should be permitted to value that bond today, with thirty years' life remaining, upon the same basis, or at 109, despite the fact that it might be marketable only upon a 4 per cent. basis, or 91. In a similar manner, a bank which purchased ten years ago a 3 per cent. bond of forty years' life upon a 3 per cent. basis, or at par, should be allowed to value the bond today at par, although perhaps marketable at not above 82. It can be seen that under such a law no bank could report a deficit, for to all intents and purposes all securities would be appraised at cost. Nevertheless, ignoring its powers for evil, a law permitting this procedure, and called the amortization law, was enacted. To be sure, under the general banking law of the State, the Superintendent of Banking has the legal right to demand from the banks a report based upon market values. This, however, is not mandatory, and places entirely too much responsibility upon the shoulders of the Superintendent. Bank superintendents are but human; many owe their appointment to banking interests; and, with the amortization law behind him, a man with political aspirations might be sorely tempted to shape his conduct so as to keep in good grace with the banks.

Gentlemen, this law, enacted at a time of stress, was advocated for two purposes, one laudable, the other not.

Many a savings bank man thought it expedient that interest earned for a six months' period should be accurately ascertained, for the purpose of determining the proper amount applicable to dividends, or interest credits, as they are called in the East, since the law has always held that regular dividends should be paid out of earnings, and not to the detriment of surplus; and many men were of the opinion that a uniform method of computing earnings was highly desirable. The amortization law partially serves this purpose, for if we appraise semi-annual mortgages at par and securities at basis or investment cost, and adjust this basis to date by a semi-annual amortization of premiums and discounts, we obtain the actual amount earned upon the moneys invested for a six months' period; but, in amortization discounts, although theoretically it is presumed that premiums and discounts offset one another, practically we are compelled to draw upon surplus. However, when we get at the heart of the matter, the question arises, in the management of a savings bank, what essential purpose is served by knowing the actual interest earned for any given period? I do not deny that it is of academic interest and a conservative procedure; but there are times when the Trustee Savings Institution would be entirely warranted in paying a portion of its regular dividends out of surplus—which belongs to depositors—provided the surplus be larger than necessary, and, on the other hand, there are times when the bank would by no means be justified in paying anything like the actual interest earned or even received, for the instability of the institution might demand a reduction of the dividend rate.

It may be amusing, it certainly is humiliating, to observe how some of our savings institutions have defeated the intent of the law. I wish to point out that the amortization law very unwisely fails to provide that any fixed ratio of surplus to deposits shall be maintained, and explicitly states that, after the expenses and the amortization of premiums and discounts have been duly provided for, all interest earned, as nearly as may be, shall be paid to depositors, abandoning the matter of increase or reinforcement of surplus completely to the discretion of the trustee. Such being the case, a bank striving to pay larger dividends has merely to sell those securities purchased upon low bases, viz., at high prices, charge the loss to profit and loss account, and repurchase the same, or others equally good, upon high bases. Thus a new basis or investment cost is established, and the amount of interest earned, appplicable to dividends under the law, is increased. Do not misunderstand me. There are times when a shrewd banker can quite properly sell and buy bonds to advantage, but the possibility here opened of a mischievous juggling of securities and a consequent manipulation of earnings proves the futility of the law even for a proper purpose, the computation of earnings as a basis for a proper dividend disbursement.

Now, if the old law, demanding a periodical report of assets and liabilities, or the true condition of a bank, was abrogated, and the amortization law knowingly enacted for the purpose of hiding the deficits of the future, the proceeding was and is, so long as we supinely acquisce, a disgrace to the State of New York. Let us charitably assume that this violation of the principles of sound banking was born of ignorance at a time of fear.

For the purpose of establishing solvency no financial institution in the land, barring the life insurance company, has the right to appraise its bonds at basis, or investment cost, and this single financial institution is excepted only because, by means of its mortality tables, it can ascertain its liabilities, not only their amount, but their due date, with almost mathematical precision, for they are based upon a certainty—death—but the cash liabilities of a savings bank are subject to the whim of the living.

If it be said that, in the propositions here laid down, I am theoretical and ultra-conservative, I answer that many bankers would do well to put more sound banking theories into practice; and, as for ultra-conservatism, in the handling of other people's money ultra-conservatism is a virtue.

I have set before you these facts and possible delinquencies in no spirit of captiousness or ill-will, but merely to exemplify the indifference that exists among directors and trustees towards the principles of sound banking; men who are no less immune from their responsibilities than are the heads of the institutions. Gentlemen, apathy is the shield behind which many a man shelters his ignorance. If we do not care for responsibilities we need not assume them, but if assumed, for the sake of those who have placed their trust in us and for our own sake, let us comprehend them. Directors need not always direct, but they should at least know how.

We are not here today, I take it, for the purpose of glorifying the banking methods of this country, but rather seriously to discuss the financial problems of the hour. For, if not here, where should they be discussed? A just pride in our achievements should not blind us to our faults and weaknesses. If there are weak spots in the financial structure, it is our duty to expose them, not only for our own good, but for the benefit of others.

If you will permit me to discuss further, we who have at heart the welfare of the savings of the poor, are now to have a worthy and—if feeble ourselves—a powerful competitor, the postal savings bank, and greatly as we may regret to see politicians with little or no financial experience enter the banking field, the postal bank ultimately will appeal to the people. *The savings depositor is looking for safety, not income.* Should any weakness develop among our private institutions, fear and anger, justly aroused, will spread like contagion, and our bankers, one

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and all, will be not only victims, but offenders. Of all times this is the time to be strong, standing ready, if our services are no longer required, to liquidate dollar for dollar.

I have called your attention to some faults at home. One word more. The stock savings bank of the West, although often admirably managed, is not, on general principles, a proper depository for savings funds, unless such funds are segregated and restricted as to investment. Had our bankers foreseen the imperfections of this service, and avoided or rectified them, the postal savings law would never have been enacted. If today our national bankers do not take more sincere, thorough and active interest in banking reform, and demand of Congress a Central Bank of Issue—the PEOPLE'S BANK—to be conducted under the joint control of bankers, merchants and the Government, the time will come when the people will demand of Congress a Government Bank. Shall we, the bankers, surrender banking duties, rights and privileges to politicians? Is it possible that our American bankers have no other ambition than the accumulation of wealth?

In closing, I desire to revert to the main subject and to repeat that, with the savings institution, the purpose of amortization of premiums and discounts, if that purpose be solely the determining of earnings, is scientifically correct, but as a guide for the declaration of dividends, such earnings at best are of little value, and of absolutely none unless we know the condition of stability of the institution, as measured by the market value of its assets.

Three things are certin. Basis or investment cost for the purpose of establishing solvency is dangerous, for it may be used to conceal the truth. Estimated market or probable liquidating values are ignored at our peril, for they best express the facts. The absolute truth, or the positive knowledge that we can meet our obligations, can only be learned if called upon to face them.

From all of which we can but conclude that, whatever its usefulness in other fields, in its application to such an institution as a savings bank, where deposits are a cash liability, the process of scientific amortization *may be*, and, as performed under the present savings bank laws of New York State, *it is* both a delusion and a snare.

Gentlemen, we have in our keeping the savings of the poor. It is a noble responsibility and a privilege to guard them.

Segregation of Savings Deposits.

By John H. Johnson, President of Peninsular Savings Bank of Detroit.

The subject, *Segregation of Savings Deposits*, is so misunderstood by many bankers that I deem it proper to make at least passing reference to the business of our section, which may be summed up in the brief sentence—*Proper Care of Savings Deposits.*

The modern savings bank was originally a philanthropic institution, which first saw light in England about 1810, and its policy was, by educational methods, to promote provident habits among the laboring classes. Its character was purely mutual; its first and only concern—*safety*. It was a comparatively easy matter in those and even later days for a few public-spirited citizens to start and to make successful a mutual savings bank, because the earnings on their investments were much larger than on the same classes today, and their cases were few, since they invested mostly in government and municipal bonds, safe and easy of selection, only moderately in mortgage loans, and rested there. As time went on, the country grew in population and in wealth; its people became more provident, as we had prayed, demanded more up-to-date facilities, and as a result, we have the *State bank* and the *trust company*, each a great system in itself, gradually absorbing the savings business and affording facilities far in excess of those permitted under the mutual plan, but in many States without the regulations and restrictions which experience had proven wise and prudent. Only in recent years has any concerted effort been made to unify and strengthen our banking laws, and if this section accomplishes no more than it has already done, the time and efforts of the American Bankers' Association, from its inception, will have been well spent.

Our progress recently has been very marked; our officers, law committees and the State vice-presidents aiding very materially in passing reasonable laws, organizing departments and bringing about more effective supervision, with a resulting better condition, and having made a fairly good start on our side, with firm denial of any egotism, we ask the bankers of the other systems to join with us in still further strengthening the banking situation, as a whole. In doing this, we, with positively unselfish motives, recommend as one of the cardinal necessities, *Segregation*—not for the benefit of one class, but for all.

Ex-President Geo. M. Reynolds, at our last annual convention in Chicago, voiced strong approval of such action, as have many of our leading bankers; State superintendents of banks are unanimous for it; in fact, we have had no marked opposition except from some of our trust company friends, who say our motives are "selfish"; our plan "nefarious," and that under it "modern banking would be impossible."

Segregation of Savings depositis is not a theory, but an accepted practical and desirable feature of the banking business. I take kindly exception to the flowery reference of that vigorous opponent of segragation, my good friend James of Pennsylvania, that I "live and revel in the midst of theory and that my feet ne'er touch the ground of practice." On the contrary, since leaving commercial life some twenty years ago, I have been in continuous and active service in every department of the bank, but ever mindful of my earlier experiences that to be successful *you must meet the reasonable demands of your customers;* for in no form of professional or commercial life has the client more claims than on his banker, a quasi-public official, enjoying valuable rights and franchises for which he should render compensating service. I also come from a State that has put the idea into practical workable form, and has demonstrated, not only its feasibility, but its desirability as well, where ninety per cent. of its banks operate under the dual charter, and where, in the commercial line, the National banks are dwarfed by their State competitors, the latter holding over two-thirds of the commercial business of our great commonwealth; official reports for last year showing a gain of $12,000,000 in commercial deposits, or 15 per cent.; $18,000,000 in savings, or 12 per cent.; an average on total of 13 per cent., as compared with an estimated loss to National banks of about $3,000,000, or about 2 per cent., the exact figures not being obtainable at the moment, this estimate being based on figures already published.

Segregation in some form has already been adopted in nine States, seven of them in the last five years. In Texas, it was the result of a failure which practically took away every dollar of assets from the savings depositor; a bank and trust company, operated both commercial and saving departments, became involved, and taking advantage of the time limit on savings, demanded notice on these deposits, and then, to provide funds to pay the demand commercial deposits, pledged all of the best assets, first at two for one and then at a greater ratio, with the result that while commercial depositors were nearly all paid, the bank was eventually forced to close, and the savings depositors, with their hands legally tied, were left with the undesirable and questionable assets, and suffered almost total loss. The injustice was so apparent that the Legislature of that State subse-

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quently made short work of passing a segregation law, maintaining that if deposits could be legally withheld, they should be protected.

Having shown some of the desirable features, let us take up the other side, as voiced by the opposition.

It is claimed that "Segregation makes a preferred creditor," and yet in the recommendation of the very gentleman mentioned, of an equitable plan, he provides "That such investments shall in liquidation be for the exclusive use of such deposits"—a preference, it is true, but in his own admission, a fair one.

That "a savings deposit can be clearly defined," I admit there is a diversity of opinion on this subject, and that it is difficult to make a hard and fast rule to cover all sections of the country, but every one of us in our hearts knows what a savings deposit is without being told, and most of us, at least, feel the necessity of a fair and reasonable definition of the term, and are broad enough to decide the question, particularly if assisted with reasonable legal definitions, more particularly as to time, payment of interest and the use of the word "Savings."

That it would tend to force the active or commercial depositor "to transfer his account to a bank not under its operation." From personal experience, it is quite the reverse. We found this so in the late flurry; merchants and manufacturers were entirely satisfied, and freely deposited their currency and their availbale funds, because they knew their assets could not be diverted from the channels of business by the panicky fears of the depositors of a savings department. On the other hand, a remarkable feeling of contentment seemed to prevail with the savings depositor because he also knew, first, that no savings depositor had any advantage over him, and next, that none of the assets of his department could be diverted or used in the payment of the daily demands of the merchant and manufacturer.

That "there would not be sufficient available funds to negotiate loans on commercial paper outside of that required to be invested in fixed securities." Most conservative bankers think it a wise provision that savings deposits shall not be invested in commercial securities, but our experience is that in the smaller communities this is desirable, provided it be done under reasonable restrictions, which should emanate from the banking departments and the leading bankers of the different States. It is unqeustionably advisable that there should be a secondary reserve for savings, and none is better than high-grade collateraled or well-selected commercial paper. But there should be a limit, and where possible, such loans should be restricted to collateral. This may take the form of metal in one State, cotton in another, farm or manufacturing products in another, as the particular district may be able to offer. In our State we are permitted to so loan not more than 34 per cent. of our total savings deposits, restricted by limitations as to class and amount, and even the bank with a capital of $20,000 is not handicapped nor is the community which it serves. If the farmer or the laborer knows that only a limited amount of his deposit at most can be invested in the mill or the factory, that may be the very life of the town, he is not worried, because he knows that in the event of trouble in either, the bank's possible loss is limited and his reduced to a minimum.

That "it would entail a hardship on small banks in requiring extra books and extra clerks." This again, from practical experience, is not so. Where a bank is not large enough to afford the actual separation of its departments, the work can be carried on by one and the same person, and as the records of the different deposits and investments are from their very nature kept in separate books, these features automatically take care of themselves. The division of cash and reserve is a matter of only a moment in the adjustment of a day's business on the general ledger or daily statement.

It may seem strange that I have not referred to the laws of California, where our idea is developed in its most up-to-date form, but I have only refrained that their merits might be presented to you first-handed by the other speaker on this subject, Mr. R. M. Welch, treasurer of the San Francisco Savings Union. As they are the result of close application of the experiences of years in many States to the demands and requirements of the hour, I would ask for him your kind attention.

Segregation of Savings Deposits.

By R. M. Welch, Cashier Savings Union Bank of San Francisco.

In recent discussions of this subject, there has arisen some question as to the proper definition of savings deposits. What are those deposits of a bank that should be invested in securities of a prescribed character segregated and set apart from the other assets of the bank?

For present purposes a savings deposit may be sufficiently defined as one which the depositor has designated as a savings deposit that he intends to leave it with the bank for an indefinite length of time—one concerning which he waives the right to require of the bank payment on demand, in accordance with certain conditions as to notice of withdrawal prescribed by the bank—a deposit on which, in consideration of these understandings or agreements, the bank has undertaken to pay a higher rate of interest than could or would be paid were the deposit to be only so invested that it could be returned on demand. Here it may be suggested that this definition does not cover interest-bearing certificates of deposit payable at a fixed date. It does not, and it is not intended that it should. A certificate of deposit payable at a certain date is not a savings deposit in the sense now under consideration. This is recognized by our California banking act which provides that time certificates of deposit issued by a savings bank shall be subject to the same limitations and conditions as apply to other deposits, and notice thereof shall be given by the words, "Subject to conditions of agreement with depositors," printed on the face of the certificate. The effect of this provision is that a savings bank cannot be thrown into insolvency for failure to pay its matured certificates of deposit, if in times of stress or panic it is unable to realize sufficiently on its investments to meet the demands of its depositors.

Having determined what we shall class as savings deposits we will now proceed to consider whether it is desirable that such deposits, when held by other than the exclusive savings banks, should be put into investments of a specified character segregated from the other assets of the bank, and the methods of so doing.

Banking is a business in which all persons are free to engage; the unqualified can be eliminated only after they have tried the experiment, and failure results rather from errors of judgment than from misappropriation of funds. The average individual who desires to save a portion of his earnings cannot determine for himself the relative qualifications of those persons or association of persons who, having obtained the necessary capital and the sanction of the State, invite the deposits of the people. It is entirely consistent with the duty of the State to its citizens that it should, so far as possible, by prescribing the protection that shall be given to certain funds, minimize the chances of loss through errors of judgment on the part of those persons it has licensed to deal with other people's money.

It may be suggested that with the establishment of the postal savings banks the need of legislation to protect savings bank depositors is past; that the postal savings banks

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are intended for just those classes of persons, incapable of thinking for themselves in matters financial, for whose protection legislation is supposed to be necessary, and that if they intrust their funds to any but the postal banks they do so at their own risk and must take the consequences. No other term than "silly" is properly applicable to the supposition that on the opening of the postal savings banks all savings deposit will be transferred to them, and all future savings carried to them. The savings banks of the country, both mutual and capitalized, as well as those commercial banks and trust companies that have received savings deposits, have discharged their functions in far too satisfactory a manner to either lose their deposits or fail to receive further patronage.

Statistics gathered by the Comptroller of the Currency as of April 28, 1909, for the use of the Monetary Commission, being the most recent returns available, show the total savings deposits in the United States to be roundly 4,926 millions of dollars—figures less than a million are excluded. Of this amount 3,507 millions are held by the exclusive mutual and stock savings banks, 576 millions by loan and trust companies, 451 millions by State commercial banks, 376 millions by the National banks and 15 millions by private bankers. The deposits in the exclusive savings banks may be dismissed from consideration as being amply protected, and there remain the 1,042 millions of savings deposits in the State bank and trust companies, and the 376 millions in the National banks, for which segregation is asked. These figures are something less than those gathered by our secretary, Mr. Hanhart, about the same date, but they are sufficiently accurate for our purposes, though it is proper to say that the report of the Comptroller of June 30 last shows nearly 574 millions of savings deposits in the national banks. How much of this amount may be interest-bearing certificates of deposit, payable at dates certain, which we have elected not to consider in this connection, it is impossible to say. The National banks in California report roundly ten millions of savings deposits, but for reasons as hereinafter stated these are believed to be largely time certificates.

With no definite statistics in hand, it may yet be safely assumed that the great bulk of the so-called savings deposits in the State and National commercial banks are held by the country banks in localities where no exclusive savings banks exist, and these deposits have proved a most potent factor in the development of the industries of the respective communities in which they were accumulated. Their further accumulation should be encouraged and there should be legislation regarding them to protect the depositor and also the banker who receives them.

Segregation of savings deposits in the State banks of California has been effected through the Banking Act passed by the Legislature of 1909. It divides the banks into three classes—commercial, savings and trust—and creates what are termed Department Banks. If a bank elects to conduct more than one class of banking, it must have a department for each class. The assets of the respective departments must not be mingled. Each must keep its assets separate and distinct for the benefit of the creditors of that department. This law went into effect July 1, 1909. The reports made to the Superintendent of Banks June 30 of this year, after a twelve months' experience with the law, show that of the 491 State banks (including 36 branches), 143 have savings departments with department aggregating 128 millions of dollars. The 123 single class savings banks of the State hold 204 millions of dollars of deposits. Incidentally, it may be stated, as an item of interest, that of these single class savings banks, one only, but the largest, holding fifty-three millions of dollars of deposits, is a mutual bank. The others are all capitalized stock banks. The report to the Comptroller of the Currency, compiled as of the same date, shows that of the 185 National banks in the State, 46 hold $9,954,000 of savings deposits. Further reference to these will be made later on.

The earliest legislation in California relating specifically to savings banks was adopted in 1862, and being inspired by persons who were forming a capitalized savings bank, particularly contemplated banks of that character, of which at that time few, if any, existed in the entire United States. The restrictions as to investments were well devised, and all subsequent legislation has been calculated to give abundant protection to depositors in savings banks.

In all the period of apprehension and distrust which totally followed the San Francisco disaster of 1906, and which the universal panic of 1907 further accentuated, no California savings bank defaulted to its depositors. The most noteworthy failure of that period in California was a San Francisco miscellaneous banking and trust institution which, by offering an abnormally high rate of interest, had attracted $4,200,000 of savings deposits. In the absence of any restriction as to the investment of these deposits, they went into the common pot and with the funds of other depositors were dissipated in transactions which, when characterized as reckless and ill-considered, have received the most charitable expressions applicable. It was this distressing occurence coupled with the failure of three similar minor institutions which had also attracted a small line of savings deposits, that inspired the existing legislation and introduced the segregation of savings deposits in California.

Under our present banking law the aggregate of the paid-up capital, together with the surplus of a bank, must equal ten per cent. of its deposit liabilities, and its deposits must not be increased when this proportion of paid-up capital and surplus is wanting; ten per cent. of net earnings must each half year be added to the surplus until it equals 25 per cent. of the paid-up capital, but no savings bank is required to have a paid-up capital and surplus of more than one millions dollars. These conditions are alike applicable to the savings department of a department bank. The investments legal for savings banks are clearly defined in the banking act and are based largely on the provisions in this respect of the New York Savings Bank Law.

The assets of a department are held for the repayment of the depositors of that department until all are paid; any surplus then remaining is applicable to the other liabilities of the bank. By this system it is believed that a complete and satisfactory segregation of savings deposits has been effected.

But however admirable the proposition may appear that in a bank receiving other classes of deposits, savings deposits shall be segregated and their safety assured by investment in securities of a prescribed character, it would be unfair to a proper consideration of the subject if we ignored the question whether in the liquidation of a bank all the creditors, meaning thereby the depositors, would not be entitled share alike in the distribution of the assets, and that no particular assets could be set aside to pay certain depositors unless the remaining assets were sufficient to pay all other depositors. This is a question which, so far as known to the writer, has not yet been judicially determined in any State where the system of segregating savings deposits exists. If the assets of an insolvent bank must be distributed in the proportion to all depositors, then segregation is meaning less as an additional protection to the savings depositor, except to the extent that it injects a higher class of securities into the assets of the bank, thereby raising the average value of the whole. In answer to this it may be suggested, cannot the contractual right be relied upon to protect the depositor? When a bank receives a deposit designated as a savings deposit, does it not contract with the depositor to invest and hold the deposit for his benefit in accordance with the law of the State for the protection of savings deposits?

Referring now to savings deposits in the National banks, it will be interesting to consider the position taken by our Superintendent of Banks towards those in California holding such deposits. In August of last year, shortly after he had taken up the duties of his office, he addressed a letter to each of the National banks, callings their attention to the provisions of the new law relating to savings deposits, and stating that he believed it to be his duty to

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bring under the provisions of the savings bank laws of the State all institutions conducting or advertising as savings banks, or having savings departments, and directing any such to immediately comply with the provisions of the State Bank Act by applying to his office for a certicate to do such business, and by otherwise qualifying under the law to conduct a savings bank business. In support of his position he quoted an opinion obtained from an eminent jurist and coincided in by others, which is as follows:

"The question involves the all-important one of the relation between the State and Federal Government as well as a construction of the National Bank Act. National banks are instruments designed to aid the Federal Government in an important branch of public service, and beyond the point of aiding the Federal Government in the manner and by the exercise of the functions prescribed in the act, Congress has not sought to legislate and has not limited the States from legislating upon affairs bearing on the business of banking and which affairs can be best administered upon by the States in their sovereign capacity; and while Congress, in the exercise of an undisputed constitutional power to provide a necessary currency for the whole country, may secure the benefit of it to the whole people by appropriate legislation in the creation of National banks, yet those banks are none the less private corporations, organized under the general laws of Congress by individual stockholders, with their own capital for private gain, and managed by officers, agents and employees of their own selection, and they constitute no part or branch of the Federal Government, and whatever public benefit they contribute to the whole country in return for those grants and privileges conferred upon them by Congress, that benefit is of a general nature arising from them by their relation with the people through individual citizens and they do not act as a direct representative of a State as a body politic in exercising any function. Being private in their nature, and the profits or losses resulting from their business being not shared or participated in by the Government, the measure of their public benefit and the scope of their instrumentality in aid of the Federal Government, must find its authority in the National Banks Act, and beyond the grant in that act National banks must obtain from State laws any privileges enjoyed which are not within the National Bank Act.

"Therefore, if any law enacted by the State shall prohibit a National bank from transacting a savings bank business without first complying with the law of the State, such prohibition in no wise affects these banks as instruments of the Federal Government, since every function that they perform that in any way relates to a public service to the Federal Government can be fully performed without engaging in the business of a savings bank, and it is manifest that the State can require of any National bank, when it gets beyond the purposes for which Congress provides that they may be instituted, and engage in a business that the State in its sovereign capacity has deemed necessary to regulate, that they must submit to this State regulation and be subject to its control.

"I, therefore, am of the opinion as the commercial world recognizes the distinction between a commercial bank and a savings bank, and as that same distinction is recognized legislatively and judicially, that Congress had that distinction in mind at the time of the passage of the law providing for the creation of National banks, by the omission to include in the scope of power granted to National banks any provision relating to savings bank business, and its omission so to do was intentional, leaving the bank subject to State control if it gets beyond the limits granted to it by the act of Congress, and that Section 49 of the Bank Act of California, as approved March 1, 1909, applies with equal force to a National bank as it does to a bank organized under the laws of the State of California."

In answer to my inquiries at the State Banking Department, I am told that the National banks in this State generally have discontinued advertising savings departments and receiving savings accounts, except in the form of interest-bearing certificates of deposit which they have the unquestioned right to issue. This is the basis of the opinion I have elsewhere expressed herein that the savings deposits credited to the National banks in California by the recent report of the Comptroller represent largely, if not entirely, interest-bearing certificates of deposits.

It is not desirable, however, that the status of savings deposits in the National Banks should remain thus undetermined. Congress should recognize and legislate for them, providing for their proper segregation and investment. With the deposits of a like character in the State banks distributed throughout the country, these savings furnish the capital to plough and water the waste places of our vast domain. Everything should be done to encourage their further accumulation; nothing to drain them away from the localities where accumulated.

The Savings System in the Public Schools.

By Newton F. Hawley, Treasurer Farmer & Mechanics' Bank, Minneapolis, Minn.

The public schools of this country have not in general undertaken the function of teaching children the art and habit of saving. The example of France in that regard with the resulting frugality, thrift and prosperity of its people, raises the question whether it would not be proper and profitable for the schools of this country to inaugurate such instruction. The tendency of American life is to spend rather than to economize. This can be checked probably only by a long system of education. Will not the training that provides for the welfare of the family have sufficient importance even when compared with the ordinary studies to warrant the making of some effort in this direction? Is the home always able to give the necessary training?

While some may hesitate to add another subject to the present over-burdened curriculum of our schools, yet there are many considerations in favor of such a course. The schools bestow upon all, however poor or alien, not only teachers, buildings and books, but also supplies, playgrounds and even food. May it not be wise for the schools also to attempt to inculcate at least one habit pointing into other directions, and which will tend to make self-sustaining men and women out of more or less helpless children?

Instruction in thrift in order to overcome thriftlessness, in saving in order to meet the tendency to waste, in accumulating slowly rather than in getting rich quickly, is so necessary, means so much to the benefit of the individual and the family, and to the prosperity of the community, and is at the same time so proper a part of a child's education, that private enterprise in more than a hundred American cities is already undertaking the work, until such time, if ever, as the public schools shall generally adopt it.

How this work was started and is being operated in the public schools of Minneapolis may be of interest.

The Associated Charities of Minneapolis, about five years ago, with the consent of the Board of Education of the city, introduced into the public schools the stamp system for saving. The Board of Education had been advised by the city attorney that it did not have the legal right to establish and maintain such a system, principally on the ground that the work was a banking and not an educational function, and not permissible under the School Board's charter.

The Associated Charities operated the system for about three years, and with one collector introduced it in about a dozen grade schools out of five times that number in that city. But the work became so great and the funds received so large that in 1908 the Association sought to be relieved of a work which was somewhat alien to its own primal purpose. It requested that the work be taken over by the Farmers & Mechanics Savings Bank of Minneapolis, which is a strictly mutual savings bank with over fifty thousand depositors. Such an institution being somewhat educational in its purpose, such a work was, therefore, not greatly foreign to it. The Clearing House Association of the city

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joined in the request. Thereupon, in September, 1908, this bank with the express authority of the Board of Education, took over the system and is now operating it in about forty-seven of the grade schools of the city, in which there is a school attendance of about 39,000 children.

The method under which it is operated is the following:

The bank employs for its work five bright, intelligent and enthusiastic young women as collectors. They go to the various schools once a week, explain to the children, when necessary, the system and its purpose, as well as the benefits of learning to save. These collectors receive the money presented by the children. Not exceeding five dollars in the aggregate is the amount received from any one child. The collectors attach to a stamp card furnished by the bank variously colored lithograph stamps equal in amount to the money offered by the child and the card is returned to the child. Accounts can be opened and money can be withdrawn only upon the written request of the parent or guardian of the child, and money can be withdrawn only by the surrender of the stamps attached to the child's card. Rules are plainly printed upon the card. But little bookkeeping is necessary. Few cards are lost. The child is impressed with the interest of preserving the card and is thus taught to carefully safeguard at least one thing among its many possessions.

No bonus or reward of any kind is offered for accounts. No interest is paid until the account is transferred into a regular passbook in some savings bank. No appeals are made except those which are purely educational and which suggest the right uses for which money is to be saved, and those things which children naturally want to buy and, therefore, can be induced to save their money for. The collectors incite the children to earn money in the various ways which appeal to children, such as selling papers, doing odd jobs, raising flowers and vegetables, saving the allowances and money given to them as presents, and money which they usually spend for candy and entertainment. The children are encouraged to save for the specific thing they want—for baseball, football and tennis outfits, sleds, skates, canoes, books, presents to others and a hundred concrete things. We trust to the tendency that in doing these specific things the children will unconsciously acquire the saving habit and with it the strength of character to resist, economize, to accumulate and to plan ahead.

A few statistics may be of interest. The number of children depositors when the bank took over the system in June, 1908, was 1,735; in June, 1910, the number was 12,728. The amount on deposit in June, 1908, was $2,025; in June, 1910, $22,639. The total number of children who made deposits during the last school year of 1909-1910 was over 21,000 out of a total school population in the 47 grade schools of about 39,000, and the total amount deposited during the year was over $39,000. Of the amount withdrawn nearly one-half was taken out and put into regular savings passbooks in this or some other savings bank.

A few words as to results. Two years is too short a time for a satisfactory test of a system involving so many individuals. Already, however, the great educational value of the plan seems apparent. Teachers and parents by the score and by the hundreds commend it and volunteer many specific cases, showing benefits to their particular children. Many a dime and dollar is earned and saved where otherwise it would not have been; but better still—many a child learns frugality and the habit of economy and saving. Seemingly the effects well establish the benefit of the system.

The expense of its operation is, of course, greater than any interest or income that can come from the funds collected—being about three to one. This expense can be justified possibly on two grounds: First, the purpose for which the trustees of a mutual savings bank give their service is philanthropic and educational. In an institution such as the bank in question, in which there are about 50,000 depositors in a city of about 300,000 inhabitants, there is on the average one depositor for every six men, women and children in the city. Such a bank in such a city is really a public educational institution. It has not been deemed improper, therefore, that the bank should lend itself to some of the purposes to which the trustees in founding and maintaining the bank have devoted themselves. Then also, while it is not the custom of the bank to advertise, yet there can be no question but that this system which sends its literature in a form to be prized and safeguarded into nearly every home in the city will become in time, if not at once, of value from simply an advertising standpoint. But whatever the expense may be, it is small for a large bank—much smaller in any one year than some commercial banks of no greater deposits spend in a month for advertising, and is amply justified in practice by the benefit bestowed upon the great numbers of children and the ultimate prosperity and character of the depositors in the bank and of the community in general. Whether it is possible to trace back to the bank in dollars and cents the comparatively small amounts which it spends on this system may be difficult. But that the people of the American city need education in thrift and economy, and that this system gives such an education to the children in the most plastic time of life there can be no doubt, and in my own opinion the bank itself as well as the community will profit by it.

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Thrift.

By Rev. Robert J. Burdette, of Pasadena, Cal.

Thrift—it defines itself better than any other word or phrase can. "The condition of one who thrives," says that safety deposit of human knowledge, the Century Dictionary. That's what I thought it was, but that isn't just all of it. "Luck," says the omniscient lexicon, trying again, "fortune, success, prosperity." Then it pauses for breath and reflection. Learning that it has another guess coming, it adds, "Frugality; economical management; economy." A long silence, and the silence of dissatisfaction among the judges, and the dictionary makes a final and a good shot at it—"good husbandry."

Now, after all, what is thrift? Just thrift. It is an old English word, and, like most old words, has rustic associations. The word brings to one's mental vision a clean farm, not over-acred, but without a weed or mortgage on it; a farmer who has men to do his work and a farmer's wife with servants in the house and leisure afternoons for herself, in spite of all which the man does more work than any two of his hired men and the woman does a little more than half the housework. He takes the paper and reads it without spelling the words of two syllables aloud; is a church member; a school trustee; owns a little mysterious dividend-paying stock, which the neighbors always mention in the plural; loans a little money on cut-throat security and compounds all the overdue interest; is kind-hearted and slow spoken; forecloses a mortgage with a smile and an encouraging prophecy of better times just ahead for the mortgagor. Pays every obligation on the minute and to the penny, takes advantage of every holiday and Sunday, and always waits for the change. Waits till he gets it, too. But if the odd penny in the transaction is coming your way, he hesitates and gazes at you with a pathetic note of inquiry in his expectant eyes. If, with half an eye on that penny yourself, you mumble over so indistinctly, "O! that's all right!" he fades out of the scenery so swiftly and completely that you think you must have dreamed you saw him standing there a minute ago. Never wronged any man out of a dollar, and no man ever did him out of a nickel. Carries his money in an old-fashioned wallet, with more and tighter folds than a boa-constrictor, with which he wraps up his wad very rapidly when he has received a payment, and unwraps it with the deliberate motions of a man working by the day, when he is getting out money to pay over to you. When his wife wants a dollar for shoes for herself and the five children, it takes him longer to unroll that wallet than it did to unveil the Washington monument. When he dies, which he does very reluctantly, he leaves his family well provided for. Well, that's thrift.

The family then proceed to cut the thong off that wallet, close up the leather and rip it up the back, preparatory to giving a practical demonstration of spendthrift.

There is a vaudeville song which had great vogue a few years ago, which embodies a most excellent philosophy of thrift. Being a minister I had to learn it from my sons, but they say I sing it very well, for a preacher. The refrain line runs like this:

"Every little bit added to what you've got makes just a little bit more."

That is the philosophy of wordly prudence and thrift, and it is excellent, so far as it goes. The savings bank is the best school of the best thrift.

A little tin savings bank on the mantel for the baby; a little iron one on his table in the boy's room; a big vault of chilled steel for father; a little corner in the bureau drawer, where everybody else can get at it, for mother. All good training in saving. Lay by a little of it as it comes in.

A little bit out of every pay envelope; enough to patch the leak in the roof; enough to provide for the "rainy roof"; enough for the little holiday once in a while; enough for a new book, and an evening at "the show"; enough for the dreary days of sickness.

Enough to pay every bill when it is presented. Enough to take up the note when it is due. Enough to save a man from becoming the unmitigated nuisance that is always borrowing quarters and halves, knowing they are obligations too small to justify a dun.

Enough to save the humiliation of walking home because you haven't the car fare. Enough to enable you to fearlessly meet the eye of the deacon as he comes down the church aisle with the basket.

Enough to make you sure of finding the dime in the corner of your pocket when you dive after it. Just enough in the bank so that when your wife needs a little extra money for little emergency demands in the household, she won't come to you with the air of a woman who has made up her mind to suicide or murder, and doesn't care very much which.

That's thrift. That makes a man rich on a salary, and no man ever yet got rich on a salary. But he can acquire the habit of thrift on the smallest salary, and that is much the same thing as wealth.

"Just a little bit" more—just enough to send the children to school; enough to teach the boy a good trade or start him in the way of good business; enough to marry the girls well and happily; enough to keep an extra loaf in the larder.

And a cup and a crust on the table for a friend who comes out of his journey; enough for the waning strength and shortening hours of old age; enough to maintain the little sinking fund of non-transferable debentures to meet the last expenses on earth.

"Every little bit added to what you've got makes just a little bit more." That's all good. It's excellent. It's sound policy. It's practical wisdom. It's thrift. We ought to learn it ourselves and teach it to our children. It is good judgment, sensible foresight. Earn, save, lay by enough to keep the wolf away from the door when the hearse, with its sable plumes, halts to receive its freight of nothingness. And then ——?

You see, a man sort of hates to close his account and take his name off the books of the bank of which he has been for so many years an honest and honorable and respected customer. Any man, thrifty or shiftless, dislikes to die. He hates to die.

For, in all God's world, there is nothing quite so worthless as a dead man. A minute ago that man was worth fifty million dollars. Now, he is poorer than the poorest pauper in the almshouse. He doesn't own the shroud in which he is clothed, nor the casket in which he sleeps, nor the grave in which he is interred. The shroud and casket have a monetary value. The body has none. It hasn't even the value of individuality. No wonder a thrifty man hates to die. A minute ago he was the Honorable Dives Midas, or the Very Reverend Melchizedek Boanerges, or Major-General Julius Napoleon Centerfire. Now he isn't anything. He is the saddest and most insignificant of all human things, a "has-been," for we speak of him as "The Late Mr. Soandso." He used to be somebody. He is less than nothing. For he isn't even "he" nor "him," any more. He is "it" with a little "i." We sever his last connection with the human race, and classify him among things, taking away even his personal pronoun. No wonder a thrifty man. who has been somebody—anybody—in his day, hates to die.

And he doesn't have to die. There's no need of a thrifty

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forehanded man dying. Only the thriftless perish. If a man begins in time, the cultivation of a habit of thrift will keep hime alive forever.

If, as he saves his money, he adds to his deposits in "The Department of Mercy," so beautifully described by Mr. Edward M. Robinson in a paper read before a previous session of this association; if, as he saves his wages, he saves his sympathy, his patience, his kindliness; if, every time he adds a little bit of his money to what he has already got, he adds a little bit to his generosity, his neighborly helpfulness, his unselfishness, his charity, he'll have just a little bit more every pay day.

Then when he appears at the little wicket in the big pearly gate and says, "Well, here I am at last. There's one thing, you can put off only so long"; St. Peter will say, "Have you your deposit book?"

And the thrifty man will hand it over with an anxious face, wondering if he is going to get one of those pleasant little "red ink" reminders of an everlasting overdraft.

And the books won't agree, any more than the depositor's book ever agrees with the cashier's account down here. And just as the man is growing nervous, the saint, who has been comparing the two books, with a smiling face, will say:

"Why, man, your book of Forgettery is an eternity out of balance with our book of Remembrance. There's a thousand transactions you haven't entered at all."

And holding the thrifty man's book of "givings-away" in one hand, he will open the gate wider than Sunday with the other, and say:

"Come in, man, come in, you've got a balance here you can't spend in a million years."

You see, down here we measure a thrifty man's fortune by what he leaves. Up There, they count it by what he gave away.

These are two systems of thrift. One is just as thrifty as the other. Only, one lasts a few million years longer than the other. That's all.

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The Building and Loan Movement in the United States.

By James M. McKay, Secretary of the Home Savings and Loan Company, of Youngstown, Ohio.

Financial institutions everywhere may be divided into two great groups of classes known as the capitalized and the mutual. The capitalized institution is the one that is familiarly and commonly known, especially to people west of the Allegheny mountains. It is a private corporation, pure and simple, with a certain amount of permanent paid up capital stock, which is owned and held as private property and which can pass from one owner to another only by purchase and sale. Such an institution deals with the general public by contract only, and the gains and losses of its business inure to the benefit or the detriment of the owners of its capital stock. To the capitalized class belong all private banks and national banks the country over, all trust companies and all State banks that do a commercial business and also practically all of the State banks that do a savings business in the Central and Western States.

The mutual institution on the other hand, might fairly be described as a semi-public corporation; that is to say, in any community where such an institution exists any citizen of the community may become a member of the institution by complying with certain reasonable rules and regulations, and while he is a member he receives his pro rata share of the ultimate profits of the business, according to the amount of money he has invested. He may likewise terminate his membership under certain other reasonable rules and regulations, receive his money back and retire from the institution. In the mutual group there are but two sub-classes, and these are the Mutual Savings Banks of the Eastern and New England States and the Co-Operative Building and Loan Associations, which exist in varying numbers in practically every State in the Union.

Building and Loan Associations had their origin in England about one hundred years ago. The original association was nothing more nor less than a home-builders' club, where each man paid into the common treasury a certain sum per month. The aim was to secure enough members to make the monthly payments aggregate a sum sufficient to build a modest home for one member. For instance, if the club had a hundred members and each member paid the equivalent of $10 per month, it would bring into the treasury a total sum of $1,000 monthly. This money would be allotted to one member after another for the purpose of buying or building homes, and the society would take a mortgage on the home so procured to secure the future payments, each member continuing to pay until all had been supplied with homes. The object of the club having thus been accomplished, the association would dissolve and cease to exist.

At a very early period in the history of these associations the idea of shares was introduced. By means of these, the man who wanted to invest more money and thereby be enabled to build a better home than his fellow members, could be accommodated. Thus if the ordinary fund to be allotted for building purposes was $1,000, a member could, by doubling his payment, receive an advancement of $2,000 and have his payments cease at the same time as those of his fellow members. Or by increasing his payments fifty per cent. he could receive $1,500 to build his house, and other sums in like manner, the amount of money he could borrow from the society depending on the number of shares subscribed for. The face value of the shares would, of course, vary in different associations. In the Eastern part of the United States, especially in Pennsylvania, shares of the face value of $200 each have always been the rule, while west of the Alleghenies $100 shares are common. In the matter of shares the Building and Loan Associations are directly opposed to the Mutual Savings Banks. These latter have no capital stock at all, while in the former, as a rule, there is nothing but capital stock, and the person who places his money in a Building and Loan Association does so in the payment of one or more of its shares of stock. Whenever his payments, together with his share of the profits, makes his stock worth its face or par value, the shares are said to be matured.

It will be seen from the very nature of the organization that regularity of payment for a series of years must, in some way, be secured, and in order to secure such regularity, a certain penalty was assessed against members who became delinquent. These were called fines, and while the original purpose was to secure regularity of payment, it cannot be denied that in some instances, the power to assess fines was abused and the penalty charged was out of all proportion to the delinquency. This feature sometimes worked a hardship, and had a tendency to bring the associations into disfavor in certain localities. In the State of Ohio a case involving the assessment of fines went to the Supreme Court in 1875, and that court arbitrarily imposed certain limitations on the fining power of the associations. At first this decision was regarded as adverse to the interests of the associations, but now it is considered one of the best things that ever happened to them. As a result of it, the associations of Ohio were compelled to adopt a more liberal policy, and this liberality proved to be the means of attracting new members, until Ohio has become one of the leading Building and Loan States of the Union. The official records of the State show that the amount of money collected for fines is steadily decreasing, having fallen from something like $80,000 in 1895 to about $20,000 at the present time. It is believed that in time a similar liberality will obtain in other States, and that fines will gradually be eliminated from the Building and Loan system. At the same time it cannot be denied that there should be some special reward for the man or woman who continues his payments with strict regularity through a series of years. It requires fortitude and self-denial to carry on such payments, and these qualities should be rewarded; but this can probably be accomplished better by adding an extra profit to the man who persists rather than by withholding part of the profits from the one who does not persist.

In the early associations there were various modes of determining who should first have the right to borrow from the society. Practically all the members wanted to build and would be willing to pay the customary rate of interest for the funds, and there were always some who would be willing to pay more, hence the method which finally obtained the most favor was to put the money up at auction at the regular monthly meetings of the society and let the one who would pay the most for the funds have the use of them. The amount that any member bid in excess of legal interest was called a premium, and as the premium went into the common fund and inured to the benefit of all the members, the legality of the premium has almost universally been upheld by the courts. In theory, this was a fair and reasonable way to determine who should take precedence in the right to borrow, but it cannot be denied that premiums, like fines, became the subject of abuse and worked a hardship in many cases. The National associations that exploited the country from fifteen to twenty years ago, seized on the fines and premiums as two important features of their system and made them the means of mulcting thousands of individuals throughout the country.

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Premiums, I am glad to say, are like fines, a vanishing quantity. Referring again to the official records of Ohio, we find that in 1895 and 1896 with mortgage loans aggregating about $90,000,000, the associations collected over a million dollars in premiums, while in 1909, with mortgage loans of practically $140,000,000, the amount collected as premiums had fallen to about a hundred thousand dollars. The time is not far distant when both fines and premium will disappear entirely from the Building and Loan system. In principle, there is no reason why a Building and Loan Association should charge either more or less for its money than other money lending institutions are charging in the same community at the same time.

The payment of interest on the money advanced for home building, the premium bid by members over and above the legal rate of interest, and the fines assessed against delinquents constituted from the very first a handsome source of profit to these associations, hence, early in their history there were inducements to people to become members, not only for the purpose of acquiring homes, but also on account of the profits that accrued; and thus arose the two classes of members, depositors and borrowers, which still exist in every healthy, successful association. The introduction of the depositing member was in no sense a departure from the original purpose of the association, but was rather an additional means of securing the same end, as the depositing member paid into the common treasury the same amount in proportion to his shares that the would-be borrower paid, thus increasing the amount of the funds to be allotted to home builders and making it easier and speedier for them to get their homes. The investing or depositing member has always been an important factor in these associations, and in our crowded industrial communities today the chief problem of many associations is to attract enough of them to supply the demand for loans. In order to attract depositing members certain privileges are allowed in the way of withdrawal of shares before they mature, but while the depositor is a member he pays regularly on his shares.

In the early associations it will be seen that as soon as the last man was provided with the funds to build his home, the object of the club had been accomplished and the organization was ready to disband. In like manner, after the introduction of the depositing member the association ran a certain course and then wound up its affairs, the investors taking their shares in cash, while the borrowers had their mortgages released and their homes freed from debt. These were called terminating societies, because in a certain definite time their affairs were terminated. It was often found, however, that after the original association was started that others in the community wished to become members at a later date. Originally, this could not be done, and the only recourse was to form a new association, but as this was cumbersome and expensive, it was not long before associations were formed which allowed members to join at certain stated intervals, these intervals being sometimes a year apart, sometimes six months and sometimes three months, according to the number of new members that could be secured. These were called serial associations, and each group of members constituted a series. Each series was in reality a terminating association, having its loans and its shares distinct from those of any other series. As the shares of each series matured, the borrowers had their mortgages cancelled and the investing members received the value of their shares in cash. The serial association had many advantages over the terminating society; it became more of a feature of its community, better methods of accounting were introduced and its officers became more experienced and, consequently, more competent.

About the year 1870 in the city of Dayton, Ohio, there appeared a modification of the serial plan, which has since become known as the Dayton or permanent plan. In the serial association the man who wanted to join at any time between the regular dates for opening a series, must either wait until the next series was opened or he must pay back dues from the time the last series was opened. This was not always convenient or advisable, and the permanent plan allowed a person to become a member at any time and take as many shares of stock as he would. Each member could thus mature his own shares independently of anybody else, and each borrower could likewise pay off his own debt in the same way. Fines and premium were reduced; more liberal provisions for withdrawals were made, and members were permitted to retire at any time, taking their share of the net profits with them. The liberality of this plan appealed to the general public, and it has superseded the terminating and the serial plans almost entirely in Ohio, and many of its features are being adopted in other States. It is still a battle royal whether the serial or permanent plan is the better, and arguments on this point occur at practically every meeting of the United States League of Local Building and Loan Associations. It is worthy of note, however, that while many associations have changed from the serial to the permanent plan, the writer has yet to learn of one that has changed from the permanent to the serial.

In every association, whether terminating, serial or permanent, at certain stated intervals the profits of the business are ascertained. In the older associations it was the aim to keep these profits in a common fund until the time for final dissolution of the society. Any losses that occurred were paid out of these accummulated profits, and the payments of the members were continued until the amount of such losses was made up to the society again. At a later date, and largely for the purpose of accommodating withdrawing members, it became the custom to apportion the profits more or less fully among the members as a dividend. At first these dividends were usually declared annually, but now semi-annual dividends have become the almost universal rule. In the terminating societies, however, a part of the profits is still withheld until final dissolution, in order to be safeguarded against loss. Likewise, in most serial association, the profits of each series are partly withheld until the series matures. In the permanent association, however, the society is secured against loss by means of a reserve fund, which is now obligatory in many States. Each association is required to lay aside a certain percentage of its net profits each year for this fund and the fund can be used for the payment of losses only. In this particular the associations are in line with the Mutual Savings Banks of New England and the East.

These associations form an important factor in the savings business of the country. They not only afford an opportunity for the saving of small sums at regular intervals, but they enforce the saving of such sums as far as it is possible to do so. From a very modest beginning, some eighty years ago, their business has increased until now, according to the best information obtainable, their combined resources aggregate $850,000,000. Pennsylvania heads the list, both in the number of associations and in the amount of resources, with Ohio as a close second. Wherever there is a large class of wage-earners there is a good field for these institutions. An investigation of certain typical associations by the Department of Labor at Washington, some eight years ago, developed the fact that fully seventy per cent. of the membership is made up of working people. Hence, we find them not only in the steel and iron mills of Pennsylvania, but also in the factory towns of Massachusetts, the cotton spinning districts of the South and the growing cities of the Great North-West.

In enabling people to provide homes for themselves, these associations are rendering a service at once unique and invaluable. There is nothing that gives the average man or woman quite so much satisfaction as the possession of a few square rods of Mother Earth. Land hunger has long been considered one of the chief characteristics of the Anglo-Saxon race, but it seems to characterize the Italian,

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the Roumanian and the Slovak as well as the Anglo-Saxon. Our foreign immigrants are hungry for homes and will make great sacrifices to obtain one. Wage-earning people are accustomed to pay rent, and it is not difficult for them to add a few dollars to the monthly rental and apply it on a home. Loans are made by the associations up to about two-thirds of the value of the property loaned upon and such loans are usually repayable at the rate of one dollar per month on each hundred dollars borrowed, with the privilege to the borrower to pay more at any time. If the borrower should sell his property the association will, as a rule, accept payment of the balance due and release the mortgage. If he does not sell, his regular payments will in time extinguish the debt. Paying a debt in instalments is like attacking an army in detail; you conquer one instalment after another until the whole debt is annihilated. On account of the great amount of clerical work involved, this form of loan has never found favor with banks and trust companies, but it does find favor with the wage-earning public. As a rule, the borrowers pay more than the required payments. Our own association makes a loan which allows the borrower ten years' time in which to pay his mortgage off, but the average duration of these loans with us is but little more than five years.

The Mutual Savings Banks are managed by a board of trustees, appointed sometimes by a court, but more frequently by the board itself filling vacancies as they occur. The Building and Loan Associations are managed by the members themselves, who convene at their annual meeting, choose their Board of Directors, listen to reports of the officers and amend their own regulations when necessary. In this way a certain amount of business training is had which is not without its value. It has long been recognized by social workers that one cannot directly help people upward. All that can be done in such cases is to provide a way in which people can help themselves. The writer knows of no agency that furnishes to wage-earning people an opportunity for self-help equal to that afforded by a well-regulated Building and Loan Association.

In their relation to banks these associations have always occupied a subordinate position. Where the permanent plan prevails it is usually provided by the statute that the funds of the association shall be deposited in some bank or banks, to be checked out in such manner as may be provided by law or by the regulations of the society. Under the terminating and serial plans, whenever the association dissolves or a series matures the depositing membehs receive a considerable amount of cash, which is ready for investment through regular banking channels. I would, therefore, bespeak from the American Bankers' Association your kindly consideration of these associations, partly on account of the business which they produce for the banks themselves, but mainly on account of the service which they render in providing American homes for American citizens.

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Committee Reports—Savings Bank Section.

Annual Report of the Executive Committee.

To the President and Members of the Savings Bank Section:

A meeting of the Executive Committee of the Savings Bank Section of the American Bankers' Association was held in Chicago, Ill., September 16, 1909, immediately following the adjournment of the Convention. There were present: Messrs. Creer, Robinson, Johnston, Ravenscroft, Teter, Johnson and Hanhart. Mr. Alfred L. Aiken, of Worcester, Mass., was elected Chairman for the ensuing year. In the absence of Mr. Aiken, Mr. Robinson acted as temporary chairman.

Mr. William Hanhart, of New York, was unanimously re-elected Secretary for the ensuing year with an allowance of $1,500.

It was voted to ask from the Executive Council an appropriation of $7,500 toward the expenses of the Section during the ensuing year, and that if necessary an additional appropriation be asked for later.

It was voted that the Chairman of the Savings Bank Law Committee be authorized to invite, not exceeding five, members from the Committee of the National Association of Supervisors of State Banks to be present at the next meeting of the Law Committee.

No other business having been presented, the meeting adjourned, subject to call.

The second meeting of the Executive Committee was held May 2, 1910, at Atlantic City, N. J. There were present: Messrs. Aiken (Chairman), Creer, Robinson, Hass, Wood, Johnston, Ravenscroft, Henschen, Remmel, Stephenson, Latimer, Johnson and Secretary Hanhart.

It was voted to hold the next Convention at Los Angeles, Cal., the time and date to be fixed by the Executive Council of the Association.

The reports of Secretary and the various committees were read and duly filed.

It was voted to request from the Executive Council an additional appropriation of $3,500 toward the expenses of the Postal Savings Bank Committee.

It was voted that the Chairman appoint a Committee to audit the accounts of the Secretary. Mr. G. Byron Latimer was thereupon appointed such a Committee.

There was an extended discussion upon the matter of Segregation of Savings Deposits and it was voted that the matter be referred to the Executive Council with the request that a Committee be appointed to consider the matter and report at the Convention at Los Angeles. The matter was taken up at the meeting of the Council, but no decision was reached at the time.

After a full discussion of the various Committee reports the meeting adjourned subject to call.

The third meeting of the Committee was held at Los Angeles on the 3d inst.

In accordance with the votes of the Committee appropriations were asked for of the Executive Council, and one of $7,500 and one of $2,500 (instead of $3,500) were granted. The finances of the Section and the uses to which these appropriations were put will be fully reported to you by your Secretary, whose accounts have been duly audited by Mr. Latimer as voted.

Your attention is specially called to the conscientious activities of your Committee, reports of which will be made to you in due course. The attendance at Committee meetings has been large and enthusiastic and excellent results have been accomplished by them, special recognition being due to the Postal Savings Bank Committee and the Savings Bank Law Committee because of the extraordinary labors put upon them during the past year. The work of the first named Committee was of the highest order and the enactment into law of a Postal Savings Bank bill was not from any failure on your Committee's part in placing before the public the economic and business facts affecting the proposed legislation.

The work of the Savings Bank Law Committee, looking toward a greater uniformity of laws governing savings deposits, speaks for itself in the remarkably complete and clear comparison of the laws of the various States governing such deposits compiled by them under the admirable direction of the Chairman.

It is but proper that there should be embodied in this report some special notice of the labors and activities of the Secretary of the Section. He has been untiring in his devotion to and interest in its activities, and the Section owes no little of its present success to his untiring industry in its behalf.

Respectfully submttted,

ALFRED L. AIKEN, Chairman.

Report of the Secretary.

October 6, 1910.

To the President and Members of the Savings Bank Section of the American Bankers' Association:

The membership of our Section on the first of September last amounted to 1,773, as against 1,636 on the same date last year, showing a net increase of 137 members, which increase is as follows:

New members	192
Lost by merger, failures and non-payment of dues	55
Net increase	137

We should have at least 2,000 members and could easily reach that figure if every member would endeavor to bring in some friendly neighbor bank who has not yet wakened up to the great advantages offered by our Association. The Membership Committee has done very good work this year in assisting your officers in their endeavors to increase the membership, and I would recommend that such Committee be continued, or another one appointed, to continue working in the same direction.

As regards our finances, the total appropriations made during the year amounted to $10,000, and the total expenditures were as follows:

Convention Expenses, 1909	$234.00
Secretary's Allowance	1,250.00
Stenography and Typewriting	723.00
Printing and Stationery	144.55
Expenses, Vice-President's	54.00
Expenses, Law Committee	556.96
Expenses, Postal Savings Bank Committee	3,151.74
Expenses, Membership Committee	105.42
Expenses, Auditing Committee	97.40
Expenses, Executive Committee	763.80
Book of Proceedings (Convention, 1909)	1,410.28
Rent (Paid to General Secretary)	468.64
General Postage	36.00
Sundries	38.50
Total Expenses	$9,034.29

This leaves a net balance of $965.75, which will revert back to the general Association.

As usual, all vouchers were duly audited by the Chairman of the Executive Committee, and a special committee appointed at the May meeting of the Executive Committee has audited all the financial accounts of the Secretary.

The book of Printed Forms has sold fairly well during the year. The total sales up to date amount to $7,704.10; the total cost has been $6,196.73, leaving a net balance of $1,507.37. Some expense, however, will have to be incurred shortly, as we have but very few books left, and at least a hundred books must be kept ready to meet the continued demand for this excellent work.

Since the removal of the office of the Section to the headquarters of the Association at No. 11 Pine Street, everything has moved very smoothly and all our wants and requests have been promptly, pleasantly and satisfactorily met by Colonel Farnsworth, the efficient General Secretary of the Association.

Very respectfully,

WILLIAM HANHART,

Secretary.

Report of Postal Savings Bank Committee.

By LUCIUS TETER, Chairman.

In accordance with your decision at the Chicago Convention in September, 1909, this Committee was continued without change in membership.

General conferences in reference to the work were held by members of the Committee during the Chicago Convention, and a formal meeting of the Committee was held on November 15, 1909, in New York. There were present at this meeting Messrs. Herrick, Sprague, Morison, Latimer, Creer, Robinson, Secretary Hanhart and the Chairman.

It was decided that the plan of general publicity, including circular letters to bankers and addresses at Bankers' Conventions throughout the country during the year 1909 had covered that particular field quite thoroughly. The information which we had concerning possible postal savings bank legislation led us to feel that the educational campaign which had been carried on very largely by your Committee heretofore would have to be supplemented by hard personal work upon the part of individual bankers if the proposed legislation were to be defeated. The Committee decided, therefore, that the situation should be explained to all bankers, and that each one should be urged to devote as much time as possible in carrying on the educational work in the several communities. It was also decided that the Committee would furnish material for this work, including petition forms for the securing of names in opposition to postal savings bank legislation. The Chairman and Secretary of the Committee were appointed a sub-committee to handle the details in this matter. The sub-committee worked continuously on this matter and on December 15th Mr. Hanhart made a trip to Chicago for a conference with your Chairman regarding all of the literature to be sent out by Committee. As a result of this conference, approximately 40,000 circular letters were sent to Members of Congress, Credit Men's Associations, Clearing House Associations, every bank in the United States, to the Secretaries of Chapters of the American Institute of Banking and Secretaries of the State Bankers' Association. These letters enclosed accurately compiled statistics in reference to the development of banking in the United States and its present situation. There were also copies of addresses by Messrs. Gurney, Roberts and Teter: briefs containing a summary of the arguments in opposition to the establishment

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of postal savings banks; petitions, return postal cards, etc. Subsequently this work was followed up by other letters urging activity on the part of the banks and clearing house associations.

February 5, 1910, a meeting was held in New York. There were present Messrs. Creer, Morison, Latimer, Munson, Robinson and Secretary Hanhart. Mr. Teter was unable to be present at this meeting and Mr. Creer acted as Chairman.

The Secretary was directed to prepare a letter to be sent to all United States Senators and Representatives urging the postponement of postal savings legislation until the National Monetary Commission made its report.

HEARINGS AT WASHINGTON.

After Congress had actively taken up the question of passing the bill our Committee was asked to appear before the House of Representatives Committee on Post Offices and Post Roads. In addition to the members of our Committee, we invited a few other representative members of the American Bankers' Association to be present, so that the Association was represented at this hearing by Messrs. Aiken, Cheer, Latimer, Johnston, Gurney, Secretary Farnsworth, Secretary Hanhart and your Chairman.

We were given an exceedingly careful hearing. The sessions were attended quite generally by a large number of the members of the House Committee and we were given ample time in which to present our point of view.

The reports of this hearing were printed by the Government and your Committee arranged for a number of copies of the hearing to be prepared for use. These have been distributed quite generally to persons making request for postal savings literature and there are still copies on file in the Secretary's office.

As it became more and more evident that an attempt would be made to pass a postal savings bank bill, your Committee urged upon the various Clearing House Associations of the country that they take action looking toward a delay of the matter. With only one or two exceptions, however, no action was taken by the Clearing House Associations.

On June 25, 1910, the so-called "Gardner Postal Savings Bank Bill," having been passed by both Houses of Congress, was approved by the President and became a law according to its terms.

Thus it would seem, on the face of it, that the efforts of your Committee and those who have so loyally supported its work the last few years, have been of no avail, and in a great measure this is true. However, we believe that the dignified activities of the Association in carrying on this educational campaign and in presenting the situation to committees in Congress had a great deal to do in bringing about such favorable conditions as exist in the present law. Some of the evil effects resulting from the establishment of a postal savings bank system will be offset by the re-depositing of funds in the communities in which they originate, and if those who administer this law will see to the carrying out of that provision, as we believe they will, the people in the several communities will have the advantage of using their own money in building up their industries.

There has been so much discussion of the law, both before and since its passage, that it would be a waste of your time for us to make any lengthy statements about it. Copies of the law, as well as other documents that have been mentioned, are made a part of this report and copies may be had upon request from the Secretary of the Section.

The expenses of this Committee since our report at Chicago Convention have been $3,151.74, distributed as follows:

Postage	$740.00
Printing	717.27
Mailing and extra office help	631.48
Traveling expenses	840.30
Copies of Hearings	169.54
Stationery	34.85
Sundries	18.30
Total	$3,151.74

In closing this report, your Committee wishes to thank all those who have so loyally assisted us in our work. Particularly do we wish to thank Secretary Hanhart for the painstaking care which he has given to the great volume of work connected with the activities of this Committee.

The Chairman will also take this opportunity to thank personally the members of the Committee who have so faithfully co-operated in this work; for promptness in attending meetings and readiness in lending assistance when called upon by the Chairman.

Respectfully submitted,

LUCIUS TETER, Chairman.
MYRON T. HERRICK,
F. R. MORISON,
C. LA RUE MUNSON,
CHARLES E. SPRAGUE,
P. LE ROY HARWOOD,
WM. HANHART, Secretary.

Report of Committee on Savings Bank Laws.

To the President and Executive Committee of the Savings Bank Section of the American Bankers' Association:

Since its report to the Chicago Convention of 1909, your Committee, as a result of conferences held in New York City with other Law Committees of the American Bankers' Association, and co-operation with advocates of the further safeguarding of savings deposits wherever held, completed a "Proposition for the Segregation and Safeguarding of Savings Deposits," which is now presented as a part of the report of your Committee.

At the Convention of 1909 in Chicago, after a conference of Law Committees of the American Bankers' Association, the Savings Bank Section Law Committee was there requested to call a meeting of the Law Committees, in New York, during the Fall of 1909. Representatives of the Federal Legislative Committee, the Law Committee of the Trust Company Section and the Standing Law Committee united in a conference with this Committee, which meeting after consulting on different phases of the segregattng and safeguarding savings deposits, planned a second conference, which was held at the Association Rooms in New York on February 9th and 10th last. At this conference the following resolution was unanimously adopted:

Resolved, That the Law Committee of the Savings Bank Section be requested to formulate a complete report as to proposed plan of segregating and further safeguarding of savings deposits and that copies of such report be sent to the presidents and secretaries of the various sections of the Association and to the Law Committee of the Trust Company Section, with request that they each prepare and make a report on the subject to their respective executive committees for final report by the latter to the Executive Council of the Association at the next May meeting; further, that copies of such report of the Savings Bank Law Committee be sent to the Chairman and Secretary of the Standing Law Committee, the Federal Legislative Committee and the Currency Commission of the Association with request that such committees also make a report on the subject to the Executive Council at its May meeting.

The "Proposition for the Segregation and Safeguarding of Savings Deposits," herewith presented as a part of this report, was formed under the said resolution and was reported to the Executive Committee at its Spring meeting of 1910 in Atlantic City, and at such meeting a resolution was adopted requesting the Executive Council of the American Bankers' Association, then in session, to name a committee to include in its membership representative of all interests concerned for the purposes of considering the matter of segregating and safeguarding savings deposits, for report at the next Convention of the American Bankers' Association. The resolution was unanimously adopted by the Executive Committee and was presented to the Executive Council of the American Bankers' Association, and by a majority vote of the Executive Council of the American Bankers' Association, laid on the table.

As various interests advocating the further safeguarding of savings deposits wherever held have since been active in the different States, your Committee, after conferring with many prominent bankers throughout the membership of the American Bankers' Association, has been impressed with the imprthance of having some action taken by the American Bankers' Association at its Los Angeles Convention, by which it would be shown that the American Bankers' Association did not ignore a live subject closely associated with the various interests of every Section of the Association, and one in which the public at large is deeply interested.

Your Committee, therefore, in order that the various banking interests involved in any action which may be taken by the American Bankers' Association, may be fully represented in the consideration of the subject of further safeguarding savings deposits wherever held, and that a subject of so great importance may be placed in the wider sphere demanded for its consideration, present to the Savings Bank Section of the American Bankers' Association now assembled, the folowing resolution:

Resolved, That it is the sense of the Savings Bank Section of the American Bankers' Association that a Committee thoroughly representative of the various banking interests involved in the matter of the further safeguarding of savings deposits wherever held, be appointed by the American Bankers' Association at its present Convention, for the purpose of considering the entire matter of such safeguarding.

In closing its report this Committee desires to express its gratitude for the courtesy shown by officers of the American Bankers' Association, Superintendents of State Banks, officers of the State Banking Associations, the National Monetary Commission, prominent bankers and State officials, in the many kind replies received giving valuable information in response to our letters.

Respectfully submitted,

ALLEN W. JOHNSTON, Chairman,
FRED C. NICHOLS,
J. E. BLUNT, JR.,
Committee on Savings Bank Laws.

October 6, 1910.

Report of Committee on Auditing.

To the President and Members of the Savings Bank Section:

The subject of Auditing and Accounting is one which always arouses interest in any gathering of savings bank men. There has been a notable development during the past few years in the system of bookkeeping in our savings banks. Institutions which a few years ago were conducting business in a most haphazard manner, under a crude and old-fashioned system of accounting, and with but little if any check or opportunity of audit, are now operating under a scientific system which proves and checks itself and easily admits of an audit by outside parties. The legislatures of the various States are passing laws calculated to better safeguard the depositors' interests; and while perhaps in some States this wave of legislation has gone a little too far, we must admit that the trend is in the right direction, and that there is far more danger from too great laxity of the law than from too great stringency.

The most excellent reports submitted by former committees on

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auditing have so thoroughly covered many phases of the subject that your present Committee feels it would be futile to again rake over the ground. Such points, for instance, as the proof of income (which has been twice discussed and recommended), an independent audit, card ledgers, card signatures, coupon system of posting and many others which have received careful attention in former years have not been considered by your Committee this year. The subjects which have engaged our attention and which we would now bring before you are these:

1. Verification of passbooks.
2. Lost or stolen passbooks.
3. Dormant or quiescent accounts; i. e., accounts remaining undisturbed for a period of years.
4. Bond and mortgage loans.

Your Committee prepared a circular which was mailed to all of the member banks of the Savings Bank Section, asking for replies to such questions as: What is the law in your State? What are your by-laws? What is your usual custom? etc., in relation to each of the above subjects. We received in all 644 replies, from 46 States and Territories, distributed as follows:

	Banks Reporting.		Banks Reporting.
Illinois	53	Tennessee	7
California	52	Georgia	7
Michigan	51	Colorado	6
New York	49	South Dakota	6
Iowa	45	Kansas	6
Pennsylvania	39	Alabama	6
Massachusetts	37	Rhode Island	6
Ohio	33	Virginia	6
Connecticut	27	District Columbia	5
Wisconsin	24	Idaho	5
New Jersey	15	New Hampshire	5
Indiana	14	Montana	5
Maryland	12	North Carolina	4
Missouri	11	Mississippi	4
West Virginia	10	Utah	4
Washington	10	Florida	3
Louisiana	9	Texas	3
Vermont	9	Delaware	2
Minnesota	9	New Mexico	2
South Carolina	9	North Dakota	1
Kentucky	8	Oklahoma	1
Maine	8	Nebraska	1
Oregon	7	Hawaii	1
Arkansas	7		
			644

1. Verification of passbooks.

In a majority of the States there seems to be no law requiring such verification at stated periods, but in others the law is very strict and well enforced. In Massachusetts, for instance, banks are required to call in their passbooks by advertisement in the newspapers every three years, and statistics show that the operation of the law is much more effective as time goes on: whereas there was much adverse criticism regarding the law at the time of its enactment, some twenty years ago, there is now almost universal commendation of it.

A general practice, although not frequently mentioned, is to print notice on passbook or passbook cover to the effect that interest should be written up on the book frequently and that the book should be presented at the bank at from 6 months to 3 years for that purpose. Five hundred and thirty-one banks report no by-law covering verification; 65 compare books every time presented; 71 when interest is added; 127 banks compare when the book is presented for that purpose, but not every time the book may come in: 22 take the balance on deposit slip or draft ticket and compare this with the ledger in posting: 3 in sending out notices asking for the presentation of the books include the ledger balance with a card to be signed and returned if the book is sent, acknowledging the balance to be correct: 13 have verification made by auditor: 41 pass the books through other hands than the teller, either at the time of transaction or when presented for purpose of verification. There were numerous other answers, but behind all these varying practices there seems to be one controlling purpose, which is to establish an internal audit, within the bank, by which the work of one teller, or set of tellers, shall be checked up and proved by an entirely different person or persons, who may be a subordinate clerk, a bookkeeper or a special auditor. The details of the system must of necessity vary according to the size of the banks, their activity as to number of transactions, and the convenience of operation, as regards counter room, bookkeeping, space, etc., but the system should be such, so far as possible, that the work of all clerks, tellers and bookkeepers shall be checked up or proved by others, and frequent verification of passbooks is an essential feature of such a system.

2. Lost or stolen passbooks.

Four methods of protecting the bank in case of lost or stolen books are in common use, viz.: Affidavit of loss; bond of indemnity; advertisement in newspaper; notice of loss. Some banks combine two or more of these, while others use but one. Many commercial banks issue a duplicate book on statement of loss. Some savings banks do so upon being satisfied that a thorough search has been made for the missing book, but these are not common. The practices most in use may be classified as follows: 313 banks do not cover this matter in their by-laws; 205 require a bond; 185 do not ask for a bond; 84 if occasion warrants; 193 require advertisement of loss; 345 do not; 44 under certain circumstances; 474 issue duplicate books; 142 do not; 14 at times. Only six banks report charging a fee for lost book, other than the cost of advertising or drawing the bond, which usually costs a nominal sum, from $1 to $3. The only fees reported are in one case 50 cents, one-half of which is refunded if book is found or returned. The others are 25 cents each, and one bank charges fees if book is closed out within thirty days.

3. Dormant accounts.

Wherever the law covers the question of dormant accounts by stated procedure, it may be taken for granted that the banks comply with the same; but in some States there seems to be a laxness on the part of the State officials and the law is more or less a dead letter. It is somewhat surprising to notice from the tone of the answers in many cases that these dormant balances seem to be welcome and that no effort is made by the officers of the banks to avoid dormancy. Four hundred and twenty-seven banks report that their by-laws do not cover this subject, while those that have such provision conform to the State law. Two banks made mention of the fact in their by-laws that entry of interest does not operate to revive the account.

Two hundred and sixty-seven banks report that they make systematic and continuous efforts to prevent accounts becoming dormant, and if such accounts have accumulated they make every effort by advertising, looking up names in old directories, personal inquiry, etc., to trace the depositor or representatives. A few banks take the address on every withdrawal slip and make note of this on the card record, thus keeping the lists up to date and affording a better opportunity to keep in touch with the depositor. We cannot refrain from urging the desirability of some systematic effort toward preventing accounts becoming dormant. In nearly all savings banks, where dividends are computed and oftener than quarterly or semi-annually, there are times during the year when some of the checks can be spared from the regular work. At such times an effort could be made to reach the owners of dormant accounts without additional expense to the bank, and in our opinion results would show such efforts to have been worth while.

4. Bond and mortgage loans.

The answers to questions concerning bond and mortgage practices are so diversified that a general summary is difficult; the following, however, may be taken as indicative of the general procedure: 138 banks take periodical trial-balances of mortgage loans, running from a daily proof to six months' periods; 77 prove by checking back the postings with cash book, journal, mortgage register, or by whatever name the bank of record may be called; 79 compare endorsements and balance as shown by the papers with that shown by the mortgage accounts; 9 send out interest notices stating the amount still unpaid on the mortgage, leaving it to the borrower to verify the correctness of the figures (this of course he virtually does when he pays his interest); 17 check this work either by the banks' auditor or public accountant, while several pass the transaction through an officer who must countersign the receipt, or who makes the entry on his own book of records. Here, as in the verification of depositors' passbooks, the vital point would seem to be that more than one person should be interested in and held accountable for the proof of the mortgage loan account, i. e., that the work of receiving the money for interest and principal and the bookkeeping records of those transactions should be separate and distinct and entrusted to different persons, so that the work of one is a check on that of the other.

Receipts are quite generally given, 350 banks reporting that they do so. A few banks that take installment mortgages issue passbooks for that purpose. Four hundred and thirty-three banks report that they make endorsements on the bond or mortgage note, and a few on the wrapper.

In the matter of taxes most banks give some attention to the payments, although a limited few pay no attention whatever to the matter The customs in use vary only as to detail. Some banks have the records in the tax collector's office searched, either by their own representative or by the tax officials, who are sometimes paid a small fee for the labor. Other banks send a list of their mortgages to the tax department with instructions to notify of unpaid taxes. A few banks employ a title company to do this; others, their own attorney or tax searcher. Other banks have an arrangement with the collector of taxes to present bills for unpaid taxes to the bank, the latter paying them and charging the borrower. Another method, which seems to be quite popular, but which would not be a safe practice in all localities, is to rely on the newspaper advertisement prior to the sale of the property for delinquent taxes. A most excellent custom, and one quite common in New York, is to require tax receipts to be shown at least once in two years, and generally yearly, at the time of payment of interest.

The assessed valuations are not closely followed, and in many instances not at all. Three hundred and forty-nine banks pay no attention whatever to the assessors' valuations, and prefer to depend upon their own established values as made by their Loan Committee or appraiser. Eighty-two banks give heed to changes, and a very few advocate this as a criterion of value. A number of banks (principally in Massachusetts, where the State law requires it) have periodical revaluations by their own men. Reports from the West state that in many places land values are constantly rising, so that no attention need be given to depreciation, but inasmuch as the trend of development in a city or town may change materially in a comparatively short time, this would not appear to be an entirely safe practice. There is certainly much to be said in commendation of the periodical revaluation of mortgaged properties by competent and conservative appraisers.

Your Committee desires to express its appreciation of the considerate treatment accorded its circular of inquiry, and the assistance thus rendered in furnishing the material for this report. The returned circulars, many of which are interesting as showing local methods

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and customs, are on file at the office of the Secretary in New York, together with a complete summary of the replies to the twenty questions. This material is at the disposal of the members and would well repay for careful study on the part of anyone especially interested.

Respectfully submitted,

ALBERT T. COUCH, Chairman.
THOS. G. POTTS,
WM. M. KERN,
W. H. KNIFFIN, JR.

Report of Membership Committee.

By ALFRED L. AIKEN, Chairman.

The Membership Committee of the Savings Bank Section held a meeting at the headquarters of the Association, in New York, on the 16th of November, 1909. Present: Chairman Aiken, Messrs. Nichols, Griswold, Rose, Creer, Robinson and Secretary Hanhart. At this meeting it was resolved that each member of the Committee, including Mr. Creer and Mr. Robinson, send to the Secretary a draft of a letter to be sent to all the non-member savings banks, these letters to be considered and a letter drafted by the President, Chairman and Secretary, and forwarded to all the non-member savings banks in the United States. This letter was forwarded on the 3d of January.

At the time of the last Convention, in Chicago, our membership amounted to 1,636. Since then we have gained 192 new members and lost 55, making our total membership on September 1, 1910, amount to 1,773, a net gain of 137 members. We are informed by General Secretary Farnsworth that 46 new applications for membership received since the 1st of September, 1909, stand to the credit of this Section, having been traced directly to its solicitation.

The co-operation of our Vice-Presidents during the past year has helped in increasing our membership, and your Committee desires to hereby record its appreciation of their valuable assistance. It is hoped that the next year will bring a yet larger increase and your Committee would respectfully suggest that each member of the Section consider itself a committee of one to aid in bringing this to pass.

Respectfully submitted,

ALFRED L. AIKEN, Chairman.
JOHN C. GRISWOLD,
DAVID HOYT.
CLINTON T. ROSE.
FRED C. NICHOLS,
WILLIAM HANHART, Secretary.

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Detailed Report of Proceedings.

Ninth Annual Meeting SAVINGS BANK SECTION, Held at Los Angeles, Cal., October Sixth, 1910.

MORNING SESSION.

The Auditorium, Los Angeles, Oct. 6, 1910.

Chairman Creer in the chair.

The Chairman: The Convention will please come to order. We will rise and be led in prayer by Rev. Hugh K. Walker, pastor of Emanuel Presbyterian Church of Los Angeles.

PRAYER.

Dr. Walker: Almighty God, Thou art the source of all our joys and the giver of every good and perfect gift. We thank Thee for the gift of this beautiful day, and for the spirit of gladness and delight which Thou hast put into our hearts that we may enjoy this day and make it a blessing to ourselves. We thank Thee for this assemblage of business men whom Thou hast placed, in Thy providence, at the head of large affairs, and for that reverence and gratitude which has inspired them to set apart this time for praise and for prayer unto Thee, the Most High God. We recognize the fact that Thou are the source of all being, and though throned afar Thou are present in every place. Thou are the Imminent God as well as the One Transcendent, and Thou art present here, willing to guide these men into the deliberations and decisions of this hour. May Thy blessing rest upon each and every member of this convention and of this particular section coming from afar to discuss the problems that pertain especially to the department which these men represent. Let Thy blessing rest upon the constituency that they have in various parts of this land, upon the depositors in our savings banks. Wilt Thou encourage men to exercise the virtues of industry and thrift and economy, and with the accumulation of savings, whether large or small, wilt Thou enable men to become better and broader and more intelligent citizens.

Wilt Thou bless this country of ours. Keep it in peace, oh Lord, Our God. Help us not to forget Thee in the midst of all material prosperity, in the midst of all the aggrandizement that has come to this greatest of all lands along many lines. Wilt Thou help us to remember the God of our fathers, and to exercise that patience, that faith, that hope, that charity toward all men that will make our lives a blessing.

We thank Thee for the bringing of these men, these representatives of such great business interests, to this city. We thank Thee for the blessings that they have brought to us. They have indeed been welcome. They will leave behind them influences that will mean the building up, not merely of our material interests, but also the development of a broader and firmer and nobler sense of business administration; for as we come together and think about these matters, surely Thy spirit will shape them into issues that are for the betterment of the entire community.

And now wilt Thou bless the families from which these brethren are separated. Wilt Thou have them in Thy holy keeping; wilt Thou watch over them in all their interests. And may these days that remain to this convention be days bright and full of profit to them morally and spiritually, and be also for their financial and for their temporal advancement.

And now, oh Lord, my Thy blessings rest upon the Chairman and upon the Secretary and upon all who shall take part in this meeting, and may this day be fraught with great results for the savings banks of America and for the men and women and children who are dependent upon the success, stability and prosperity of these great institutions. And to Thy name be all the praise. We ask the forgiveness of all our sins, remembering that One who taught us all to pray:

Our Father who art in Heaven, hallowed by Thy name; Thy kingdom come, Thy will be done, on earth as it is in Heaven. Give us this day our daily bread and forgive us our trespasses as we forgive those who trespass against us; lead us not into temptation, but deliver us from evil, for Thine is the kingdom, the power and the glory, forever and ever. Amen!

The Chairman: It will be our pleasure now to hear the address of welcome from Mr. J. D. Radford, Vice-President of the German American Savings Bank of Los Angeles. Mr. Radford, gentlemen. (Applause.)

Mr. Radford then addressed the assemblage as follows:

Address of Welcome, by Jos. D. Radford, Vice-President German American Savings Bank, Los Angeles, California.

Mr. President and Members of the Savings Bank Section of the American Bankers' Association:

I feel honored that the very pleasant duty has been assigned me of bidding you welcome to Los Angeles. This honor is heightened when I realize at how much of a personal sacrifice most of you have come to us. You have left homes and business in the far East, and have spent three, four or five days in a trip extending quite across the continent in order to attend this meeting. Let me assure you in the very outset that we who dwell in Los Angeles appreciate the honor which is ours in having you gentlemen as guests at this time. There is a lingering hope that this trip across the continent may be of value to you over and above the advantages that will be yours because of your attendance at this Convention, and of the addreses which are to be delivered here.

It is a good thing for us to turn aside from business for just a little while, and to get a clear conception of the vastness of the territory over which Uncle Sam presides. It is easy in the daily grind for us to become possessed with the idea that the whole world revolves around in our little sphere; so that to get out from our usual surroundings tends to enlarge our capabilities, and the knowledge of how goodly a heritage is ours cannot help but broaden our conception and enlarge our vision, and thereby better fit us for our usual walk in life.

To you is committed an extremely important mission in life, having, as it does, an almost sacred trust. Into your care and keeping comes the savings of millions of our fellow-citizens; some of this wealth comes to you in small amounts—very small amounts—representing the minimum of self-denial and self-sacrifice; and the savings banks official who does not dwell on the added responsibility which comes to him because of this fact, has lost a very important part of his mission in life. To simply receive funds at a given rate of interest; to re-loan them at a little larger rate of interest, thereby accumulating for our stockholders a fund out of which the resources of the bank are to be built up, and out of which dividends are to be paid, is a very low conception of the mission of the savings bank, and yet, that is the motive that lies at the foundation of most of our institutions. There is, however, a higher mission that is joined with this one, which lifts our calling in life above the mere plane of dollars and decimals, and gives it a touch of philanthropy that tends to ennoble and make rich the heart into which this sentiment comes.

While you are among us in this Southland, far be it from me to lift my voice in praise of our city or State, for I realize that you are men of cold judgment, not taking things at the estimate which their owner places upon them, but looking at the world through discriminating eyes, and weighing well all the questions that should enter into the equation. I hope it may not be amiss, therefore, in the light of this statement, to remind you of some of the things which underlie the prosperity and growth of Los Angeles.

A generation ago this portion of California was largely in its virgin state; sage brush and cactus were its natural products. The population was exceedingly scarce, and of a natural disposition which sought leisure rather than labor. The same climate was here then that we have to-day, but there was lacking a disposition to develop the land to its highest possibilities. The change between the Alta California and the present California has been a gradual one. Little by little the waste places have been cultivated, and the tree and the vine have taken the place of the sage brush and the cactus. We have found by degrees that this is a pleasant place to live; that the salubrious climate, the abundance of sunshine and the fertility of the soil are all gifts intended for the enjoyment of those who desire them. Out of the pueblo of those days has grown the Los Angeles of to-day. The transformation has been gradual, the steps well meditated, and, fortunately for Los Angeles, no step forward has been taken that has later had to be retraced.

Most of our population is made up of people who have come here from Eastern States, so that our usual salutation on being introduced is somewhat different from that of Texas. They say that in the early days the usual greeting in Texas was: "What was your name before you came to Texas?" while we of California invariably ask the question: "What part of the East did you come from?" All the forces that have worked for the upbuilding of our city in the past are still working with accelerated effect, so that for the future we feel justified in judging of our possibilities by what has been wrought in the past.

Some indication of the public enterprise of Los Angeles may be gained when we consider that the city has been bold enough

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in its plans to go 250 miles up into the high Sierras for a water supply. In the Owens River Valley the city has bought a water-shed of, approximately, 120 square miles. Water is brought through a concrete aqueduct down through the foothills, across the Mojave desert, under the Coast range into the upper end of the San Fernando Valley. In the various drops that are necessary about 100,000 horse-power of electric energy is developed. This abundant supply of water quiets one of the fears that has assailed every thinking man in this land, where water is king. The supply is sufficient for a city several times the size of Los Angeles, and we can look forward into the future with faith in our ability to furnish all who will cast in their lot with us an abundant supply of water brought from the melting snows of the high mountains.

The location of Los Angeles is practically twenty miles from the sea, and yet, by her foresight and energy she is a seaport town. During your stay with us you will have ample opportunity to see the outer harbor, which, through the fatherly instinct of the United States Government, has been given to us. You will also see the abundant provision made by nature for an inner harbor, affording ample space and sufficient depth of water for the heaviest draught of vessels. This element of our city's greatness is in its infancy, but the possibilities of water transportation has made us the distributing point for all of the building material used in the Southwest. With the opening of the Panama Canal the utility of our harbor will be further enlarged, and we shall then begin to reap the full benefit of the city possessing a free harbor.

I trust that to you, gentlemen, to whom knowledge comes through observation, there will be given ample opportunity to see the natural advantages and the productive territory surrounding our city; and all I ask is that the same cool, deliberate judgment be accorded to Southern California that you are willing to grant to those viewing your own cities.

I want to assure you of the honor that you are conferring upon Los Angeles in holding your Convention at this time in our midst, and I sincerely trust that each one of you, as you return to your own home and your own work, will carry back a fund of knowledge that shall be of use to you in the future.

On behalf, then, of the City of Los Angeles, I bid you welcome. To you our homes are open, and our single endeavor is that the days of your sojourn among us may be made pleasant, and that everything shall be done that can be done to contribute to your pleasure and comfort.

Again, therefore, on behalf of the City of Los Angeles, and of the banks located here, I bid you thrice welcome.

Reply to Address of Welcome.

The Chairman: Mr. Radford, on behalf of the Savings Bank Section, I wish to return thanks to you for your address of welcome and the kindly manner in which you have received us.

It seems most inopportune and lacking in appreciation, when given such a welcome to find fault with the party who hands it to us, and yet, I am charging our friend, Mr. Radford, this morning with the small attendance we have in the Savings Bank Section. In addition to the golden sunshine and the outdoor life to-day, and the beauties of Los Angeles and its environment, Mr. Radford and the Entertainment Committee has so crowded the days with good things and pleasures that it has been more than our members could withstand, and they have yielded to the temptation and gone some other route, instead of wending their way into the Savings Bank Section of the American Bankers' Association.

It is a great pleasure to-day to hold our meeting in this beautiful and far-famed city, justly celebrated for its climate, flowers, fruits and all the wealth of nature, and also renowned for its hospitality and splendid financial and commercial growth. We are thankful, both for the nature of our surroundings and the character of our hosts. This ninth annual meeting of our Section should prove both pleasant and profitable. One thing we notice here is the delicate and fine work of the Ladies' Committee. We hadn't hardly gotten into the country before we found at our hotels buttonieres for the gentlemen and bouquets for the ladies. It was a splendid thing and it touched the hearts of our wives, I know, when coming into the rooms in the hotels they were greeted with some of the fruits and flowers of your country bidding us welcome.

Annual Address of William R. Creer, President.

It is a great pleasure to-day to hold our annual meeting in this beautiful and far-famed city, justly celebrated for its climate, flowers, fruits and all the wealth of Nature, and also renowned for its hospitality and splendid growth in financial and commercial supremacy.

We are fortunate, therefore, both in the nature of our surroundings and the character of our hosts, and this ninth annual meeting of this Section should prove both pleasant and profitable.

The report of our Secretary will give you a record of our growth and our finances for the past year. The reports of the various Committees will reflect the activities of the Section so that it is not necessary to mention these in detail at this time.

One of the active committees this year has been the Uniform Law Committee, and it has given much time and effort to questions that are timely and pressing. The most prominent of these questions has been the Segregation of Savings Deposits wherever held—an old subject with a new application—which means the safeguarding of savings accounts in financial institutions doing more than one kind of banking, on the same principle that purely savings banks have been governed under the statutes of the Eastern States.

The question has been discussed by Legislators and Bank Commissioners from the Atlantic to the Pacific, and from Wisconsin to the Gulf. California has placed herself beside Massachusetts on it.

Interest in the subject has been forced upon the Bankers' Association rather than originated in it, but this movement should receive the serious earnest thought of a competent committee for some time to come, in order that the members of this Section may be fully alive to its importance and also advised as to the trend of public opinion and legislative enactment. Any effort to make more secure the investment of savings funds begets a corresponding inducement to save.

Our position on the subject of the Postal Savings Bank has been misunderstood by both press and people to a considerable degree. The measure was opposed, not because we feared competition to our business on the part of the government, but for the reason that we considered it wrong fundamentally, ill-advised, unnecessary and un-American.

The discussion of the subject has, however, been of great good, affording a better idea of the number, work and success of the various institutions for savings all over our country. One of the most important contributions to savings bank literature being a compilation by the Secretary of this Section of the savings deposits of the various States, and the character of the financial institutions holding them. This was so vastly different in the number of banks given, and the total amount of deposits, that it came in the nature of a surprise and the article was copied and reproduced in all parts of the country.

The Postal Savings Bill has become a law, and as olyal, patriotic citizens it is our duty to see that the utmost amount of good shall be secured by the act, and that as little harm as possible may result. That the banking fraternity is not only willing but anxious to operate with the government, in this work, is shown by the report recently made that three times as many banks had asked to be made depositories for Postal Savings funds as there were applications from post-offices to be designated as postal banks. From the activities of our Postal Savings Bank Committee a large amount of knowledge has been given us regarding our own business. The Committee has done loyal work, of which we are proud, and it is deserving of great praise for its efforts.

Following the financial disturbance of 1907-8 there has not occurred that adjustment of prices, to a lower scale, that usually follows a panic. On the contrary, the cost of living has steadily increased. There needs must be an adjustment between prices and wages, or there is a serious problem ahead for our savings depositors. Figures recently issued would indicate that savings deposits have increased largely during the past year, but a carefuly analysis will in many cases show that it is the amount of interest credited that increases the figures and not increased deposits. Thus, while a greater total in savings deposits is shown in some States, in reality the withdrawals have been greater than the deposits for the same period. The present situation demands greater care and conservatism than usual upon our part.

The Auditing Committee should be continued, if not made permanent, as it serves a most excellent purpose as a clearing house for up-to-date ideas regarding the auditing and accounting of savings institutions.

I desire to thank the officers of the Section, the members of the Executive Committee, together with the members of the regular and special committees for their interest and painstaking labors. You will certainly appreciate something of the time and thought given the work of the Section as you listen to the various reports presented here to-day.

Any reference to the work of the past year would be inadequate, if special mention were not made of the efforts of our good Secretary, to whose loyalty, enthusiasm and industry the success of our Section is largely responsible.

In addition to the pleasure and relaxation incident to this gathering, let us absorb all the knowledge, enthusiasm and suggestion that we possibly can to take home, that we may each better serve our customers and community, for after all our success and that of our several institutions depends upon the quality of the service we render.

The Chairman: We will next receive the report of the Executive Committee, Mr. Aiken of Worcester, Mass.

Report of Executive Committee.

The Chairman: Unless there happen to be some corrections in the report of the Executive Committee, it will be received and printed in the records as usual.

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The next thing in order will be the report of the Secretary, Mr. Hanhart.

Report of the Secretary.

[The Secretary's report is printed on page 216.]

The Chairman: If there is no objection, this report will take the same course as the other. The next will be the report of the Committee on Postal Savings Banks, by the chairman, Mr. Lucius Teter, of Chicago.

Report of Postal Savings Bank Committee.

[This report will be found on page 216.]

The Chairman: This report will be received, filed and printed if there be no objection.

We will next listen to the report of the Committee on Savings Bank Laws by Mr. Johnston of New York, Chairman. (Applause.)

Report of the Committee on Savings Bank Laws.

[For report of this Committee, see page 217.]

The Chairman: This report will take the same course as the others.

The next item on the program is a report of the Committee on Auditing. As this report is largely technical and has to do with accounting, and is more a work of reference than a popular paper, and as the chairman of the Committee is not present, I will entertain a motion to print and not read that paper if that be your decision. It is moved and seconded we dispense with the reading of this report and that it find its place in the printed proceedings. All in favor say "aye." The ayes have it and the motion prevails.

Report of Committee on Auditing.

[The report of the Committee on Auditing is printed on page 217.]

The Chairman: Next is a report of the Committee on Membership submitted by Mr. Alfred L. Aiken.

Mr. Aiken submits the following report:

Report of Committee on Membership.

[The report of the Committee on Membership will be found on page 219.]

The Chairman: Following our usual custom the Chairman will announce the Nominating Committee at this time to bring in nominations for the office of vice-president for the ensuing year and members of the Executive Committee. I will appoint Mr. Mayhew, Mr. Welch of San Francisco and Mr. Latimer of New York. It is understood, of course, that any other nominations may be offered from the floor when the election takes place. This committee will report at the time set upon the program.

With your permission I am going to make a slight change in the order of the program as one of the gentlemen is not present and another gentleman is here whom you would like to hear.

It is said that the most successful editor of an agricultural paper is a city bred man, because he is not hampered by farming traditions or habits. We have with us to-day a gentleman who needs no introduction, and knowing something of his habits, he is most eminently fitted on that hypothesis to talk to us on Thrift. As lecturer, poet, humorist, preacher, no man living to-day has made smiles and tears chase each other over the face of the great American public as Robert J. Burdette. (Applause.) He needs no introduction to any audience in the United States, but I have great pleasure in presenting him to you to-day—Mr. Burdette.

"Thrift."

[Mr. Burdette's remarks will be found on page 211.]

The Chairman: We will now return to the regular order of the program and will hear an address on the Building and Loan Movement in the United States. This address has been prepared by Mr. McKay, President of the United States League of Building and Loan Associations, but he is not here, and the paper will be read by Mr. Latimer. The movement is one of the big movements in the United States and holds about one-eighth of the savings in the United States.

Mr. Latimer then read the following paper on "The Building and Loan Movement in the United States."

The Building and Loan Movement in the United States.

[We give Mr. McKay's paper on page 213.]

The Chairman: The next subject is the Segregation of Savings Bank Deposits, and the first address was to be given by Mr. J. H. Johnson, of Detroit. In his absence the paper will be read by Mr. Gurney, vice-president of the Fremont Trust & Savings Bank, of Fremont, Nebraska. (Applause.)

In regard to these papers, as you will see farther down in our program, we have provided for the discussion of the various subjects after we have gone through the regular program, and these matters will be taken up in order for any discussion or questions that may want to be asked in any of the subjects discussed in the various papers.

The Segregation of Savings Deposits, by J. H. Johnson.

[Mr. Johnson's address appears on page 206.]

The Chairman: I have now the pleasure of introducing to you the second speaker on this question, Mr. R. M. Welch, Secretary of the California Bankers' Association, of San Francisco.

[Mr. Welch's remarks are printed on page 207.]

The Chairman: The next subject is Bonds for Savings Banks, and the first address is by Mr. John Harsen Rhoades of Rhoades & Company, New York. Mr. Rhoades is also a trustee of one of the oldest and largest mutual savings banks in New York City, so he is qualified to talk upon this subject from both points of view.

Mr. John Harsen Rhoades: Mr. President, and Gentlemen of the Savings Bank Section of the American Bankers' Association: Before deciding to undertake this trip from New York, I called upon a friend who was a prominent banker in the city and asked him whether he thought it worth my while to come this long distance to hear myself talk. He told me that he did not think it was worth while. Gentlemen, whether I accomplish my purpose or not, my trip from New York to California has been worth while.

The subject of my talk, the Amortization of Bonds, appears very technical, and I think it is proper to say at the start that the substance of my arguments is an attack upon a law recently enacted in the State of New York governing our trustee savings institution, and called the Amortization Law, or, rather, I should say, it is an attack upon an old law, in fact, the abrogation of an old law, in fact, the fundamental law of banking and of business. I realize that there are a number of trustee savings institutions throughout the country, and I believe that this present law in the State of New York should not be enacted elsewhere, or, rather, a similar one, for I am thoroughly convinced that it is detrimental to the interest of savings depositors.

Amortization of Bonds, by John Harsen Rhoades.

[Mr. Rhoades' address is printed on page 204.]

The Chairman: Whether or not Mr. Rhoades made a mistake in personally coming out to California is for himself to determine, but I think you will all agree with me it would have been a distinct loss to the Savings Bank Section not to have heard this clear, scholarly and patriotic discussion of this subject.

I want to ask your indulgence for a few minutes. I know it is lunch time, but Mr. Fisher has an engagement at two o'clock and would like to read his paper, and we will adjourn immediately after hearing Mr. Fisher.

Mr. Fisher: I have a very definite sympathy for gentlemen who have to listen to a prepared paper of this nature, and I am really glad so many have gone to Pasadena and Catalina and those other places with rhythmatical names in this beautiful country.

The Future of Bonds.

[Mr. Fisher's address is given on page 202.]

The Chairman: If there is no objection, I will entertain a motion to adjourn until two thirty. Is there such a motion?

(It was moved, seconded and duly carried that an adjournment be taken until two thirty o'clock p. m.)

AFTERNOON SESSION, 2:30 P. M.

The Chairman: You will come to order. We will take up the program where we left off at adjournment for lunch. The next paper is School Savings Banks, an address by Mr. Newton F. Hawley, of the Farmers & Mechanics Savings Bank of Minneapolis. Mr. Hawley is not here, and the paper will be read by Mr. Lucius Teter, of Chicago.

School for Savings Banks.

[We give Mr. Hawley's address on page 209.]

The Chairman: Now comes the open discussion of our program. The first paper was Building and Loan Movement in the United States. This was largely historical and explanatory, but if there are any of the delegates who have anything to say on the subject, we will be pleased to hear from them.

Mr. Flack: Mr. Chairman, in that paper I don't know that there was anything said in regard to accepting deposits, but

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I understand that they do accept deposits. Am I right on that?

The Chairman: Yes.

Mr. Flack: I would like to make a few remarks on that. I might take the opposite position to what our chairman does. I have the utmost respect for him and his opinions—perhaps as much so as the boy's mother had for the boy's father. Mr. Lloyd told me a story last year that I think might apply here. A boy came in to his mother and said that he thought the ashman was one of the best men that he knew of. His mother didn't pay much attention to that, and finally the boy came around again and insisted that the ashman was a very fine man, and the mother wanted to know why. And he stated that the other day when he was hauling out the ashes he had a barrel, and in getting it up on the rear end of the wagon the mules started up and it came down on his foot, and he went over and sat down—I am a little too fast. The mother said that it could not be that the ashman was as good as the father, because the father had been the president of the Y. M. C. A., an elder in the church, a Sunday-school teacher, and interested in charity, and there could not be anybody better. But the boy insisted that there was. He said that when the mules started up and the barrel came down on his foot, he went over to the curb and told the mules all about God and Jesus and hell, and he didn't think his father would do anything of that kind.

Now, I have as much respect for the Chairman as the mother had for that husband, and I think for an association to accept deposits would be as dangerous as it would for one of our own savings banks to do a commercial business. I think the association has a proper place in our financial system. It is doing great good; but it is not a savings bank: it is not a commercial institution: it is a building and loan association for the purpose of building homes and helping the people gather together funds to put away and invest and get the best results.

In connection with that paper it was started that there was no reason why a building and loan association should get any greater interest than any other loan institution. I think there is good reason for it, because a man can come in and pay off his loan at any time, and it is worth a good deal for that privilege. He does not have to pay a commission to anyone, and therefore he can come in and pay off his loan at any period for any amount, and therefore it is worth something. Therefore, the association has a right to charge a higher rate of interest than a savings bank or other money loaners, when they are only supposed to take a limited amount of shares, and only supposed to borrow money in limited amounts on homes. Therefore, I think it is entirely out of harmony with their plan to accept deposits and pay a less rate of interest and make the whole association liable for those deposits.

The Chairman: There is with us this afternoon the general secretary, Mr. Farnsworth, and we would be very pleased to hear a few words from him.

Remarks of Mr. Farnsworth.

Mr. Farnsworth: Mr. President, Ladies and Gentlemen of the Savings Bank Section: I came over from another Section to pay my respects to this Section, which I consider one of the most valuable adjuncts of the American Bankers' Association. I am thoroughly satisfied, since I have taken hold of this work, with the progress of our Sections and the work of our Committee. As we are now, with 11,500 members, with conventions that bring out registrations as high as 4,600 in Chicago, and very near to 3,000 at Los Angeles, you can readily see that if we attempted to transact any business in our general convention over and above listening to papers from representative men that we could not accomplish any business. I have watched the progress of our Sections with a great deal of pleasure. I am pleased to say that within the last two or three years we have brought together, under one roof, our Sections, and that everywhere there is peace and harmony.

I want to pay a deserved compliment to your secretary. I do not believe, no matter how closely you are associated with your secretary or how closely your officers are associated with your secretary, I do not believe anyone knows Mr. Hanhart as good as I do, and the many good qualities he has and the interest he has in this Section. He is available at all times, and I do not believe there is a time he comes in the building that he does not come in to see me, and you are very fortunate, indeed, to keep with you a man of Mr. Hanhart's ability and standing, a man who has at heart, from his feet to his head, every inch of him, the interest of your Section. Thank you very much.

The Chairman: We thoroughly agree with all that Secretary Farnsworth says about our good secretary.

The purpose of this paper was not for the Savings Bank Section to discuss the question of the modus operandi of the building and loan companies. It was simply to bring to the surface, for consideration, one of the saving forces of the United States. Probably some of us are close to the question and others of us are not, and I think Brother Flack was a little bit out of harmony in the spirit in which this was put on the program.

Mr. Robinson: It was just in reference to that particular matter that I wish to say a word. Personally, I see no intrinsic reason why there should not be co-operation of the two functions of the business. I would like to state that we have in the city of Baltimore an institution that is doing probably the best work along the line of fostering savings accounts as any in the country. I allude to the Providence Savings Bank—a young institution. It is an institution which is not trying to do business along any ideas of how things have been done before. They are very unconventional in their methods. They have reached probably the highest number of accounts of any bank in the city of Baltimore, and their resources are comparatively small—something like $64,000. That institution, along lines which some of us would say are following the building and loan idea. In other words, they will loan a great deal more money than an ordinary bank—something like seventy-five per cent.—but they safeguard themselves through the very features that have made building and loan associations possible. That is, they have regular monthly payments. I know they don't accept any weekly payments, but monthly payments, and coming in contact each month with the borrower they keep close touch with the loan. They are doing a work I do not think is equalled in the city of Baltimore.

SEGREGATION OF DEPOSITS.

The Chairman: On the second subject, "Segregation of Deposits," reference was made this morning in a paper by Mr. Johnson to Mr. James of Eastern Pennsylvania. Mr. James is a very active member of the Trust Company Section, and he is with us this afternoon, and it is when flint strikes flint that we get fire. If you will promise not to be converted by what Mr. James might say, we would like to hear from him for a few moments on the subject.

Mr. James: Mr. Chairman, I am in a similar position to that Mr. Daniel was, when he got in the same bedroom with the lions. If you recall, he occupied a very inconspicuous place and was perfectly willing to attract as little attention as possible, and so perhaps, from my standpoint, I would sooner not have much attention paid to me.

However, we really don't differ so widely as perhaps you gentlemen think, and perhaps you gentlemen, if you would think a little along our lines would see that there are danger spots in the advances you propose. In the character of your business and the character of mine there is but little difference. I represent, for instance, what I would call savings deposits, in my institution, to the amount upwards of three million dollars. Because all money inactive, not used for the current activities of trade, not held as a reserve active business interests, moneys accumulated, are saved. That is the only point that the line can be drawn. A friend of mine before the Maryland convention a short time ago said that if an institution in a State where a segregation law was passed, where they had some thirty millions of deposits, they segregated fifty thousand of those deposits. How absurd that it? How preposterous that is? It merely means that there is an ineffective law or an ineffective presiding officer over the institutions of the State, or a very easy going officer of the bank who reports in. Let us be honest with ourselves. If a segregation law is passed let us live up to it in the spirit of the law. Now, in order to do that, let us see that the law is of such a character when it is put upon the statute books that it will not compel us to go into liquidation. That may sound strong and some of our friends will immediately say "The gentleman is always anticipating trouble," I do anticipate trouble. If we had a law such as my friend from California tells us of—as he told us of this morning—and of which I have seen extracts and which commanded my respect and attention, I would meet you more than half-way, sir, for the purpose of establishing the principle of segregation of deposits. If we had a law even as nearly reasonable as the law of the State where resides your honored president—and he is just across the line from us—I would meet you willing and say "We join you"; but, gentlemen, I represent one of the many States which are in a similar condition; in the State of Pennsylvania, under any reasonable construction of any law that can be offered as to the segregating of deposits—what are the savings banks in the State of Pennsylvania to do? There are at least $350,000,000 which must be torn from their present investments and invested in United States bonds and first bond mortgages. There is no other alternative. Well, then, what becomes of us? Take $350,000,000 from the country's business interest—and I am now excluding that portion of the savings of the State of Pennsylvania which are now invested in what you would probably, in your State, consider as segregated deposits—I am getting down to the very lowest figures, which I believe would be three hundred and fifty millions. Shall we invest them in government bonds? Buy them at two per cent. and pay three, as well as our own expenses? Shall we go searching the country over, some seven hundred to nine hundred institutions in Pennsylvania, dragging the net over the State

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for first bond mortgages, and each one anxious to get them and pay a lower and lower rate and not paying much attention to the character? How will you pay two or three or four per cent., as a certain gentlemen said they did in the State from which my friend comes, and exist? I want to be as generous to the dear people as any man on earth; I am willing to give my hat and he can have my coat and can have every garment I have, provided some charitable institution will clothe me in the end, but still, when you compel us in Pennsylvania to rearrange all of our investments on the basis of the law that we have, you drive us into liquidation. No accumulated surplus and no capital will support the drain that comes upon us. When we say to you that we hesitate on segregation, we are honest, sir. We are trying to see that you, our friends, do not apply a mortal wound which to us means death. Sir, I stand second to none in the belief in a well-regulated institution, but I do not want to be compelled to martial our assets under such a law, which will make it impossible for us to live if we do it. The difficulty is that, notwithstanding you fail in the idea of segregation of deposits, you are opposed to a uniform law on the question. We want uniform divorce laws; we want uniform banking laws. The American Bar Association, the American Bankers' Association for these many years have been clamoring for uniform laws upon all kindred subjects throughout the United States. And still when you gentlemen come to us, like the Good Samaritan who comes across the way to take care of we parched creatures, you come to us and not only say that calomel is a good thing, but that with calomel you must have something that is particularly unpleasant—take your calomel with ipecac. Take your calomel if you will, but don't give us the ipecac. Gentlemen, don't impose upon us a thing we cannot carry. We will do everything that God has given us power to do to benefit the people who are our depositors, but don't put us in the attitude, I pray you, of committing us to old Colonial legislation, which in the old States in the East is almost as impossible to reform as the most tantalizing subject ever given to man's labor. If you can give us the laws of California, we will rejoice and accept. If you will give us the privilege to invest as my friend, your President, has the privilege to invest, we will meet you gladly. But if you compel us to this measure on the basis of the old provincial law of the State of Pennsylvania, which for now almost more than a century has been impervious to change or amendment—just as impossible to change it as it is to change great Gibraltar—if you do that, you place us in a position where we cannot exist, and it ought not to come.

If, on the contrary, you pass one enactment for national banks and another for State banks, see where your difficulty comes. Raise two opposing parties in every village and city in the land. The one advertises itself as a little bit better than the other. If the State is the more liberal, the State institutions get the advantage to the detriment of the national. If the national is more liberal, the case is vice versa. Let us then, if anything is done, do it in harmony, do it uniformly not only for State, but for national institutions. Then the rule of segregation will not be so important, and will not be objectionable at all, unless it be that in the capitalized institutions of the country—and a large proportion of your membership is on the same basis as we are—the capitalized portion of the institutions of the country will not be able under all circumstances, perhaps, to do as well in one locality as another; and when the pledge is made by this association and the enactments are made in Congress, it will be an easier task, if segregation is desired, to bring the State Legislatures to the same level plain. For outside of any ills that may come to the institutions controlled by any such legislation, there comes that greater ill of the three hundred and fifty million dollars from hundreds of thousands of mines and shops and laborers which is sent to the great cities of the East, or to those vast plains of the West for investment, leaving our people without funds to conduct their ordinary avocations.

I thank you, sir.

The Chairman: I met Bob Burdette and his son today and I said to the son, "Bobbie, I understand you have been holding down your father's old job on the Burlington *Hawkeye.*" He said yes. And then his father told me that he had written him asking him how he liked his job and that he had written back saying that the job was not like it used to be, that half of the town was Dutch and the other half was dead, and that he thought he would look for another job. I never supposed before that the Pennsylvania Dutch were so stubborn until I heard the brother when he got up and was quite appalled. I thought he was going to say, "Almost thou persuadest me to believe in segregation of deposits." Now, then, the conservative State of Massachusetts has recently changed its savings bank laws. The Empire State of New York has changed its savings bank laws. Wisconsin has changed its laws. But I suppose in Pennsylvania it is something like the old hymn that we used to sing:

"In Heaven they love abiding,
No change my heart shall fear,
For such is my confiding.
For nothing changes here."

Let us send some missionaries to benighted Pennsylvania that they may have changes in their banking laws.

Mr. James: Let me make one more statement for the benefit of our chairman. There are no Dutch in Pennsylvania. In Pennsylvania we have the descendants of the Germans, but no Dutch.

The Chairman: They never refer to the earthquake in San Francisco; it is always the fire.

Mr. Gurney: Mr. Chairman, down in Kansas we used to have some fellows who gave us a sort of annual performance and would get up at the mourners' bench at the revivals and tell us all of their cussedness and ask them to pray for them. So I arise in something in that spirit—inquiring spirit—to ask a little more about this segregation and to confess to you that when I heard a gentleman in the Chicago Auditorium, whom I believe was Mr. James, express himself in regard to segregation, I was heartily in accord with his sentiment. One year ago that was my attitude; but like the penitent sinner of Kansas, I have seen the error of my ways; to a very large extent, at least. And I am a little bit surprised when I hear our friend from Pennsylvania give utterance to such expression with reference to the seriousness not alone in conditions, but of the application of a remedy. I have always had a very favorable idea of Pennsylvania. I demonstrated it by going there for a wife—a Dutch wife, Mr. James (laughter), and I admired your valleys, your rolling hillsides and your beautiful farms. Nor have I believed these stories of banking conditions in Pittsburg that were very risky, not to say rotten, or of the traditions that even under the dome of the statue of liberty at Harrisburg, of the Goddess of Liberty or of justice, that irreverent contractors have stolen themselves rich off of the spittoons.

But it must be that there is rather a bad condition there if the application of reasonable regulations to protect the deposits of the poor and the saver would thus administer ipecac and calomel to the great industries of a great State and denude that State of her financial resources, scattering them to the four winds.

It seems to me that Brother James must have gotten lost in the flight of his splendid eloquence, than whom there is none more capable and able and entertaining than himself, to have so expressed the fear that a measure of righteousness would drive the whole bunch into the woods.

Now, it would seem to me, Mr. President, that a good common-sense application of the whole problem is this, that when we are in Rome we should do as the Romans do. When I come to your house I should abide by your customs; I should respect your house and your arrangements. Now, then, there is in every State in the United States, regulations regarding savings banks, their administration, the investment of their funds. There ought to be, you all admit that. There ought to be stringent regulations and those regulations should be lived up to. To say otherwise would be uncivilized and to be backwoodsing.

Now, the proposition that appeals to me that if I, as a national banker, or you as a State banker, or you operating a trust company, all legitimate and effective fields in themselves and subject to the rules and regulations as have been worked out for them—if we intrude the savings bank field, then we should do as the Romans do; we should provide the same regulations that the savings bank man makes and should and does observe. Otherwise it would seem to me that banking laws are a travesty upon all justice; and it cannot be denied that all in this day of cosmopolitanism in banking—that we are all of us intruding more or less upon the field of the other fellow. And in my State, Nebraska, at least, our national banks are large repositories of savings funds—not the principal feature of their business, but quite an element. And therefore when we do intrude upon the field of the savings bank and take the moneys of those classes of people, then we ought to observe those same regulations that we insist that the savings bank, as a bank by itself, should observe. And I see no reason for Mr. James to fear this wholesale demolition of the financial structure of Pennsylvania; and if I might offer him kindly a word of advice, it would be that if the laws of Pennsylvania are not right, he had better get busy, along with other good Pennsylvanians, of whom there are a vast number, and make them right. We are not blamable. We are not standing for the laws of any one State; but we are asking for the large principle of the segregation of certain assets for the security and the absolute protection of all these certain depositors whose rights must be respected.

And in conclusion—I have talked much longer than I expected to—I will say that in every State so far as I have traveled and have looked up this work, there is an unrest on the part of these masses of the people with reference to the safety of their deposits; and this unrest has lived its way up to this specter known as the guarantee of the causes. It has culminated in this equally objectionable thing known as the Postal Savings Bank, and these things come about as the very legitimate proof of a neglect upon our part to take this sensible and sane step that we ought to have taken long ago; and I believe that a proper measure not only making sure the deposits of every humble individual in this land, but assuring him

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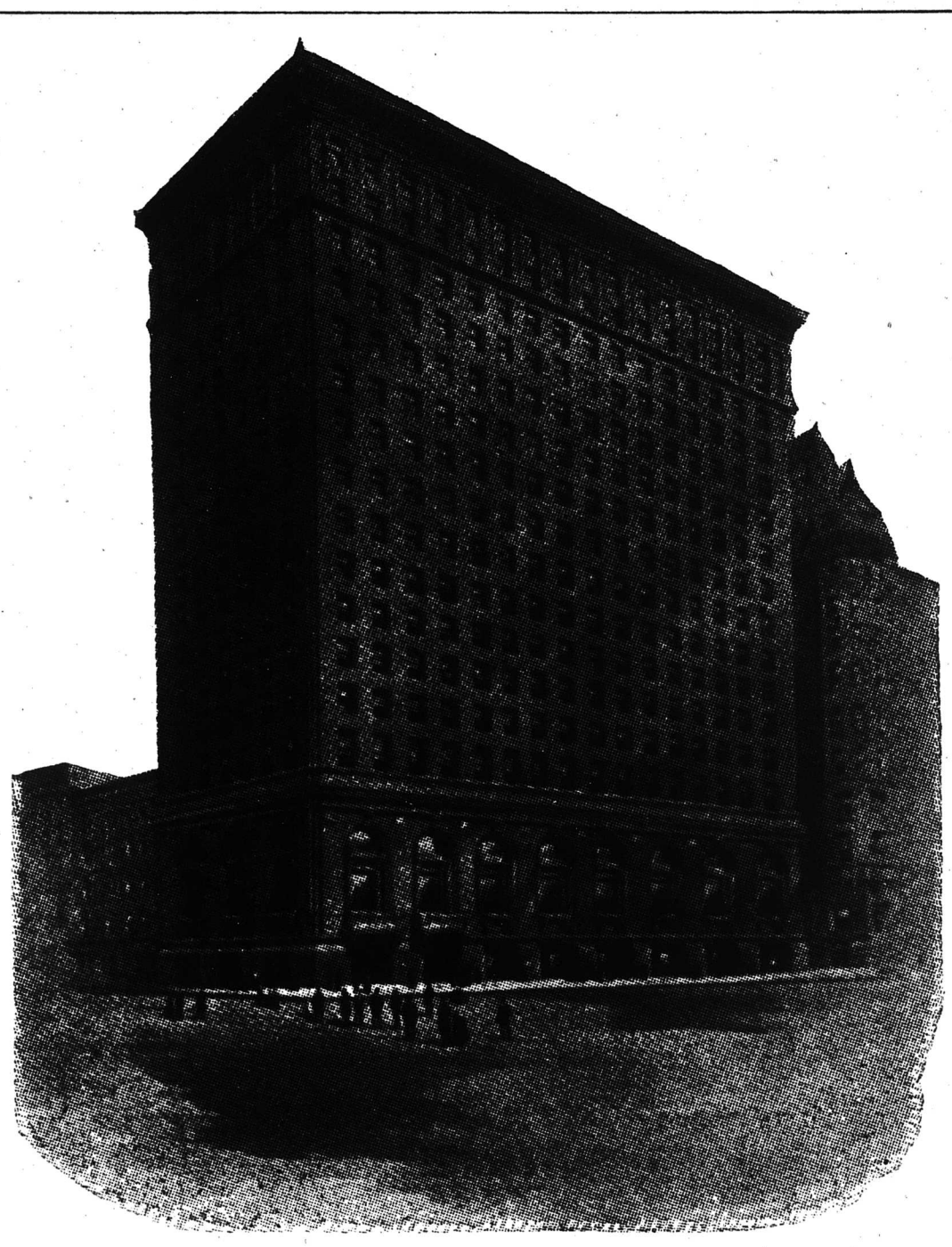

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s‹ that he may be absolutely certain of it, will go a long ways to put banking in the United States upon a higher and safer plane. (Applause.)

Mr. Lloyd: Mr. President, this may be just a little bit out of order, but I would like to say that this is the best thing I have heard for many a year in any of the section meetings. I am fully convinced that the oratory of Nebraska don't all lie with Billie Bryan. I would be tickled to death if I could stand here with you, but I have been put on the Auditing Committee and have to have a report ready for four thirty, and I am going to ask you to excuse me, and I know that Mr. James can take the part of Pennsylvania.

The Chairman: Brother Lloyd can look on with a smiling face because down there they have a little correlation of trust company, national banks and a savings bank, and they catch them going and coming.

Mr. James: Mr. Chairman, I don't want to intrude, but I feel that my position is peculiar. I didn't come here to argue the matter. I didn't come here to discuss it in any particular way. I only came here today to find what sort of propaganda really and earnestly were interested in it. I mentioned to you that my attendance here is only for educational purposes, and I have your kind permission to remain without being unseemly. It was at your suggestion that I rose to my feet in the beginning. It seems impossible for gentlemen on the outside to understand conditions in States with which they are not as familiar as their own. It would be a long, long effort for me to go over the subject of segregation of deposits as I should. I have only attempted it upon the theory of trying to get together, and if we can do that I should be very glad to do so. I should be very glad to answer the arguments of my friend on the left and some of his references. We are proud of Pennsylvania, and when we have thieves we catch them and skin them, though you do likewise. We have sent every man that was guilty of iniquity in connection with our State capitol to the grave—not one by execution, but every one by moral condemnation. Our friends in New York last winter tried the experiment of enacting a segregation law. They failed, even in so progressive a State as New York. The bill was changed so it would escape the opposition of very, very many people, and confined to a few cities, five, I think, in the State, and still the bill failed.

Gentlemen, it is not an easy matter in the old States to enact anything out of the ordinary. The gentleman says we may intrude on other's fields. In Pennsylvania there is no field outside of Philadelphia for the mutual savings banks. With the exception of one in Pittsburg, there are none. For the past fifty years the State institutions have supplied their places. They have built up a peculiar system of banking in our State, with which perhaps no other State of the Union is familiar, but it has answered the purpose and it has protected the people. And in Pennsylvania's millions of population I have yet to hear a voice demanding segregation. But I demand it if it can be put on a proper basis. I see the advantage of it to us as well as to the people, I would prefer to have it if it can be had for our benefit. I am perfectly willing to see if we can do it without discriminating against the people at this window; I am perfectly content that the people at the other window shall be just as absolutely saved from any possibilities of the future as can be done. And for that reason my mission here today is to listen and hope to find a way, and instead of antagonizing the broad subject of segregation to accept it if possible; and I still believe there is no hope.

It must be uniform as to all the national banks of the country. Then why not wipe out the differences that are bound to arise where State banks can join? Why shall the trust company of Waverly attract all the business of the trust company of Towanda because one is on the New York side of the line and the other on the Pennsylvania side of the line? Why should the capitalized savings banks of Scranton rob my friend at Binghamton or at Syracuse or any of the large cities of the State by reason of special advantages given under our State law whereby they can give a higher rate without any trouble than the gentlemen can on the other side of the line? If there is need of uniformity of divorce laws, there sure ought to be need of uniformity in business laws. Let us not have New York in one category, Pennsylvania in another, Maryland in another, and my friend from the West giving four per cent. That is my proposition, sir. Let us all stand before the law equal and then we can do full justice to those who are subject to the law and subject to our administration.

I thank you.

Mr. Teter: Mr. President, I will not consume but a moment of your time, but for fear that in our earnestness some one should lose sight of the position of our section in reference to these subjects, I will say a word. Mr. James used the term "Propaganda." I don't know whether he intended to do that or not, but I am very quickly to the defense of the savings section in saying that we have no propaganda of any sort, and that we stand now, as we always have stood, for the careful study of all these questions. I will go farther and I will say that the Savings Bank Section has not by any action asked that a general segregation law be passed in the country or in any State. But without entering into the merits or demerits of the question at all, which I do not intend to do, I want this audience to understand, as I understand the position in reference to this question. It is a live question. For two years I served to the best of my ability as chairman of your Postal Savings Bank Committee. I am just as certain as I am that I am standing here that if the bankers of the United States had years ago recognized the needs of the people of this country there never would have been a Postal Savings Bank law; and this section and the other sections of the Association, the American Bankers' Association itself, have no excuse for existence if we do not have our ears to the ground and hear the tread of the people of this country. And when these questions are coming up as they are in various States, it is our duty to study and place the facts before you, and have them right in our offices for the use of the different States.

That is all we are doing. We are not asking Pennsylvania to come in at all.

I was down in Mississippi last year and the shibboleth down there was that the Mississippi bankers knew better what legislation they needed than any other bankers in the country. And I thought that was very wise. I am very willing indeed for Mr. James and his friends to decide what is best for Pennsylvania; but we would not be doing the best, as we see it, if we did not get the best information on these subjects and have them available for them.

I have witnessed the operation of the segregation law in Michigan, and I know all the requirements there, as our Chicago institutions sell bonds, and they have made some investment arrangements there that are particularly local to that State. Under certain restrictions, the savings banks there can buy steamboat bonds—bonds which most of you know nothing about, and which most of us would not think of buying. But it is a great marine State, and that has been taken into consideration.

These various things that we learn as we go along are important. I am willing for our friends of the South to make loans on cotton, a thing that we of the North do not know much about. I suggest these various things. In Pennsylvania the iron and the ore are among the best securities.

But to return to my point. Don't let anyone get the impression that this section of its officers or committeemen are trying to force anything on anybody except right, but we do bring these things together. Your committeemen worked hard in accumulating information and putting it before you, and the discussions growing out of the papers here, and the papers themselves are after all only the expression of personal opinion.

The Chairman: Mr. Robinson has the floor.

Mr. Robinson: I was simply going to follow the same line that Mr. Teter has covered in a very much better measure than I could possibly have done, Mr. Chairman, simply by stating the attitude of the Savings Bank Section on this important matter. I feel that most of the misunderstandings in life are due to the fact that we don't think in common terms. We have not a common yard stick that we define various things with; and I am sure if Brother James knew just exactly how we feel on the subject of segregation that he would join forces with us as energetically as any member of our section, and I have no doubt that everybody here has sympathy for Pennsylvania conditions as they exist and would not inflict noxious doses on Pennsylvania.

We are anxious to get together on this point and want to accumulate all the information we can, and I take it as an earnest of his own desire—the expression Mr. James has made use of—that he is heartily in favor of segregation. So are we. And the same kind of segregation that we believe in, I believe he believes in. (Applause.)

Mr. Johnston (Schenectady): May I read a report from the Law Committee showing the recommendation of that Committee regarding segregation and the safeguarding of savings deposits wherever held?

"We recommend for all States and jurisdictions in which the same does not now fully prevail, the adoption of the principle of safeguarding savings deposits by the segregation of savings assets and the special investment of savings deposits in such manner as may be both acceptable to the banking interests and adapted to local needs and conditions in all such States and jurisdictions." (Applanse.)

Mr. H. L. Remmel (Little Rock, Ark.): Mr. President, I have listened with a great deal of interest to these papers that have been read and to the discussion that has been had. I came here, as I came here before, opposed to this proposition of segregation. I don't know as I ought to say anything on this subject because we come here from a State with so limited an amount of funds in the savings banks, and hear of these accumulated millions, that our voice really ought not to cut much figure in a discussion of this kind. But we are always open to conviction. And that very thing, these recommendations that have been read by Mr. Johnston, as I understand, is all that is in the province of this section to do—is to recommend.

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Now, in our State we have had a good deal of trouble in recent legislatures to even get a State law passed, and our State convention has recommended the passage of laws. We had a very comprehensive law drawn up by our federal judge who had formerly been a banker—a lawyer and a banker—and it was turned down. And we had laws presented by committees from the State Bankers' Association and they were turned down. We found that the opposition in the legislature arose from the representative of the smaller banks in the State. Now, if that is the case, it is a matter to try and educate our State bankers; and it has occurred to me that perhaps our local banks—the officers of the banks—might be the larger borrowers, and for that reason they have opposed the State law.

Now, I happened to be on a Committee on Resolutions when the Postal Savings Bank matter was up, and I opposed the proposition of the Postal Savings Bank. I don't think the government should go into business in opposition to the individual. That was a crude idea that I had. And now it occurs to me that something must be done since I have listened to these papers and this discussion, even in framing a banking law, if we get one through this next winter, which we hope to do, to meet the competition which is possible from the Postal Savings Bank.

I find in our State there have been more applications to become depositors of the Postal Savings Bank than there has been applications for Postal Savings Banks; and if that is the case it is possible that we may be able to get a law passed this next winter, and in getting such a law passed it might be possible that we might come to the question of segregation and ask that that proposition be put into the law. That is one of the possibilities. But our savings are small, and the institution that I am connected with is both a savings bank and trust company. We do not do a commercial business. We loan money on first mortgages and we buy bonds, improvement district bonds, levee bonds and drainage bonds, and we sell these in the market. Of course, like all other institutions of the kind, we make our commissions on the sales or on the purchase.

I believe since I have listened to this discussion here—as you remember yesterday morning or day before yesterday I stated I was opposed to segregation; but I think I have had my eyes opened, and I believe if we do get a law through this next winter—a State law—it may be possible to ask for segregation, and we may be able to incorporate that. I think when I go home, if I have any influence with the legislature or the Legislative Committee, I shall be able to present some arguments along that line, coming here as I did in opposition to the proposition.

The Chairman: Gentlemen, we have given the question of segregation of deposits more time than anything else. We will close that discussion with just a word from the chair. There was summed up in a paper here today the duty of savings banks to take proper care of savings deposits. I think that does not go far enough. You must first make your institution of such a character that people are willing to entrust you with their deposits before you can take care of them. That is the idea of segregation. It is a step in the education of savings depositors to make them feel that their deposits are absolutely secure.

BONDS FOR SAVINGS BANKS.

The next question is Bonds for Savings Banks. Are there any remarks on that?

Mr. Johnston (Schenectady): Mr. President, it was my pleasure to listen to our guest and my friend, Mr. Rhoades, this morning in regard to amortization of bonds, and especially, as I would naturally be interested, in his reference to New York State banking laws. I remember that he said that he didn't wish to appear in opposition or antagonism, I think, to the New York State banking laws, being a royal New Yorker himself. However, I feel that some of his statements would be considered as such unless perhaps—speaking for myself now—he is like me, that the oftener the years roll around I feel that I am gaining something in the way of knowledge. I have this conviction that I gain more from the goodwill and the toleration of my fellow citizens than I do from anything which I may have attained in the way of knowledge myself; and I am confident from my acquaintance with the gentlemen that he stands in that respect upon the same platform as myself. Therefore we are both liable to error, to call upon that indulgence, should you find we need it, in the remarks which either of us have made.

I wish to give an idea of the situation in New York State which I believe will refute some of the statements made by my friend Mr. Rhoades. The New York State banking laws it is not necessary for me to say to the men gathered here—

The Chairman: Allow me to suggest, Mr. Johnston, that time is passing, and if you have something prepared, will you read it to us?

Mr. Johnston: Yes, sir.

The New York State banking law determines the surplus of savings banks by the amortized or investment value of their securities.

To those who have not given close attention to the subject of amortization of savings bank securities, the theory advanced by Mr. Rhoades for substituting market values for the amortized or investment values in determining surplus will receive a degree of approval, which approval, I am convinced, will be found to be without sufficient foundation when due consideration is given the subject.

Savings bank deposits are properly considered as being in the nature of trust funds. For many years the courts have directed trust funds to be invested in such securities as would place them out of the vortex of speculation.

The securities in which savings banks in the State of New York can invest are of such selection, do not represent speculative values and are not securities of the ordinary class. The money market may at any time affect the sale or purchase of such securities, but does not likewise affect them when held for payment at maturity.

Mr. Rhoades, in his theory for determining surplus of savings banks, makes his path of divergence at the point where he fails to discriminate sufficiently between securities held as investments by savings banks and securities placed on the market. This may be due, naturally, from his vocation of dealing daily with purchases and sales of bonds.

For example, permit me to put before you two propositions. One a bond held by a savings bank as an investment, say a New York City four per cent. bond purchased several years ago to net the bank 3.50 per cent., for the second a similar bond placed upon the market today. In each case the bonds are unquestioned as to their full face value at maturity, or as to regular semi-annual interest payments upon them. In the first case of the bond held as an investment, the premium paid for the bond is gradually charged off at interest periods so as to bring the bond to its face value on the books at maturity, or as to regular semi-annual interest payments upon them. In the first case of the bond held as an investment, the premium paid for the bond is gradually charged off at interest periods so as to bring the bond to its face value on the books at maturity; this is the investment or amortized value of the bond. If a market value were placed upon this bond purchased a number of years ago, the bond would be forced to the money market conditions of today, which conditions may change again and again before the bond reaches maturity, while the amortized value only can be the actual value of the bond to the bank or to the depositor so long as it is held by the bank as an investment. In the second class of the bond sold today to net the bank, say, 4.10, such sale is made in order to realize cash for a purpose considered more desirable than the holding of the bond as an investment—two distinct conditions. The confusion arising from an attempt to make these conditions appear the same is evident.

The New York State banking law requires that whenever an investment held by a savings bank is affected so as to impair its face value at maturity, it shall be reckoned at its market value and not at its investment value. It is therefore impossible that an undervalue be made of asset, unless the statement is false. The New York State banking law has also provided against forcing upon the market savings bank securities which would affect the bank's solvency. It is evident that no body of men would take out a charter for a savings bank without such provision.

The acceptance of investment values as the equitable valuation is not new, although within the past few years made a savings bank law in the State of New York, it has been not only an unwritten banking rule for many years, but likewise a custom in commercial and industrial conditions when it has appeared that the face value of securities would be paid at maturity.

The fact should not be overlooked that the investment values of savings bank securities are the only correct values which can be obtained. Market values apply from day to day, according to the fluctuation of the money market or of other conditions. They are necessarily neither stable nor accurate, neither is it practical to make such values apply to all of the securities of a savings bank; for example, we place our five per cent. mortgages on real estate at par, whereas a five per cent. municipal bond for the same term of years is worth a premium, no reason being shown that either security will not be paid in full at maturity. In the case of a municipal bond purchased at par, the percentage of the indebtedness of the municipality to its assessed valuation may not be more than five per cent. Whereas a real estate mortgage may be legal in New York State at sixty per cent. of the valuation of the premises covered by the mortgage.

A consideration of these conditions for many years past has lead to the just and equitable law of the State of New York for calculating actual surplus from period to period of savings banks, by the unquestioned face value of their securities held for maturity. It being recognized that savings bank investments are fully paid for and are not subject to the market conditions which may be applied to stocks held on margin.

It could not be consistently asked of the man who had founded his house upon a rock that in the test, when the rain descended and the flood came, he would transfer his house to

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the sand. No more could we ask the savings banks to transfer their values from a permanent basis to a shifting basis in any time of need which they have prepared for, even though the proposal is that it be done only on the bank books.

In his report for January 1, 1908, the Superintendent of Banks of New York State reported the difference between the investment cost of securities held by savings banks and the market values of the same to be about sixty million dollars. A drop of about sixty-five per cent. on the market values. These securities were then adjudged by the bank department to be legal and their face value at maturity unquestioned; and no doubt exists but that such of those securities as we have matured since have been paid at full face value. The difference between actual investment values of the savings banks and market values, on January 1, 1910, was forty-seven million dollars, being by thirteen million dollars a less amount of such difference than in 1908. Does not such a shifting of the sand justify us in asking, What would have been the result of using market values in place of investment values three years ago when it was difficult to find any market whatever for securities?

To urge, the reducing of interest paid depositors to such a rate as will enable a savings bank to place at each interest period a reasonable proportion of earnings to surplus account is laudable. Let every savings bank endeavor to have its surplus eventually raised to a proper percentage of the deposits. Yet in our opinion it is not necessary that in so doing we resort to the unnatural and illogical method of making the surplus to appear upon the books less than it is by substituting market values for investment values.

ALLEN W. JOHNSTON,
Treasurer, Schenectady Savings Bank.

The Chairman: Mr. Johnston has very ably told his side of the question, but we cannot overlook the fact that he has to still tell us how an eighty per cent. bond is worth par. Mr. Johnston expects his bank to continue without any trouble but if he buys bonds at par and has to sell them at par when they are only worth eighty, in order to pay his depositors, he could not do it.

Mr. Johnston: We don't have to sell that way and it has not anything to do with amortization.

The Chairman: You would have to sell them if your depositors would want it.

Mr. Johnston: The State law saves us from that.

Mr. Rhoades: You mean on the ground or basis of thirty days' notice?

Mr. Johnston: There has not been a savings bank in the State of New York that has been closed up by having to pay its depositors. In all the stress of business there has never been a savings bank that has had to pay out to its depositors. We have as much right to expect there never will be such an occasion as any of the insurance companies have a right to take into account statistics and also we are protected from such calamity by the laws of the State of New York which prevent us from selling our securities when demanded by any depositor.

Mr. Aiken: It seems to me it is not a proper comparison—a savings bank and an insurance company. Mr. Johnston's bank agrees to pay up in ninety days' notice the full amount of its deposits and the insurance companies have only agreed to pay at a remote period—at a specified period. Now, the market condition in the bond market—such conditions may arise as may force Mr. Johnston to realize on the security that he has and I, personally, can't see the slightest justification of a savings bank carrying as assets on its books bonds listed as par that are worth only eighty.

The Chairman: We must bring this discussion to a close now as the hour is growing late and we will ask for the report, at this time, of the Nominating Committee.

NOMINATIONS AND ELECTIONS.

Mr. Latimer: The Nominating Committee respectfully report for president Edward L. Robinson, Baltimore, Md.

For vice-president, Alfred L. Aiken, president, Worcester County Institution for Savings, Worcester, Mass.

Three members of the Executive Committee, to serve for three years, J. F. Satori, president, Security Savings Bank, Los Angeles; E. R. Gurney, vice-president, Fremont Trust & Savings Bank, Fremont, Neb.; Wilmer Palmer, president, Wilmington Savings Fund Society, Wilmington, Del.

Respectfully sumbitted, G. B. Latimer, John F. Flack, R. M. Welch, Nominating Committee.

[Reporter's note: The reporter was here instructed by the secretary that he had a list of vice-presidents which were not yet complete and would be inserted later.]

Mr. Latimer: The Committee would ask that if there are any other nominations to be made for vice-president, inasmuch as there have been only one or two suggested to the Committee, that they be made to the Secretary.

The Chairman: We have the report of the Committee; what is your pleasure?

Mr. Remmel: I move that the report be adopted and the gentlemen should stand elected.

The motion was duly seconded.

The Chairman: It is moved and seconded that the report of the Nominating Committee be accepted and adopted; are there any other remarks? All in favor will signify by saying "Aye;" contrary, "No." The ayes have it and it is so adopted.

As the by-laws provide for a ballot, a motion will be in order to instruct the secretary to cast the ballot for the nominees.

Mr. Teter: If Mr. Remmel will simply change his motion to that effect I will second it.

Mr. Remmel: I will so change it.

Mr. Teter: I second it.

The Secretary thereupon cast the ballot for the nominees presented by the Nominating Committee.

The Chairman: Mr. Robinson, Mr. Aiken and Messrs. Sartori, Gurney and Palmer are therefore declared elected for the offices named. I now ask Mr. Robinson to step to the platform. (Mr. Robinson stepped to the platform.) Mr. Robinson, it gives me great pleasure to transfer the badge of President from the lapel of my coat to yours. In your association with this Savings Bank Section and in your earnest work for it you have impressed us with your high ideals in the execution and transaction of your business and I feel that no more worthy member could be elevated to the presidency than Mr. Robinson. Gentlemen, I have great pleasure in introducing to you your new President, Mr. Edward L. Robinson.

REMARKS OF INCOMING PRESIDENT.

Mr. Robinson: Mr. President, I appreciate very highly the kind words you have expressed to me, and while I feel your usual good judgment has been warped by your good feeling, I value your words as highly as if every one of them was true.

I have shared your enjoyment and deep interest in the papers presented to our Section today and feel a personal obligation to our friends who have given us such wholesome instruction; they have rendered us a conspicuous and helpful service.

In order to reap a further and permanent benefit from our meeting, it may not be out of place for me now to suggest that as we return to our homes we strive to give practical effect to some of the suggestions which have moved us to enthusiasm today.

Two broad lines of usefulness are suggested to my mind; one is to overcome the distrust with which the ignorant classes regard even our best and strongest banks; the other is to teach the masses of our people that national and individual advancement wait on national and individual frugality.

Our first task has been rendered more difficult by the exigencies of politics; in the eyes of many, the establishment of Postal Savings Banks has fastened upon the present agencies for savings the stigma of government distrust; it is with no vexation of mind that I make this statement for I do not apprehend that this difficulty will be a serious one to combat; we can win popular support by deserving it; experts have just pointed out the way to us; follow their lead and the problem is solved; wise legislation affecting bank practices; segregation of savings deposits, efficient audits providing safeguards within the bank which will protect employe and depositor alike; adequate reserve strength; these thinks will win and retain the confidence of our communities.

This much accomplished we may turn to the task of educating our people to the advantage of personal thrift—we must bear our burden in a relentless "war on waste."

"Conservation" is a term which has been exciting the popular mind of late and is proclaimed as a cure for all our national woes; we should not permit our statesmen to usurp all the glory of the idea; it has been the tocsin of our cloth for a full century, concrete efforts by earnest and unselfish men for more than a hundred years have resulted in an accumulation of savings reaching a total of three and a half billions in the Mutual Savings Banks alone; other agencies swell the legitimate savings of our people to more than six billions; great as these figures are, we are not measuring up to our economic duty for we are still a nation of spendthrifts and must mend our ways, if we would keep pace with the progress of nations.

The work of education belong to us; if we are so busy attending to the affairs of our neighbors that we cannot keep our own houses in order, we can at least commend to others the homely virtues of industry and economy; some communities already recognize their responsibilities to the children. I am glad Mr. Hawley has enlightened us concerning the splendid work they are doing in Minneapolis; let this sort of work spread; give the wage earner special facilities for putting aside a portion of his earnings; they do this work especially well in Mr. Aiken's State of Massachusetts; let all our communities be made aware that we invite their small accumulations; judicious advertising of some sort is almost a duty even to the so-called trustee institutions, but let the ambition of our banks be not to attain the greatest possible size, but to render the greatest possible service and in teaching "thrift' we should venture beyond that narrow interpretation of the word which

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would confine its meaning to a mere miserly hoarding of money, but let us teach that true thrift includes a prudent use of resources as well as a wise husbandry; we should encourage home building, likewise careful and discriminating investment of capital in those enterprises which make a people great.

We can thus add to our country's greatness—increase the sum total of human happiness and put iron into the blood of a new generation.

(Mr. Robinson takes the Chair.)

INVESTMENT OF VICE-PRESIDENT.

Mr. Robinson: Mr. Aiken, will you please come to the platform? (Mr. Aiken steps to the platform.) It becomes my very pleasant duty, the first after assuming my new office, to invest you with the insignia of your office. You are splendidly equipped to assume the duties of this office and I trust, during the next year, we will give you plenty of work to do and that you will do it just as successfully as you accomplished your task at Catalina yesterday. Gentlemen, I take pleasure in introducing Mr. Aiken.

Mr. Aiken: Gentlemen, in the first place I wish to thank you for the honor given to me, and in the second place, if I derive as much pleasure from my association with the Section during the next year as I derived from killing fish at Catalina yesterday, it will be a land mark in my experience. It gives me great pleasure to be associated with such officers as I shall have with me during the coming year.

ADJOURNMENT.

Mr. Robinson: Gentlemen, I believe there is no further business before the meeting, and if no one has anything to offer I will declare this meeting adjourned sine die.

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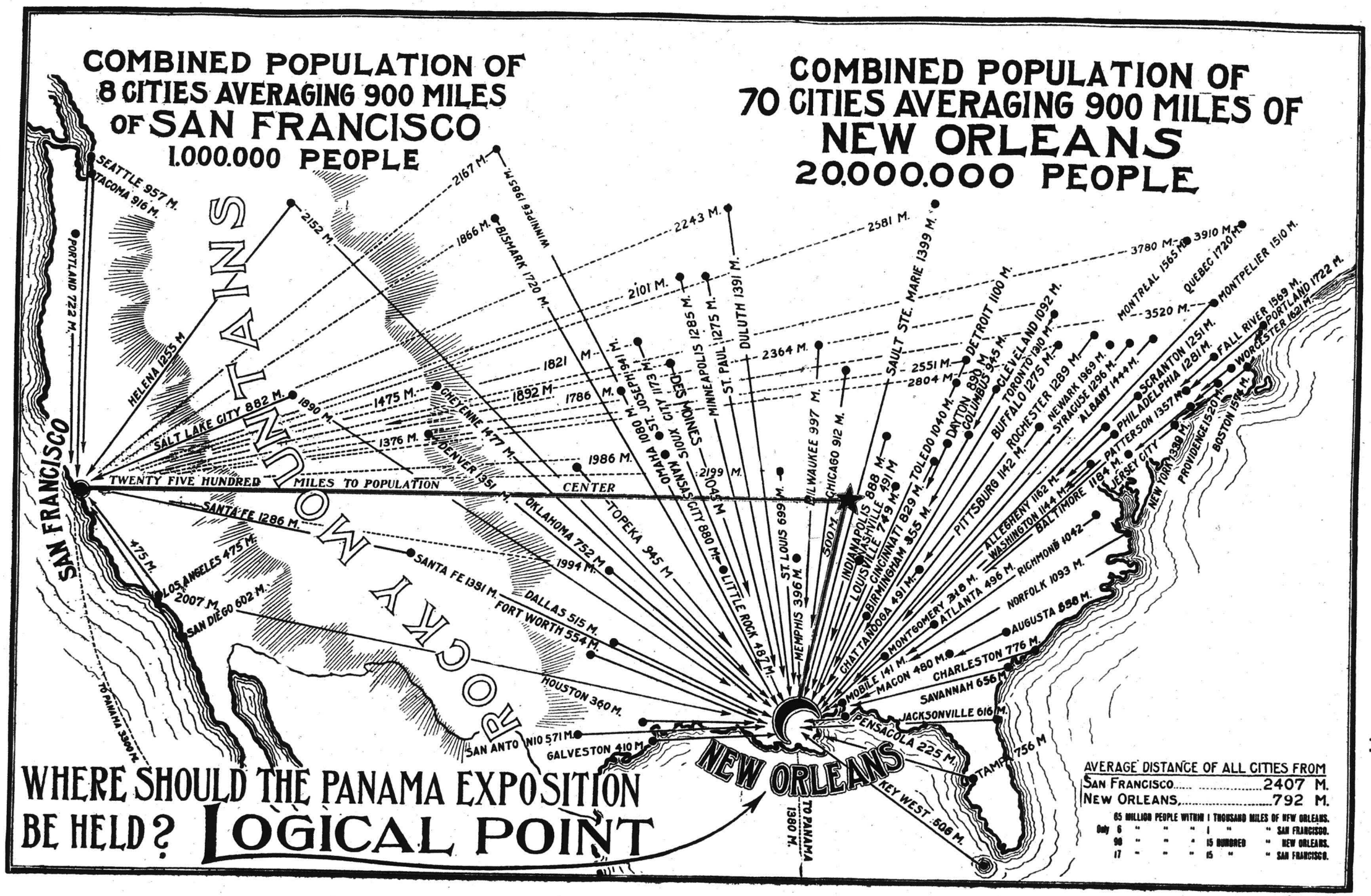

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World's Panama Exposition at New Orleans

By

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"Expositions," said the late President McKinley, "are the Time-Keepers of American Progress." The World's Panama Exposition, which, if congressional recognition be accorded to New Orleans, is to be held in this city in 1915, will mark a new era in the progress of the American people, and will also afford a most magnificent opportunity for the development of trade relations with Central and South America. In fact, the most important aspect of the proposed celebration to commemorate the completion of the Panama Canal is the effect it will have upon the commerce of the Western Hemisphere; and this one phase of the situation alone makes the location of this Exposition a matter of great importance to the financial interests of the United States.

Public sentiment has practically decreed that the completion of the Panama Canal shall be celebrated with a great international exposition; and the question of where such exposition shall be held will be settled by Congress at its approaching session. Two great American cities are contesting for the honor of providing and holding this celebration, New Orleans and San Francisco; and the object of this article is to emphasize a few of the many reasons why the Crescent City is "the logical point" therefor, and why the banking interests of this country should interest themselves in the matter by urging their friends, among the members of Congress, to vote for New Orleans.

Expositions are also educational movements. Their success as such depends entirely upon the number of people who can visit them and secure their educational advantages. This, in turn, depends upon their location —and it should here be understood that the term "educational" is used in a broader sense than is usually implied thereby. There is the educational feature as applied to the general knowledge of what the whole world is doing and has done, which is gained by practically all visitors to a great exposition; and, from a commercial and financial standpoint, there is a more important educational value of such a celebration through the opportunity which it affords the American manufacturer and the progressive business interests in every line to greatly increase the volume of American export trade with all the nations of the world.

The financial success of an exposition depends upon the attendance which must come from the people of our own country; but the success of such an exposition as related to the commerce of the country as a whole, and increased trade relations, must depend upon the attendance from foreign countries—in the present instance the Latin-American Republics—with which it is desired to inaugurate a new and greater commerce. From this standpoint, the laudable desire of Louisianans to thus attract capital and farmers to her fertile fields, and equally commendable desire of the Californians to demonstrate the rehabilitation of San Francisco, are entirely beside the question; and it should be settled by Congress solely upon a consideration of which city would prove the most advantageous and logical point for such celebration.

The accompanying diagram (see opposite page) merely demonstrates that insofar as the people of this country are concerned New Orleans is by far the most desirable site for a World's Panama Exposition; and in addition to the facts thereby so forcibly set forth, the following reasons are among the arguments advanced in behalf of the Crescent City:—

New Orleans is 500 miles from the center of population in the United States. San Francisco is 2,500 miles distant therefrom.

Within a radius of 500 miles from New Orleans, there are 17,500,000 people. Within the same radius from San Francisco there are only 2,000,000 people.

Within a radius of 1,000 miles from New Orleans there are 65,000,000 people. Within the same radius from San Francisco there are only 6,000,000 people.

Over 75% of the people of the United States could visit an exposition at New Orleans at an average expense for railroad fare of $12.50, as against an average of $37.50 to the Pacific Coast.

For several million American people the total for all their transportation expenses in a trip to New Orleans would be less than the Pullman fare alone to the Pacific Coast.

Visitors from New England, the Atlantic Seaboard, the Mississippi and Ohio Valleys, the Northern, Central-Western and Gulf States, can all come to New Orleans, spend 6 to 8 days at an exposition here, and return to their homes in less time than would be required for the railroad journey alone to and from the Pacific Coast, and at one-fourth the expense.

It would appear that these few facts alone show that for the people of the United States, New Orleans is the only "logical point"—and so far as Central and South America are concerned the arguments are even greater. New Orleans is over 2,000 miles closer to the principal cities of the 20 Republics to the south of us than is San Francisco, and this fact alone would guarantee a much greater attendance of Latin-Americans at an exposition here than at one on the Pacific Coast. When the Panama Canal has been completed, even those Republics which are entirely on the Pacific side of the continent will be nearer to New Orleans than to San Francisco, such as Salvador, Columbia, Ecuador, Peru, Bolivia and Chile.

Not only would this bring to an exposition here a greater attendance, but would prove a splendid factor in increasing our trade with Central and South America, now controlled almost entirely by England and Germany, because the business men from those countries who would come to the Crescent City could easily be induced to extend their trip on to our great commercial and manufacturing centers in the North and East—while it would be very difficult to induce those who would go to San Francisco to travel entirely across the continent to further investigate our commercial interests.

With so many important arguments in behalf of New Orleans from a purely commercial standpoint, it would seem almost imperative that this city shall receive the support of the American financial interests in this contest.

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