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TOPICS OF THE MONTH

INTEREST RATES

RATES for commercial loans are low. Money has been easy for several months. On the other hand, interest charges for capital investments in the form of bonds, stocks or short-term notes are high. The establishment of the new Federal Reserve system is responsible in great measure for the difference between the two interest rates. Under the old banking system, with the Wall Street call loan market as the one place where loans could be made without the destruction of liquidity, there was confusion between investment money and commercial money. The latter was used to keep down interest rates on the former, and it was not always possible to tell what rate of interest either would command on its own merits.

The Federal Reserve system, designed as a reform of the commercial banking system, took the funds of trade out of the investment field. This in itself would have produced a wide difference in interest rates between the two forms of capital. But the banking change came on the heels of an economic cataclysm. Patriotism supplemented the extreme financial resources of the

country in meeting the shock. Business was halted by practically prohibitive interest rates. Bankers acted as a unit in charging rates whose operation had the same effect as the advance in the official bank rates abroad. So successful were the remedies applied that the country emerged with comparative rapidity from its period of depression. What usually happens in such cases happened this time — funds accumulated in the banks in large amounts, and interest rates fell lower and lower. Now, when prospects are brightening, the surplus reserve item is very large, and the interest rates of the Reserve banks for rediscount are lower even than the rates charged by the loaning banks.

In a time of active business, with the demand for loans brisk, the Federal Reserve banks would be obliged to ask for rediscount a rate in excess of that charged by the operating banks, or they would have their resources greatly impaired and become unable to withstand an emergency situation.

In addition, reduction in reserve requirements released vast sums previously unavailable. There was a further increase in the capacity of the

banks to loan, because the mere existence of the Federal Reserve banks released them from the obligation of extreme caution. A bank of rediscount is a great influence even when it is not used.

These changed conditions affected the investment situation as much, possibly, as the war with its increased demands for capital. It must be remembered that there is to be no realization of the ambition to make New York the world's money market without compensation. Every American business man in search of capital must bid for it against the world. Moreover, in an adjustment of conditions that corresponds to a shifting battle line, there is an uncertainty which makes investors wary of long commitments. Under present conditions, the interest rates for commercial money have no particular relation to the rates charged for investment funds. This is as it should be, but the unevenness of the adjustment between the two is a striking illustration of the influence of the war.

GOVERNMENT DEPOSITS

The unevenness of the adjustment between commercial and investment interest rates will be further influenced by the transfer of Government deposits, and the deposit of the general fund of the Treasury in the Federal Reserve banks. No haste is being made about this shift of funds, but notice has been given to depository banks that the funds are to be withdrawn. It is rumored that, once the funds are in the custody of the Federal Reserve banks, the Secretary of the Treasury will issue a statement authorizing them to act as fiscal agents for the Government. Under the law he may make such deposits and appoint the banks as fiscal agents in his discretion. Such action will leave the Sub-Treasury system intact, but with much less work to do. Of course the power that puts the money into the Reserve banks and makes them fiscal agents of the Government may take the money away and withdraw the authorization.

The abolition of the Sub-Treasury system was an essential part of the program of banking reform. In the explanatory statement that was

given out when the bill was reported to the House, Representative Glass said:

One feature of the proposals for legislation contained in the committee's bill is the recommendation that the funds of the United States received by it as a result of current business transactions and heretofore held in the treasury shall thenceforward be deposited with the Federal Reserve Banks, the latter institutions to act as fiscal agents for the Government in all of its transactions thenceforward. This recommendation is of fundamental importance. The independent treasury system of the United States under which the Treasury Department now carries on its operations dates from 1846, and is the result of the legislation then urged and adopted for the purpose of putting the country upon a so-called hard money basis. Whatever may be thought of the idea of actual specie payments and of segregation of Government cash, both when it comes into and when it goes out of the Department of the Treasury, experience has shown that the system is not feasible. It was necessary to suspend the independent treasury system, practically speaking, when the civil war broke out; and upon every subsequent occasion of stress or difficulty in the market a repetition of this suspension has become practically unavoidable. It has been necessary on those occasions to redeposit the funds of the Government in banks in order that the commercial community need not be deprived of the use of them even for a short time. At times it has been found expedient, if not absolutely necessary, to temporize with the law and with the technical requirements of the treasury system and practically to abandon the plan of requiring cash payments even when that was theoretically lived up to—this again in order to avoid any withdrawal of urgently needed funds from the business community.

In normal times the withdrawal of these funds has, of course, been far less noticeable in its influence upon the business world, although at all times it has been a fact that the withdrawals did disturb in a measure the natural balance and distribution of funds between different parts of the country and did thereby tend to embarrass some parts of the country much more than others, owing to the fact that withdrawals of cash due to the payment of taxes were neither identical in amount nor proportionate in importance in these several sections. The inadequacy of the independent treasury system and of the present method of making public deposits has indeed been fully recognized by Congress when it provided that all such deposits in banks should be made only upon security of United States bonds, a requirement which means, if it means anything, that the banks called National and under Congressional supervision, although deemed safe enough for the use of the public, are not safe enough to serve as depositories of public funds—a situation which, if actually what it seems to be, is both ridiculous and disgraceful. This condition of affairs would, however, be greatly aggravated and would become even more anomalous if Congress were to authorize the creation of a new set of banks entrusted with the power of holding reserves and acting as the intermediaries through which a new currency is issued, yet unable to be trusted as custodians of Government funds. Both for economic reasons and because of considerations of the logic and dignity of the situation, it is desirable to have

the current receipts of the Government deposited in the new banks and its disbursements made by drawing upon these institutions. The treasury is in no way interfered with by this process save in so far as it is relieved of some routine duty. It is left to manage the fiscal affairs of the Government in precisely the way that is now practiced, but the actual funds are placed in the Federal Reserve Banks, where they will continue to be available for the banking needs of the community which created them and which is responsible for the solvency and activity of the business processes that afford the basis of taxation and thereby supply the fundamental resources of the public treasury.

THE TRADE BALANCE

The balance of trade in favor of the United States is still running into fairly figures every month. Probably this should have been expected. It is not long ago that Sir George Paish and Basil Blackett were in this country on a mission reported as having different purposes, but the real one was to try to persuade Americans to ship gold to England. At that time the international balance ran heavily against the United States. As was natural, American leaders of finance were not anxious to lose gold, but they did make large shipments and also formed a gold pool for the protection of American exchange. Now the situation is reversed. Not only are the balances running strongly in favor of this country, but it is certain that they will continue so to run as long as the war lasts.

With exchange on London and Paris at a point so low that doubt of their willingness to have gold at a premium is removed, gold imports have been confined to the return from Ottawa of part of the metal shipped there from this country last Fall.

At that time it became apparent to the farsighted that, whether the United States was willing or not, it would be bound to supply capital to aid in the prosecution of the European war. The alternative to such action would be an embargo in fact or in effect, or the stultification of our commercial instincts. As some measure of payment for the commodities we are sending them, Europeans are sending back some of their holdings of American securities. The amount, however, is not so large as anticipated. American securities are desirable investments, compared with those of the war-torn countries. They

appear in the market only when foreign exchange is so depressed that some action is necessary. In the meantime new lines of credit are being opened for foreign account. It is not only the nations at war that are seeking the means to pay for what they purchase here, but it is in New York that other nations have sought and found a market for their securities. Since November Canadian cities and railways have sold over \$56,000,000 in securities in the United States. Norway, Sweden, Switzerland and Argentine have all borrowed in New York, and the latter is now negotiating a second loan. It has been pointed out in these columns that, before we can extend our foreign trade, it will be necessary that we finance foreign countries and foreign enterprises. New York must become the center with which South Americans are familiar before their trade will come to this country. No better demonstration of this truth is needed than that offered by actual conditions. With exports breaking all records, South America's proportion is lower than it was a year ago. This might be, as advocates of government-owned ships have contended, because of high freight and insurance rates, and actual lack of ships, or it may be due to—what is more likely—South America's financial and commercial distress and the further fact that Americans are only beginning to understand the possibilities of that market.

THE COUNTRY'S GOLD SUPPLY

It makes little difference if the gold stock of the United States is not increased by shipments from abroad. The Federal Reserve system has reduced the requirements for quantity of gold and made a more economical system of using it. In a time of pressure, England has been able to do more for herself and for the world with \$100,000,000 in gold than we could do in this country with ten times the amount. We have imported from England to allay our panics when our own gold supply was ten times as great as England's. Her supply was mobilized and available. Ours was not. Under the new system our gold supply is now partly mobilized, with the result that the vastness of our surplus is finding daily demonstration.

If the total of this country's gold stock can be segregated in the vaults of the Reserve banks and used only as a foundation on which to rear a credit structure, the country will be in a position of financial strength and independence never yet attained by any nation. The loss by export of a small quantity of gold would have no effect except possibly upon public confidence.

THE PAN-AMERICAN CONFERENCE

What was originally intended as a financial conference has had its scope broadened so that questions of trade and transportation may also be discussed among the North, South and Central American Republics on May 10th in Washington.

On March 16th Secretary Bryan sent copies of the following cablegram to United States diplomatic representatives in South and Central America:

In pursuance of a provision of the Diplomatic and Consular Appropriation bill of the Congress of the United States, approved March 4, 1915, you are instructed to extend an invitation to the Government of _____ to appoint delegates, not exceeding three in number, to attend conference of the Secretary of the Treasury in Washington on May 10, 1915. A similar invitation is to be sent to each of the Republics of America.

The conference will be held with a view to establishing closer and more satisfactory financial relations between the Republics of America, and it is hoped that the Minister of Finance of the respective Governments will be able to attend as one of the three delegates, and that the delegates may be versed in finance and banking and business problems.

The delegates hereunder appointed while they are in this country will be the guests of the United States of America. The Secretary of State of the United States of America will participate in the conference, and the diplomatic representatives of the United States of America of the respective countries to whom this invitation is sent will be themselves invited to attend the conference in addition to the members whose special appointment is herein invited.

It is the intention of the Secretary of the Treasury to invite to the conference, in addition to the above, leading representative bankers of the United States of America. It is expected that the conference will discuss in addition to the problems of banking, problems of transportation and commerce between the various countries represented.

In communicating the invitation the President especially desires you to impress upon the Government of _____ the great pleasure it will give to him and his associates in the Government to welcome its delegates to the conference, and to extend to them the hospitality of the Government of the United States of America.

Before this invitation was sent, Secretary Mc-

Adoo had announced that a program for the meeting would be carefully studied out, and among those in attendance, in addition to the Ministers of Finance and leading bankers of Central and South America, would be United States Treasury officials, members of the Federal Reserve Board, American bankers, Secretary of State, Secretary of Commerce, other members of the Cabinet, South and Central American diplomatic representatives and John Barrett, director of the Pan-American Union.

In speaking of the conference, Mr. McAdoo was quoted as saying that the discretion invested in him to invite delegates would be so exercised as to secure the presence of as "large a number as practicable of our representative financiers, in order that a thorough and comprehensive discussion may be had of existing financial conditions throughout the Western Hemisphere, and of the measures that should be adopted to strengthen financial and trade relations between the United States and our Central and South American neighbors."

Continuing, Mr. McAdoo said that the one disappointment in connection with this conference arose out of the failure of the shipping bill. Mr. McAdoo was also quoted as saying that American merchants and manufacturers could not take advantage of the rare opportunity to enlarge their trade with South America unless adequate transportation facilities were provided.

The meeting promises to be one of great interest. Not often has there been an undertaking to get together so representative a body of men from the countries of the Western Hemisphere. Just now, when all economic and financial laws are out of order, and the nations of the Western world have been upset by the war in Europe, such a meeting has potentialities which cannot be overestimated. Those who planned the conference will be open to universal congratulation if their purpose is but partly accomplished.

MARVELS OF LOGIC

The soap-box orator, addressing a crowd in Union Square, exclaimed with dramatic emphasis: "You ain't got nothin'. How did you get it? By workin'."

The crowd cheered. The orator continued: "Look at your Boss. He's got somethin'. How did he get it? By loafin'."

It is not only in banking laws that marvels of logic are to be found.

OVERDRAFTS

TO THE EDITOR: The question of bank overdrafts again coming into the limelight, perhaps a plan from the Creole State, Louisiana, might interest some of the members of the association, that would take care of the careless, although good customers who inadvertently overdraw their accounts, and who are not candidates for the chronic class.

Among the bank organization, form a pool with amount sufficient to take care of the average daily overdrafts. This fund should draw interest on its daily balance, which, of course, would not be very large, and have charged to it the checks of solvent depositors drawn against insufficient funds, which had been inspected and passed upon by the proper officer of the bank.

Overdrafts, of course, bear the legal rate of interest, and the amount plus the interest would be returned to the fund when the patron made

the amount good. A debit memorandum would be sent to customer showing charge made for interest, together with a polite letter, printed in form, calling attention to the fact that the bank had protected his credit.

Correspondent banks, entering a large number of items for credit on final payment only, with checks coming against the amounts in the meanwhile, would find this plan almost impracticable, but generally the plan would not only prove a pleasant method in disposing of a disagreeable proposition, but profitable as well, while the bank statement would show a clean bill of health, so far as these items are concerned. The patron keeps stainless his or her credit; the bank retains the good will and business of the customer and the loyal officers and employes are pecuniarily benefited.

On Thanksgiving Day, 1912, the last overdraft in our bank went out of the books and we have been giving thanks ever since.

Not one cent or a good customer was lost from the date of our emancipation from a seeming pernicious and perpetual practice.

J. A. SPEKENHIER,

Cashier First State Bank.

Bogalusa, La., March 25, 1915.

PREPARATIONS FOR THE SEATTLE CONVENTION

The Seattle bankers are busy thus early in formulating plans for the Forty-first Annual Convention of the American Bankers Association, which is to be held in that city the week of September 6th. Some of the important committees have already been appointed and others, for the handling of the many details, will soon be designated. The programme as to business will be carried out about as it has been in the past. Monday.—Committee meetings and meeting of the Executive Council in the afternoon. Tuesday.—Meetings of the various Sections. Wednesday and Thursday.—General convention, with a meeting of the new Executive Council for organization and business on Thursday night and Friday if necessary.

The entertainment features which will be arranged by the Seattle bankers will not in any sense interfere with the business sessions, being arranged for the evenings of the week and on Friday at the close of the convention.

There are a large number of hotels in Seattle, and those contemplating the trip should at once make reservations through the local Hotel Committee, represented by Finley Dickinson, Secretary, 1307 Hoge Building, Seattle, Wash.

While final arrangements have not yet been made as

to transportation rates, special rates will prevail, owing to the Expositions on the Pacific Coast. There will be special trains from Boston, New York, Philadelphia, Chicago, St. Louis, Cincinnati, Cleveland, Atlanta, New Orleans, Minneapolis, St. Paul, Detroit and many other points.

Itineraries have not yet been published, but no doubt will embody, in addition to the trip to Seattle, return via San Francisco and San Diego, where time will be allowed for doing the Expositions, with return via some of the Southern routes.

CIPHER CODE.

In May, 1914, at a meeting of the Executive Council held at Hot Springs, a motion was unanimously adopted that the General Secretary be directed to inform members of the Association that those desiring to do so could print on their letter-heads and other stationery the following:

"A. B. A. CODE USED"

OR

"AMERICAN BANKERS ASSOCIATION CODE USED."

Our code is extensively used by members and this action, it is believed, will be the means of increasing the usefulness of the code. Many members have already adopted this suggestion. Others are urged to do so.

Proposed Changes In Banking Powers Bring Unforeseen Complications

State Legislatures Are Considering Bills Granting Powers to National Banks—Reserve Board May Regulate State Institutions—Argument from Michigan Claims That Conflict Between State and National Laws Is Irreconcilable—Sub-committee of A. B. A.—Special Committee Will Report Suggestions to Make Reserve System More Inviting to State Banks to the Committee of Twelve at May Meeting.

The committee appointed at the Richmond Convention of the American Bankers Association to confer with the Federal Reserve Board and suggest amendments to the law that would make the Federal Reserve system more attractive to the State banks, held a meeting in the general offices, in New York, March 23d. The members of this committee are:

Trust Company Section—Uzal H. McCarter, President Fidelity Trust Company, Newark, N. J.; John W. Platten, President United States Mortgage & Trust Company, New York City; John H. Mason, Vice-President Commercial Trust Company, Philadelphia, Pa.

Savings Banks Section—William E. Knox, Comptroller Bowery Savings Bank, New York City; R. C. Stephenson, Vice-President St. Joseph County Savings Bank, South Bend, Ind.; B. F. Saul, President Home Savings Bank, Washington, D. C.

National Banks—Daniel G. Wing, President First National Bank, Boston, Mass.; P. W. Goebel, President Commercial National Bank, Kansas City, Kan.; L. G. Kaufman, President Chatham & Phenix National Bank, New York City.

Commercial State Banks—E. C. McDougal, President Bank of Buffalo, Buffalo, N. Y.; George E. Lawson, Vice-President Peoples State Bank, Detroit, Mich.; Mills B. Lane, President Citizens & Southern Bank, Savannah, Ga.

The committee adopted the following resolution:

That a sub-committee of four, comprised of the first-named in each of the class of banks represented on this committee, viz.: Messrs. McCarter, Knox, Wing and McDougal, are hereby appointed to prepare such recommendations as may be necessary to make entrance to the Federal Reserve Banks advantageous to State institutions, and that the committee report to the General Committee of Twelve on May 3, 1915, at Old Point Comfort, Va.

This resolution was also passed:

That it is the judgment of this committee that it would be unwise for the American Bankers Association, as an association, to enter into any test of the constitutionality of the Federal Reserve Act or any portion thereof.

It is common talk, in banking circles, that there will be no final settlement of the question of the status

THE TROUBLE MAKER.

Section 11. The Federal Reserve Board shall be authorized and empowered:

* * * * *

(k) *To grant by special permit to National Banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the said Board may prescribe.*

of State banks in regard to the Federal Reserve system, nor will there be a final adjustment of the question of extending the powers and privileges of National banks until the constitutionality of the provision of law, which authorizes the Federal Reserve Board to grant such powers, has been tested.

Serious complications have followed the adoption of the regulations under which trust company powers may be conferred on National banks. The trust companies are, of course, opposed to a plan which allows commercial banks to enter their particular field. The National banks have long chafed under what they call the privileged competition of the trust companies. In New Jersey and in New York, National bankers are reported to be eagerly supporting bills which will withdraw the real or supposed restrictions against the operation of the Federal Reserve Board's regulations for granting trust company powers to National banks. In New York legislative enthusiasm has declared itself in one bill which would permit State banks to deal in stocks, bonds, mortgages and other investment securities. The success of this bill, it is pointed out, would convert many State banks into brokerage concerns. It shows the propensity of law-makers to skate on thin ice.

A CASE FROM MICHIGAN.

More interesting is the opposition from Michigan in which State trust companies are not allowed to do general banking business. A brief filed with the Federal Reserve Board in behalf of a Michigan trust company points out the apparent incongruity of having States grant powers to banking institutions chartered by the Federal Government and of having the Federal Government confer power for performances which are within the exclusive regulation and jurisdiction of the States. The directors of the Federal Reserve Bank of Chicago have notified the Federal Reserve Board that the laws of all the States in that district forbid conferring trust company powers on National banks. In the brief from Michigan, which was filed by Henry M. Campbell of Detroit, appeared the following statements:

"It is well settled that a State has exclusive jurisdiction and authority over persons and property within

its borders. The creation and management of trusts, the administration of estates, and the acting of registrar of stocks and bonds relate exclusively to private rights, and have nothing whatever to do with the affairs of the Federal Government. For Congress to attempt to control or regulate such matters is to invade the sovereignty of the State assured by the Tenth Amendment. * * * A State has no authority to confer upon National banks corporate powers not conferred upon them by Congress.

* * * * *

"It is obvious that if National banks are to exercise the functions of trust companies additional corporate powers must be conferred upon them. It is *ultra vires* of Congress, however, to confer corporate powers upon a corporation except for National purposes.

"The permission of the State would be of no avail, as the State could not confer upon a National bank corporate powers which are beyond the power of Congress to grant. The creation and regulation of National banks belongs exclusively to the United States.

"It would be strange, indeed, if one State could endow National banks with corporate powers—which another State could deny to them. It would be stranger

still if, power having been granted by a State to National banks, the Federal Reserve Board could permit or forbid the exercise of such powers in special cases or, when exercised, prescribe the rules and regulations controlling them."

Mr. Campbell has reduced the question to that delight of sophist philosophy—a dilemma. If his arguments are not accepted, it must be admitted that he has left the question in such doubt that action would be precarious before the constitutionality of the provision has been determined.

TWO SYSTEMS OF BANKING.

Another interesting feature of the situation, as it is developing, is the increased talk about the desirability of having two banking systems. Much is also heard about the propriety of curtailing the banking powers of trust companies, rather than increasing the powers of National banks. It has also been suggested that there will be no real solution of the question until there is particular and exclusive consideration of the general welfare of the country, and the questions of banking profits and banking powers are subordinated to this larger problem.

QUESTION OF NATIONAL AND STATE BANK POWERS WHEN THE RESERVE ACT WAS UNDER CONSIDERATION.

In the papers of the National Monetary Commission, the advantages of the National banks over State banks are enumerated as including: (1) greater safety and, therefore, greater public confidence; (2) securing non-resident stockholders; (3) note issue; (4) Government examination and greater restrictions on loans; (5) higher reserve requirements. While the advantages of the National banks over State institutions were as above enumerated in the beginning, the improvement of the banking laws, in most of the States, has reduced the advantages in number and in weight. In many of the States the reserve requirements for State institutions are the same as those for National banks and, even where the law is defective in this respect, the banks voluntarily maintain an adequate reserve and advertise it. The supervision of State institutions is also stringent. Even what was, in the beginning, the greatest advantage of National banks—note issue—is no longer so highly regarded. The profits from this privilege are not large. Moreover, the use of checks has increased to such an enormous extent that the State banks suffer no inconvenience from the absence of the privilege of note issue and they have particular advantages of their own which more than offset this. If the State bank is incorporated under the trust company law, as is almost invariably the case where there is also a trust company law, the advantages over the National banks become much more striking. The National bank, like the Federal Government, can do the things designated in the law. Trust companies, like the several States, can do about everything that is not forbidden.

STATE BANKS UNDER THE ALDRICH PLAN.

Under the Aldrich plan State banks and trust companies were permitted to subscribe to the capital stock of the National Reserve Association on the same terms

as National banks provided their capital stock and their reserves were the same as those of the National banks and provided, also, that they submitted to the same examinations.

This was the situation when the matter was passed along to the Sixty-third Congress. The difference in the regulations and laws governing National and State institutions and the difference in their practices were well enough understood, but it was generally assumed that these variations would not stand in the way of membership in the new system, whatever that might be. Those who gave the most study and closest attention to the problem of a new banking system seemed to have been in complete agreement as to the desirability of having every banking institution whose capital was \$25,000 or more, a member of the proposed new banking organization. Much was heard of a unified banking system. By that was meant one in which the resources of the State banks would be joined with those of the National banks, in a co-operative plan for the strengthening of every banking unit and the protection of the country from panic and financial depression.

GLASS'S FIRST BILL.

In the bill for the Federal Reserve System, as first reported by the Banking and Currency Committee of the House, the section covering the admission of State banks provided that they should make application for membership to the Federal Reserve Board, that they should have the same capital as National banks in similar localities, and submit to the same reserve requirements and examinations. It was also provided, of course, that they be subject to the regulations of the Federal Reserve Board. In the long explanatory statement, which accompanied this bill, Chairman Glass said of the State banks:

After much examination of the subject, it has been deemed best by the committee to permit State banks to become members, i. e., stockholders in the Federal Reserve Banks without themselves becoming National banks. This concession has been determined upon partly from the standpoint of the banks themselves and partly from that of the new system. The success of the new system would be very largely influenced by its extent and scope. If it becomes practically inclusive of all the banks of the country that are in strong condition, its opportunity for service will be much greater than it could otherwise be. On the other hand, the committee has doubted whether, from the standpoint of the banks themselves, it would be acting fairly were it to debar them from membership in the new concerns.

It has been plain, however, that inasmuch as State banks are organized under different codes of legislation it would be unfair to permit banks to become stockholders in the Reserve banks and to enjoy the advantages open to National banks which are stockholders unless such banks were subject to practically as high a standard of banking requirements as the National banks with which they compete. It has been felt that the particulars in which greatest care should be exercised on this score are (a) capital and (b) reserves. The fundamental idea of Section 10 is to require compliance with the terms of the bill and of the National Banking Act as a condition antecedent to holding stock in the Reserve bank by any State bank. This does not altogether place the State banks upon the same basis as the National, inasmuch as they are not thus subjected to the same regulations with respect to investments and general business. It is believed, however, that the principal requirements will thus be met and that the provisions of the section are about as far as the measure can reasonably go with certainty of being held legal and, at the same time, of proving feasible and available in practise. As a necessary power in connection with this question of membership Section 10 confers upon the Federal Reserve Board the power to establish by-laws for the general government of its conduct in acting upon applications made by State institutions while it entrusts to the Board the power to approve applications when proper or to suspend banking associations from membership when the provisions of the act are violated, and to secure the cancellation and retirement of their stock, returning the value thereof to the banks so suspended.

DISCUSSION AS TO STATE BANKS.

In the course of the legislative discussion, suggestions were made that the State banks be subjected to some penalties or be placed at such a disadvantage that they could not afford to stay out of the new banking system. At one time, the bill in the Senate contained a provision which forbade the rediscount of paper originally discounted by a bank not a member of the Federal Reserve system. This savored so strongly of coercion that it was eliminated. Compulsory membership in the Reserve system for National banks was not particularly popular at the time. Many Members of Congress, who would have been glad to force the State banks to join the new system, said frankly that it was impracticable, and an attempt would be most impolitic. But, throughout the long agitation, it was always the suggestion that in some way or other the State institutions should be got into the system. As the bill became a law, the restrictions on the State banks were more severe than in the original draft of the bill. The requirements for equal capital and reserves and similar examination were all retained and the Federal Reserve Board was given the power to make rules and regulations governing the conduct of member State banks

and the power also to change these rules and regulations as they pleased and as often as they saw fit.

The latter provision has been the subject of vigorous objection on the part of State banks which wished to join the Federal Reserve system. They were surrendering their future not to the certainty of a law which could be varied only by judicial interpretation, but to the uncertainty of board-made rules which could be changed with reason or without, and as often as whim or fancy dictated. There were other restrictions which clearly indicated the intention of Congress to subject the State banks becoming members to requirements in every respect as exacting as those of the National banks. In many States there are laws which forbid the State-chartered banks to hold stock in any other corporation. It was only in California that was found a statute so modern as to except from this inhibition the purchase of stock in a National Reserve Bank when such was authorized.

LEGAL INCONSISTENCIES.

There were other inconsistencies between the Federal Reserve Act and the State's banking laws which would have to be corrected by State legislation before membership would be possible. In the majority of cases, these corrections have been made, during this Winter. In some instances, however, there have been refusals and in others there is still opposition to interference with State banks by Federal laws or systems. The Federal Reserve Board has let it be known it was in accord with the general purpose to have at least the larger State banks enter the Federal Reserve system, and it has also declared its advocacy of a unified banking system for the country.

NATIONAL BANKS' AMBITIONS.

Very early in the discussion of plans for banking reform, it became clear that the National banks, particularly those located in the smaller cities, were anxious for an expansion of their privileges. Their case was presented with persistence by individual bankers. Two points were pressed with much emphasis and apparent logic. The desire was that the National banks be permitted to have regular savings departments, and that they be authorized to make loans on real estate security. The request for the savings privilege was to obviate the necessity of keeping regular reserves against time deposits, the desire to make real estate loans followed as corollary. The latter argument was supported by the contentions of bankers in agricultural districts who became the depositaries of the accumulations of the people and, in the absence of industrial enterprises, they could not make use of the wealth the community produced for the community's benefit. The thrift of a Minnesota agricultural district, it was pointed out, re-acted for the benefit of other districts with Wall street as the preferred beneficiary. These arguments were effective. In the first draft of the bill was a provision for separate savings departments for National banks with segregated capital and assets with reserve requirements of 5 per cent. and with power to lend money on real or personal property. This section was explained in the accompanying statement as follows:

Permission to National banks to open departments specifically designed for the reception of savings deposits and conducted with a view to the sep-

arate investment and protection of such savings deposits is granted in Section 27. For a long time National banks have found their business encroached upon by the growth of savings banks and trust companies, and in several hundred instances they are now found evading the law by the organization of allied concerns which are carried on as trust companies or savings banks under technically separate organizations, but really under an identical control. The committee, while strongly believing in the principle of a corps of commercial closely restricted banks as the basic element in the country's credit system, believes that with the added strength afforded by the new Federal Reserve Banks, Congress may reasonably relax some of the restrictions now surrounding the business of National banks and allow to National institutions the savings bank and limited trustee functions recognized in this section without unduly straining the essential structure of the National banking system, provided that savings departments, if organized, shall be conducted upon

an entirely separate basis from the commercial departments of the National banks creating them with segregated reserves and strictly segregated assets. Some further restrictions have been laid down in the section which are largely self-explanatory.

The law as passed contains, as one of the enumerated powers of the Federal Reserve Board, this provision:

"To grant by special permit to National banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator or registrar of stocks and bonds under such rules and regulations as the said Board may prescribe.

In addition to this was the well-known provision for loans by National banks on farm lands under restrictions which limit the relief that is supposed to be necessary.

WORK OF THE AGRICULTURAL COMMISSION

One of the most interesting developments of the publication of the "Banker-Farmer," a monthly magazine issued by the Agricultural Commission of the American Bankers' Association, is the distribution of the publication to farmers by banks. During the first year of the magazine several banks conceived the idea of giving it to their farmer customers, believing this distribution would accomplish much good. A special rate was made to banks for this purpose, and the number of banks which availed themselves of the opportunity gradually increased. Thus 12,000 copies of the March issue were distributed to farmers by banks and a number of belated orders could not be filled.

When the American Trust Company of South Bend, Ind., ran an inch advertisement in small type in a local newspaper, offering to send the "Banker-Farmer" to every farmer who would call at the bank to leave his name, there were 170 responses. The Cedar Rapids (Ia.) State Bank followed a similar plan and secured 100 names.

Many banks select a list of farmers from their customers and send them the magazine monthly, often enclosing circulars or letters. Others hand it to the farmer when he comes to the bank, asking that he read it.

This distribution, in the first place, calls the attention of the farmer to the interest of the local bank in agriculture. Secondly, the farmer has the opportunity to learn of the general interest of the bankers in agriculture. The magazine makes no pretense to compete with the farm journals, which fill their field so well, but many of its articles are of value to the working farmer.

The Agricultural Commission is making a rate of \$1.25 per 100 copies, monthly, to banks that desire to co-operate in distributing the "Banker-Farmer." Several hundred banks are already participating in such distribution. Particulars of the plan and particulars based upon the experience of participants will be furnished upon application to the editor of "Banker-Farmer," Champaign, Ill.

CONVENTION CALENDAR

Apr.	15-16	Louisiana	.....	New Orleans	June	19-21	Wisconsin	.....	Cruise-on-Lakes
"	19-20	Assn. Reserve City Bkrs.	.....	Louisville, Ky	"	22-23	Iowa	.....	Davenport
"	22-23	Arkansas	.....	Little Rock	"	22-24	Maryland	.....	Cape May, N. J.
"	27-28	Tennessee	.....	Nashville	"	22-24	North Carolina	.....	Wrightsville Beach
May	3-5	Ex. Coun. A. B. A.	.....	Old Pt. Comfort, Va.	"	23-24	Ohio	.....	Cedar Point
"	4-5	Mississippi	.....	Jackson	"	25-26	South Dakota	.....	Deadwood
"	10-12	Alabama	.....	Birmingham	"	29-30	Minnesota	.....	St. Paul
"	11-12	Kansas	.....	Independence	"	—	Michigan	.....	Grand Rapids
"	13-14	Oklahoma	.....	Tulsa	"	—	Utah	.....	Salt Lake City
"	14-15	New Jersey	.....	Atlantic City	July	15-16	West Virginia	.....	White Sulphur Springs
"	17-18	Texas	.....	Waco	Aug.	18-20	Am. Inst. of Banking	.....	San Francisco, Cal.
"	24-26	Missouri	.....	Kansas City	Sept.	3-4	Montana	.....	Glacier National Park
"	27-29	Georgia	.....	Savannah	"	6-7	Washington	.....	Seattle
"	27-29	Joint Meeting California, Oregon, Idaho, Nevada, Arizona	.....	San Francisco, Cal.	"	6-10	Am. Bankers' Assn.	.....	Seattle, Wash.
June	12	Maine	.....	Augusta	"	20-22	Investment Bankers Assn.	.....	Denver, Col.
"	15-16	South Carolina	.....	Isle of Palms	Oct.	6-7	Kentucky	.....	Frankfort
"	16-17	North Dakota	.....	Bismarck	"	—	New Mexico	.....	Roswell
"	17-18	Pennsylvania	.....	Cape May, N. J.	Date not decided.	Illinois	.....	Joliet	
"	17-19	Virginia	.....	Old Point Comfort	Date not decided.	National Association of Bank Supervisors	.....	Olympia, Wash.	
"	18-20	Joint Meeting N. E. Bankers' Assns., The Griswold	.....	New London, Conn.	Date not decided.	Farm Mortgage Bankers Association,	.....	St. Louis, Mo.	

Progress of Rural Credits Plans Toward Legal Enactment and Application

Belief that the Agricultural Sections of the United States Have Inadequate Credit Facilities Continues to Grow—Bill Providing for the Loan of Government Money to Farmers Met Strong Opposition—Congressman Glass Will Draft a Bill to Conform with the Ideas of the Administration—Will Provide a System of Making Loans on Farm Mortgages—Machinery of the Scheme Promises to be Elaborate—Bankers' Interest in the Plans.

Rural Credits is a vague term. Too often it savors of something miraculous. What the term designates in the way of an unsentimental development and readjustment of the methods of agricultural financing is perhaps quite different from the meaning it conveys to the reformer who advocates no plan devoid of millennial attributes.

A first necessity, therefore, in any discussion of Rural Credits is the understanding that in no plan of agricultural finance in operation is there any sentimentalism. One or two systems have some semi-philanthropic rules under which loans may be made to the needy and distress may be in some measure relieved. This half charity is a by-product, however. Money loaned under any of the systems draws interest at the customary local rate, and security is exacted according to regulations as rigid as are customary in any other loan operations. This is as true of the elaborately developed systems which issue debentures against segregated land mortgages as of the small co-operative credit associations whose transactions may not pass beyond small loans to their members. The good that the foreign organized systems of Rural Credits do does not result from any superiority of system or of management, or of prestidigitation, but from peculiarities in antecedents and conditions which not only do not obtain in this country, but are not paralleled here. There is, nevertheless, much to be learned from the study of the plans that have been developed abroad. Such a study, when made in comparison with the methods in vogue in the United States, tends to prove that the latter have grown without guidance. A hundred reasons have been given why the system or lack of system of Rural Credits should be reformed or remedied. No one of them seems to be better than any other. Considered collectively they prove, with reasonable conclusiveness, that what this country has is very far from the best scheme of rural financing and that nothing short of the best obtainable will be satisfactory.

The situation in this respect is not very different from that which existed in regard to commercial credits before the enactment of the Federal Reserve Law. Many plans were suggested that fell far short in elaboration of treatment of the one adopted. It is undoubtedly true, as

many contend, that the Emergency Currency Act, still in force, could be given a permanent form and insure freedom from panic and depression due exclusively to financial causes. The general desire was that the country have something more fundamental—something that would not only provide safety against panic, but would mobilize reserves, change the habits as to commercial paper, create new forms of mercantile obligations, and give the country a place in the financial sun. It will take time to work that system out to its final form, but the start has been made and we are on our way.

SOLVING THE PROBLEM OF RURAL CREDITS.

In the matter of Rural Credits, now that the discussion is in full swing, there is little doubt that there will be no cessation until the problem has been satisfactorily solved.

Vigorous denials might come from several States, but it can hardly be said that even the best of the State plans does anything more than mark a step toward the final goal. As a rule the States seem to have acted on the belief that something additional in the way of financial machinery should be created. There has been an assumption of complete inadequacy in the machinery existing. There has perhaps been too close study of European systems and too little study of conditions at home. One matter that has puzzled the investigators is the great variation in conditions within the United States. There was no such variation of conditions within any one country of Europe. While it is generally agreed that the German scheme is the best in Europe, it is best only in that it meets the requirements of the German farmers best. It might not meet the requirements of the Italian farmer as well as the Italian system, and it is not likely that the French methods would work so well in Russia. This is more particularly true in regard to the scheme of lending on farm mortgage than of the co-operative credit associations. The former plans were developed as the European countries slowly emerged from the feudal system and the tillers of the soil shook off the obligations of servitude which in some instances approximated serfdom.

In this country there are obviously no such conditions appealing for remedy. So far as corrective methods have been discussed, the aim of the legislation is to make a better plan of providing permanent capital in the form of productive farm land.

CASE OF TENANT FARMERS.

Apparently no attention has been paid to what is perhaps as important a problem—that of providing means and methods whereby the ambitious and thrifty may work their way out of the ranks of tenant farmers and become landowners. It may be that there is enough public land remaining or enough land in process of reclamation to make this of less present importance. Land promoters and railroads are still colonizing forces. But the increase in tenant farming in all sections of the country marks

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this as one of the great problems that will ultimately have to be dealt with under the head of Rural Credits.

DIFFERENT BANKING SYSTEM.

Another marked difference between European and American conditions is found in the banking systems. European countries with their branch banking systems have nothing that is comparable to the independent American banks. The farmers of Germany and France had no banking connections. The countries in which they lived knew nothing of the check system of paying bills. They were and are note using countries. The deposit item of the banks of Continental countries is subordinate to the note liability. Thus the foreign farmers were deprived of banking facilities which the American farmer has had in some degree from the beginning.

While it is true that individuals in the locality are the largest lenders of money on farm mortgage security, other sources of borrowing have been open to the American farmer. His mortgage indebtedness is about \$2,800,000,000, and his total indebtedness is placed, approximately, at \$5,000,000,000. It cannot be said, therefore, that there have been no credit facilities at his disposal. One does not have to seek far in an agricultural center to find those who believe that more American farmers have been ruined by too much and too easy credit rather than by too little. However this may be, study of conditions does not proceed very far before it is found that there is an ineffective organization of Rural Credits. Farm mortgages do not form the basis of securities which command general public confidence, and are accepted as desirable investments at all times. It is probably true, as is often stated, that the farmer who has a free and clear improved farm can borrow an amount equal to one-half its appraised value without difficulty and at a reasonable rate of interest. Such a loan would make a condition against waste and deterioration of the property, but it would not call for regular inspection or provide for the maintenance of the soil fertility by crop rotation, fertilization or other scientifically approved means, and it would provide for repayment of the principal at the end of five years. A farmer owning such land would be indignant at the suggestion that he should maintain fertility. He has asked for a loan which any individual or institution seeking investments might be glad to make. He probably would not ask that the time of repayment be extended beyond five years. He is a business man. Under no circumstances would he wish to avail himself of the credit facilities offered by the proposed mortgage banks.

DEBENTURES AND AMORTIZATION.

Those who have made particular study of Rural Credits systems and conditions name two points as indispensable in any system that is properly organized for lending on the security of the land. These points are the discharge of the whole obligation of principal and interest by the amortization plan—that is, repayment at a rate per annum and the maturity so adjusted that this annual amount will discharge the whole debt in from 10 to 40 years. The other is the collecting of these mortgages into a single institution which will impound payments of principal into a sinking fund and, by so doing, insure the prompt payment of the debentures it would issue and sell to the public. Such debentures, it is

appropriately argued, would not command the public confidence necessary to their speedy and continued absorption unless the issuing institution were given at least a semi-public character. It would also be necessary to make these debentures receivable as investments for trust funds and savings banks. It is assumed that once this is done by law there will be a steady market for the mortgages, as there will also be a steady demand for the debentures. Under such a plan, if the average rate of interest did not reach the lowest local rate, there would, it is contended, be a stabilization of rates and a more satisfactory market.

THE FARMER'S ATTITUDE.

It is by no means certain to what extent the farmer would avail himself of such facilities if they were established. The State systems that have been authorized have not been in operation long enough to give any standard of comparison. It is assumed that there is a large uncovered demand for loans by American farmers. It is possible that many of the loans now owing would be transferred at maturity to the new institutions. These assumptions were strongly urged at the close of the Sixty-third Congress, when an effort was made to rush through a haphazard Rural Credits measure.

RURAL CREDITS IN CONGRESS.

In Congress the Rural Credits measure favored was always the one which provided for the lending of the Government's money or credit to the farmer. President Wilson was opposed to this, as was Representative Carter Glass, Chairman of the House Banking and Currency Committee. It was the President's opposition which prevented passage by the House of some adaptation of the Bulkley-Hollis bill.

This bill in its first form provided for a system of land mortgage banks and local loan associations under the supervision of the Federal Reserve Board. It also provided that the maximum amount of a loan should be 50 per cent. of the appraised value of the real estate security, and that the Secretary of the Treasury might buy from the land banks not more than \$50,000,000 worth of securities a year.

In the beginning the idea of Government aid seemed to meet general approval. Investigations made by the Agricultural Department, however, did not bear out the statements that had been made as to the rural demand for elaborate credit facilities. In his annual report Secretary Houston spoke in opposition to the use of Government funds or credit, and while admitting some need of improvement in facilities, his report was not marked by enthusiasm for any plan.

A NEW RURAL CREDITS BILL.

In the closing days of the session Senator Hollis presented an amended bill in which the provision requiring the Secretary of the Treasury to purchase mortgages from the land bank under certain conditions was omitted. The amended bill was not accepted. Instead, a joint committee was appointed to meet a month before Congress convenes next December. At that time Representative Glass will present a bill for the committee's consideration. The bill approved by this committee will undoubtedly have the support of the Administration and is not unlikely to become a law.

The Congressional history of Rural Credits goes

back to February 15, 1914, when a joint committee from the Banking and Currency Committees of House and Senate began a series of hearings that extended over three months. The bill which resulted was entitled, "A bill to provide capital for agricultural development, to create a standard form of investment based upon farm mortgages, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to provide a method of applying postal savings deposits to the promotion of the public welfare and for other purposes."

The machinery by which these promises were to be fulfilled consisted of:

1. Farm loan associations organized by individuals and restricted in operation to one or more counties as determined by density of population and the apparent need for their existence.

2. Land mortgage banks, capital \$500,000, subscribed by the Farm Loan Associations and each operating within its Federal Reserve District. These banks were empowered to purchase farm mortgages from the farm loan associations and to issue bonds against the mortgages held.

3. The Secretary of the Treasury was required upon the recommendation of the Federal Reserve Board to purchase from the land banks farm loan bonds in an amount not to exceed \$50,000,000 in one year.

There were other provisions for investment of the loan associations' funds in Government bonds and for the utilization of Postal Savings Deposits in farm loan bond investments. While the whole scheme was made rather an adjunct of the Federal Reserve system, loans were specifically restricted to 50 per cent. of the appraised value of the land and 25 per cent. of the value of the buildings thereon, and there is provision also for admission into the system of loan associations organized under State laws.

The Federal Reserve Board did not like the duties fixed for it by this bill, and there was sharp criticism of the undertaking to mix mortgage loans with the commercial banking system.

At the end of February, 1915, Senator Hollis substituted for this bill one in which the obligation of the Secretary of the Treasury to purchase farm loan bonds was not included. The Federal Reserve Board was not mentioned, and supervision was in the hands of the Federal Farm Loan Board, composed of the Secretary of the Treasury, the Secretary of Agriculture and a farm loan commissioner.

SENATOR HOLLIS'S EXPLANATION.

In the explanatory statement which accompanied the amended bill Senator Hollis said:

The Federal Land banks, having purchased mortgages from the loan associations, will be permitted to issue investment bonds based upon the security of the mortgages thus acquired. The issue of these bonds will be carefully supervised and will be under the direct control of the Federal Farm Loan Board. It is believed that these bonds will find a ready market on a four per cent. basis, so that loans may be made to the farmers at five per cent. in most sections.

In States where the prevailing rate of interest is high a rate will be charged somewhat in excess of the rates charged in other States, in order to compensate for possible losses, just as life insurance companies sometimes charge on participating policies more than is ordinarily necessary. But the excess charged above the regular rate will be kept in a special fund, and after the losses have been ascertained and liquidated over a period

of years, the surplus will be returned to the borrowers in the same way dividends are paid to the members under a participating life insurance policy. In this way it is expected that interest rates throughout the country will be brought closer together, resulting in substantial reductions in the South and West. * * *

The experience of the great life insurance companies, as well as of the European banks, leads to the belief that bad loans will be practically unknown. Appraisals will be on the basis of the earning power of the land, not of the supposed market value.

In order further to discourage land speculation and inflation of values, the purposes for which loans may be made are limited to four:

1. To provide for the improvement of the land.
2. To provide for the purchase of equipment and live stock.
3. To provide for the purchase of a farm home.
4. To liquidate indebtedness of the owner of a specified character.

PROSPECT FOR LEGISLATION.

Apparently Senator Hollis endeavored to have this bill conform to the ideas of those who opposed the other measure. It is not unlikely therefore that the machinery of the bill approved next Winter will be similar to that described here. It would be a matter of no particular difficulty to have enough farm loan associations organized to secure the immediate establishment of twelve land banks. The legislative intention seems to be to bring a farm loan system into existence in complete form and ready to do a maximum amount of business. No other country has done anything just like this. The various systems have grown from small beginnings and have developed according to the needs of the classes they served. They have also had their existence justified by a striking absence of any credit facilities whatever. Here the purpose is to superimpose on a system which has already loaned billions to farmers another system presumably capable of doubling the business. Such a plan would bring an infallible demonstration of the demands for more credit of this kind; a possible criticism is that if the demand is not great enough to warrant the machinery the experiment will be rather expensive.

A criticism more pertinent is that this plan, like most of the others suggested, makes no provision whereby farms may be acquired and, of course, it contains not even a remote suggestion that the farmer has credit needs which cannot, and should not, be satisfied by a land mortgage loan. According to statistics the obligations of the farmers for loans, not secured by real estate, are nearly equal to those that are so secured. It is true that the preference given to agricultural paper by the Federal Reserve Act will partly satisfy the farmer's need for loans on current account. But under no conditions would the Federal Reserve Banks be justified in making loans against non-existent values. The working farmer needs capital with which to make ready the soil for production. These loans are not regarded as desirable. The lender shares with the farmer the risk which attends the raising of crops. He asks high interest rates for this reason. It is in regard to the farmer's obligations of this kind—for his need of working capital, in fact—that co-operation has been found so effective.

CO-OPERATION IN AMERICA.

Co-operative systems are not strangers in America. The building and loan associations of this country have greater assets and have loaned more money than all the systems of Germany combined. Farmers have co-operated

when co-operation was the means by which they could best attain the end sought. There are hundreds of farmers' insurance companies and hundreds of co-operative marketing associations, creameries and elevators. There are thousands of small banks in which farmers are large stockholders, but the American farmers have never yet shown any eagerness to pool their credit resources. As the foreign credit unions secure the resources to make loans from savings deposits they are the savings institutions of their members. It is not likely that in a country so well equipped as the United States, with savings institutions, that credit societies would gain many depositors. The investigators of Rural Credits systems encounter greater difficulties in this respect than in respect of land mortgage systems. They have not been ready with suggestions for complete national plans for co-operative credit. Conditions are not favorable to similarity of action in this regard by the States, but there is no doubt that the real saving and real relief would be even greater from a system of co-operative credit organizations that would make loans for current needs than from the ponderous plan for loans on land.

The whole question of Rural Credits is a broad one. It has so many angles that specialists in various lines of remedial and reform effort have seized on it largely as a means which would either solve or contribute to the solution of the particular problem in which they are interested. The "back to the soil" advocate sees in a system of Rural Credits a realization of his hope. The student

of the problem of unemployment finds consolation in any plan for the organization of Rural Credits. The office-holding politician and the organization politician, the maker of laws and the president of the State Grange find equal joy in a prospective system which will prove to their constituents their own activities. There are many others interested in the question for half selfish reasons and none approach it from the same standpoint. This doubtless accounts for the great diversity which marks the reports, articles, pamphlets and opinions on this subject.

It seems that the period of general investigation into systems and suggested systems has come to a close. The question is now what form the remedy shall take and to what extent legislative action by States or by nation is necessary to make the remedy effective. There are phases of the question on which bankers are better informed than anyone else and other phases in which theirs is the only information obtainable. As yet the bankers have not given the subject united attention. It is a fair suggestion that they study the subject more particularly in relation to the suggestions made by the borrowing and the political interests. The borrowers and the lawmakers might get upon the statute book an excellent law, but if it were unacceptable to the investing and lending public it would probably not work very well. Those accustomed to lending should have something to say in the matter. In some measure the bankers are at fault, if it is true that there are defects in the credit machinery which can be remedied without legislation.

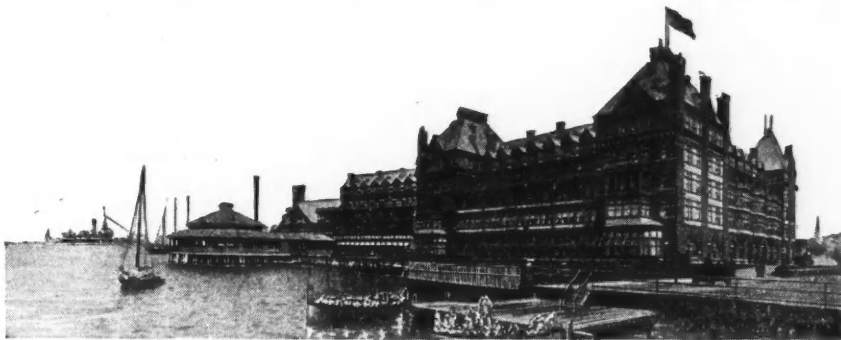


EXECUTIVE COUNCIL MEETING AT OLD POINT

The Spring meeting of the Executive Council of the American Bankers Association will be held at Old Point Comfort, Fortres Monroe, Va., with committee meetings on Monday, May 3d, and Executive Council meetings on Tuesday and Wednesday, May 4th and 5th. These meetings will be held at the Hotel Chamberlin, which is so

will be large. Several of the Ex's (Presidents and members of the Executive Council) have signified their intention of attending these meetings. The Ex's are always welcome, as are bankers, members of this Association.

The spring sessions of the Executive Council are to be transacted with the business sessions and the en-



HOTEL CHAMBERLIN AT OLD POINT COMFORT.

admirably adapted for conventions, with its large meeting rooms, committee rooms, lobbies and parlors for social purposes. Old Point Comfort also offers many other attractions to be enjoyed by those in attendance and those who may arrive before the sessions convene.

There is every indication now that the attendance

entertainment does not in any way interfere with the business to be transacted. There will be opportunity for entertainment, however, during the evenings of the days the Council is in session; then there is the family dinner which will be given by the hotel; and opportunities for riding, driving and visiting the many points of interest.

TRUST COMPANY SECTION

OFFICERS OF THE TRUST COMPANY SECTION

PRESIDENT
RALPH W. CUTLER, President Hartford Trust Co.,
Hartford, Conn.

CHAIRMAN EXECUTIVE COMMITTEE
UZAL H. MCCARTER, President Fidelity Trust Company,
Newark, N. J.

FIRST VICE-PRESIDENT
JOHN H. MASON, Vice-Pres. Commercial Trust Co., Philadelphia, Pa.

SECRETARY
PHILIP S. BABCOCK, 5 Nassau Street, New York City.

INDIVIDUAL TRUSTS AND THEIR CHARACTERISTICS

By Thomas S. Gates, President of the Philadelphia Trust, Safe Deposit and Insurance Company—Lecture Before Philadelphia Chapter of the American Institute of Banking.

TRUSTS.

1. Definition.
2. Origin and Historical Development.

*Their origin,
history, and
general
nature.*

- | | | |
|------------------------------|---|------------------|
| 3. Divisions. | { | 1. Active. |
| | | 2. Passive. |
| Distinction between the two. | | |
| 4. Implied Trusts. | { | 1. Lawful. |
| | | 2. Unlawful. |
| 5. Express Trusts. | { | 1. Executed. |
| | | 2. Executory. |
| 6. Married Women Trusts. | { | 1. Public. |
| | | 2. Private. |
| 7. Charitable Trusts. | { | 1. Resulting. |
| | | 2. Constructive. |

1. DEFINITION.

A Trust, in its technical sense, is the right, enforceable solely in equity, to the beneficial enjoyment of property of which the legal title is in another. The radical idea of a trust is this separate co-existence of the legal title with the beneficial ownership; or, as it came to be called, the equitable title. The perfect ownership is, as it were, decomposed into its constituent elements of legal title and beneficial interest, which are vested in different persons at the same time. Thus, to take the simplest case, if land is conveyed or devised to A on such terms that he is compellable to hold it for the benefit of B, here A has the legal title, B has the beneficial ownership, or the right to enjoy the land; and this right, originally enforceable solely in equity by suing out a subpoena against A, was considered as attaining the dignity of a title. called the equitable title. The perfect ownership is, as

The length of time during which this separation of the ownership into its constituent element continues, and the extent of B's control over the property; in other words, the duration and the nature of the trust, depend upon the terms by which it is created, subject, of course, to certain established legal rules.

2. ORIGIN.

When it was, exactly, that the idea of the separation of the complete ownership into the legal and equitable

titles first made its appearance in England, is, perhaps, impossible to say; nor can it be asserted with any certainty whether this idea was one of purely English growth, or whether it was imported from some other system of laws. The probabilities are in favor of its indigenous nature; for it has no exact counterpart in the Roman laws, nor is it likely that the English lawyers of very early times had opportunities of studying this law, if any such ideas could indeed have been gathered from it.

In early times the idea of the separation of the legal and equitable titles must have met with an enemy in the feudal system. To allow a feud to be held by one person in trust for another would have created confusion in determining to whom the lord was to look for the performance of the services annexed to the feud, and for those pecuniary and other advantages which he derived from the death of the feudatory or the alienation of the estate. Hence, the introduction of uses, probably became one of the most effective blows aimed at the feudal system.

Some attempts, indeed, have been made to show that trusts existed in the reign of King Alfred, but without, however, entering into any elaborate research, it may be safely assumed that in the reign of Edward III the beneficial enjoyment of land as distinguished from the legal ownership was distinctly recognized.

Trusts probably had their origin either in fraud or fear. In fraud, for they were designed originally by ecclesiastics for the purpose of evading the statutes of mortmain, and were subsequently made use of in order to effectuate some covinous intent on the part of the feoffee, such as to defraud a lord of his wardship or creditors of their remedy for their debts; in fear, for the effectiveness of this method of defeating strictly legal rights was soon readily taken advantage of during the disputes between the Houses of York and Lancaster, which began with Bolingbroke's usurpation in the reign of Richard II, in order to avoid the forfeitures with which the alternately successful parties visited the estates of their adversaries. Uses and special trusts, therefore, grew into a system, and they came to be governed by well-established principles. As beneficial interests rested solely upon the conscience of the feoffee, corporations were held not to be capable of a *seisin* to use, for they had no souls.

In the twenty-seventh year of the reign of Henry VIII was enacted the famous statute of uses. It provided, in substance, that wherever any person, by any assurance, stood seized to the uses of another for any estate, the *cestui que* should be deemed to be in lawful possession of the same estate in the land itself as he had in the use. In the language of conveyancing, it transferred the use into a possession, or executed the use. Its objects, according to the preamble, were "for the extirp-

ing and extinguishment of all such subtle practiced feoffments, fines, recoveries, abuses and errors heretofore used and accustomed in this realm, * * * and to the intent that the king's highness, or any other his subject of this realm, shall not in any wise hereafter, by any means or inventions, be deceived, damaged, or hurt by reason of such trusts, uses and confidences"; and in addition to conferring upon the *cestui que* use the legal title to and the possession of the land, it gave him the power to protect his possession by action or entry against any person "for any waste, disseisin, trespass, condition broken, or any other offense" touching the same. But the statute did not accomplish its purpose. It did not apply to active trusts, which involved or imposed upon the trustee real duties, such as the collection of rents, etc. Neither did it apply to trusts arising under wills, nor to trusts of personal property, nor finally to a trust limited upon a trust. In other words, a statute enacted in solemn and pompous fashion, by this strict construction, had no other effect than to add at the most three words to a conveyance. If, instead of saying "for the use of, etc.," one said "for the use of the use of, etc.," the trust would be upheld because the statute, it was seriously said, acted but once, and therefore left the superimposed trust standing. Probably, however, all the classes into which the uses which survived the statute have been divided may be classified under two general heads; first, those uses which, though falling within the terms of the statute, were released from its operation by the construction put upon it by the courts, of which the use upon a use is an example; and second, those uses which did not fall within the language of the statute, such as uses of chattel interests. Whatever subdivision, however, may be suggested by the convenience or fancy of authors, all of these equitable interests now under consideration may be treated as embraced in the one great family of modern trusts, the origin of which having been noticed it will now be proper to proceed to the consideration of their different kinds, their manner of creation, and the purposes for which they are ordinarily called into existence.

The system of trusts is now so thoroughly recognized that, according to the laws of property in England and in other countries where the English common law is in force, it is one of the rights of ownership that this division of the complete title should, if desired, take place. If the absolute owner of property wishes for any reason to have the equitable title only vested in him and the legal title outstanding in another, he has a perfect right to hold and enjoy his property in that way. Nor is it necessary that the *cestui que* trust should be under any disability in order that he may enjoy this privilege. A person *sui juris*, and who is the absolute owner of property, may avail himself of the system of trusts, and may keep the legal title outstanding in another as long as he sees fit to do so.

3. DIVISION OF TRUSTS.

Trusts in respect of the general nature of the duties of trustees, and the object for which the trust is created, may be divided into active and passive, lawful and unlawful, executed and executory, private and public.

An active or special trust scarcely requires definition. It exists when a trustee has certain duties to perform, which render it necessary, for the purposes of the trust, that the legal title should remain in him. When this is the case, the *cestui que* trust is entitled only to the bene-

ficial interest, and cannot call upon the trustee to convey. For example: where there is a trust for the payment of debts, the trustee must necessarily have the legal title of the trust property in him in order to get in the assets, turn them into cash, and discharge the liabilities. The creditors whose debts are to be paid have, therefore, no right to the legal title of the property or to its possession. They have simply an interest, which a court of equity will protect, in seeing that the trust is properly carried out.

A passive (or, as it is sometimes called, a simple) trust has been defined to be a trust in which the property is vested in one person upon trust for another, and the nature of the trust, not being qualified by the settlor, is left to the construction of the law. Many trusts, which in England are held to be active, were formerly regarded in Pennsylvania as passive, as, for example, the distinction between the trust to receive and pay and one to permit and suffer the *cestui que* trust to receive was not here recognized as valid. Indeed this doctrine was at one time pushed to great lengths; and it was finally decided that equitable were converted into legal estates in all cases except those of active trusts, and even then, when the purposes of the trust did not furnish any legitimate reason for preserving it from being executed in the beneficiary. This extreme position was, however, subsequently abandoned, and the cases just cited overruled, and the law is now held to be that where an active trust is created to give effect to a well-defined lawful purpose the trust must be sustained whether the *cestui que* trust be *sui juris* or not.

Trusts are also either executed or executory. These terms have been already defined. The test, according to Lord St. Leonards, is this: Has the testator been what is called, and very properly called, his own conveyancer? Has he left it to the Court to make out from general expressions what his intention is; or has he so defined that intention that you have nothing to do but to take that which he has given to you and to convert them into legal estates?

Finally, trusts may be divided into those for the benefit of the public or those in the interest of some ascertained individual or individuals.

The right of alienation, by deed and will, attaches to equitable estates, and any restrictions upon that right are invalid; and, moreover, the incident of involuntary alienation, or, in other words, the liability of the estate to be taken in execution for the debts of the beneficial owner, also applies to such estates. There may, indeed, be a limitation over upon the bankruptcy or insolvency of the *cestui que* trust, or upon the happening of any event whereby the property may belong to some other person; and such limitations are of frequent occurrence. But the *cestui que* trust cannot hold the property for the purpose of enjoyment freed from the duty of applying it in discharge of his obligations. It is a settled rule of law that the beneficial interest of the *cestui que* trust, whatever it may be, is liable for the payment of his debts, and it cannot be so fenced about by inhibitions and restrictions as to secure to it the inconsistent characteristics of right and enjoyment to the beneficiary and immunity from his creditors. A condition precedent that the provision shall not vest until his debts are paid, and a condition subsequent that it shall be divested and forfeited by his insolvency, with a limitation over to another

person, are valid, and the law will give them full effect. Beyond this protection from the claims of creditors is not allowed to go. This is the general rule throughout the United States and in England. In some of the States of the Union, however, a different doctrine has been held. Thus, in Pennsylvania, it is now firmly established by many authorities that when a gift in trust is made for life, coupled with a proviso exempting the estate of the *cestui que* trust from liability for his debts, and where he is excluded from the control of the property, such proviso will be good without any limitation over upon insolvency. And this end may be accomplished not only by a proviso which expressly exempts the trust property from the debts of the beneficiary, but also by a direction that the income shall be disbursed for the benefit of the *cestui que* trust only to the extent which the trustee may in his discretion deem advisable; for to subject the income so bequeathed to execution at the suit of a creditor would end the discretion of the trustee and defeat the intent of the testator.

4. IMPLIED TRUSTS.

Trusts by implication of law may arise either for the purpose of carrying out the presumed intention of the parties or they may be entirely independent of, or even contrary to, intention. Trusts of the first class are said to result by operation or presumption of law from certain acts or relations of parties from which an intention to create a trust is supposed to exist, and they are, therefore, called *Resulting* or *Presumptive* Trusts. Trusts of the second class exist purely by construction of law, without any actual or supposed intention that a trust should be created, but merely for the purpose of asserting rights of parties or of frustrating fraud. They are termed, therefore, *Constructive* Trusts.

Resulting Trusts may arise in several ways, and may be conveniently divided into the following classes: (1) Where a purchaser pays the purchase-money, but takes the title in the name of another; (2) where a trustee or other fiduciary buys property in his own name, but with trust funds; (3) where the trusts of a conveyance are not declared, or are only partially declared, or fail, and (4) where a conveyance is made without any consideration, and it appears from circumstances that the grantee was not intended to take beneficially.

Thus resulting trust will arise when a trustee mixes trust funds with his own, for it will then become the trustee's duty to establish how much of his own money went to the purchase, or *cestui que* trust will take the whole. This is in accordance with the usual rule upon the subject of confusion of goods. It has been doubted, however, whether the *cestui que* trust in such cases has anything more than a lien on the property to the extent of the money belonging to the trust estate, but the general rule in America is in favor of a resulting trust.

Whether, therefore, the property into which trust funds are sought to be traced has been wholly acquired, or whether it has been in part only bought by such funds, the rule is the same, and trust funds may be followed and the property stamped, wholly or partially, with the trust. The leading case upon the subject of following trust funds is, perhaps, Hallett's Estate, already cited. There Hallett, a solicitor, held for one of Mrs. Cottrell some Russian bonds, the interest of which he collected. He improperly sold the bonds and put the money into his general account at his bankers. The sum thus de-

posited was £2,200. Subsequently, Hallett paid into his account at his bankers other moneys of his own, increasing his balance to £3,000. He died. It was held that the proceeds of Mrs. Cottrell's bonds could be followed, and could be charged upon the £3,000 which stood to Hallett's credit at his bankers at the date of his death.

The second general division of implied trusts is that which embraces those known as *Constructive* trusts. Constructive trusts are those which arise purely by construction of equity, and are entirely independent of any actual or presumed intention of the parties. Nor have constructive trusts, as they are here considered, any element of fraud in them. Equity, indeed, makes use of the machinery of a trust for the purpose of affording redress in cases of fraud; as, when a party has acquired the legal title to property by unfair means, he will be deemed to hold it in trust for the injured party, who may call for a conveyance thereof. The party guilty of the fraud is said, in such cases, to be a trustee *ex maleficio*. But, in such cases the interference of courts of equity is called into play by fraud as a distinct head of jurisdiction, and the complainant's right to relief is based upon that ground, the defendant being treated as a trustee merely for the purpose of working out the equity of the complainant. Trusts which are, in the truest and most technical sense, constructive, arise by pure implication of equity, and without regard to the intention of parties, or (necessarily) the frustration of fraud.

5. EXPRESS TRUSTS.

Express Trusts, being those which are created by the language of the parties, may, it is obvious, arise either by direct fiduciary expressions whereby the relationship of trustee and *cestui que* trust is distinctly established, or by expression of a more uncertain and equivocal character which might not in the opinion of a layman be considered as indicating an intention to create a trust, but which have been construed by a series of judicial decisions to be effective in so doing.

"Three things," it has been said, "must concur to raise a trust: sufficient words to create it, a definite subject, and a certain or ascertained object"; and to these requisites may be added another, viz.: that the terms of the trust should be sufficiently declared.

Almost any person may be a beneficiary, but a person who could not legally hold property within the jurisdiction cannot be entitled as a beneficiary. As, for instance, a slave, an alien enemy, or a corporation that could not hold property in its own name in the jurisdiction, could not hold it through the instrumentality of a trustee.

Parrots, dogs and horses, and in former times, slaves, might be the objects of trusts, but they could not be true beneficiaries, as they are not "persons," and therefore cannot appear in court to enforce the trust. Bequests to unspecified charities stand on another footing, since the Attorney-General will appear to enforce them.

Trusts for "things," such as pets, etc., if properly drawn, will not be interfered with by the court, but the carrying of them out must depend on the honor of the trustee. That is to say, the gift may be to a trustee to expend so much as he thinks fit in maintaining certain horses and dogs, the residue to go to the trustee. A further clause might be added, that, if the trustee failed to support the animals properly, the property should go to the next of kin. So, too, the direction to employ a par-

ticular person as an attorney or agent by a testator does not create a trust or make the person designated a beneficiary.

The settlor of an express trust must do all in his power that the nature of the property will admit of, to carry out his intention. Lord Justice Turner, in *Milroy v. Lord*, said that a voluntary settlement could be made in one of three ways: First, by direct transfer or assignment to the donee; second, by assignment to a trustee accompanied by an actual transfer of the legal estate, if that is in the settlor, and third, by a declaration that the settlor holds in trust for the donee. *Ea parte Pye* is an old and leading authority upon this branch of the law, and is an illustration of the last of the three classes of cases mentioned in *Milroy v. Lord*. In that case M wrote a letter in which he requested his attorney in France to purchase an annuity for the benefit of a certain lady. The purchase was made, but the annuity was taken in the name of the writer of the letter, who afterward sent a letter of attorney to transfer the same to the name of the intended donee. The donor died before the transfer was made, but the news of his death did not reach the attorney until after the transfer. Whether the transfer was good according to the law of France was doubtful; but it was held that, without determining that question, there had been a complete declaration of trust by the donor.

So, in *Crawford's Appeal*, where a husband credited his wife with a sum of money on his books, it was held that this was an effective declaration of trust in the wife's favor. And a deposit of money in bank to the credit of another will have the same effect.

When a settlor is possessed of the legal title to the subject matter of the settlement, he may create a valid trust thereof, either by a declaration that he holds the property in trust, or by a transfer of the legal title to the property to a third party upon certain trusts. In other words, he may constitute either himself or another person the trustee. If he makes himself the trustee no transfer of the subject matter is necessary. If he makes a third party trustee he must transfer to him the subject of the trust in such a mode as will be effectual to pass the legal title. But if there is a mere intention to convey the property upon trusts, this will not be sufficient if the proper steps are not taken for the purpose of making a valid transfer of the legal title to the intended trustee. Such was the case of *Milroy v. Lord*, where a deed of assignment of stock, unaccompanied, however, by a transfer of the stock, was held ineffectual to create a trust. The case of *Donaldson v. Donaldson* may be referred to as an authority upon the creation of voluntary trusts by a declaration that the settlor thereby constitutes himself the trustee, in which case no assignment of the legal title is required.

In Pennsylvania the doctrine that precatory words are to be considered as *prima facie* imperative has been regarded with disfavor. In *Pennock's Estate* the conclusions reached by the Court were, that "words" in a will, expressive of desire, recommendation and confidence, are not words of technical but of common parlance, and are not *prima facie* sufficient to convert a devise or bequest into a trust; and the old Roman and English rule on this subject is not part of the common law of Pennsylvania, and that "such words may amount to a declaration of trust, when it appears, from other parts of the will,

that the testator intended not to commit the estate to the devise, or legatee, or the ultimate disposal of it to his kindness, justice or discretion." Later cases have followed this rule.

Words of expectation, hope, desire or recommendation, used by testators in the manner above indicated—that is, attached to and qualifying an absolute gift—are termed "precatory words" and the rule in England upon this subject formerly was that whenever property is given by will to one person, coupled with expressions of expectation, request, desire, or recommendation, that he will use or dispose of the same for the benefit of another, the donee will be considered a trustee of the property for the purposes indicated by the testator, unless it should appear from other expressions in the will that the application or non-application of the subject to the designated object was intended to be left to the option of the donee. In other words, such expressions were considered as *prima facie* imperative—the wish of the testator, like the request of a sovereign, was to be treated as equivalent to a command.

But within the last few years the doctrine has changed; and the English rule now is that precatory words are not to be regarded as imperative unless it is plain from the context that the testator so intended them. *Prima facie* a mere request, or an expression of hope or confidence or expectation, does not import a command.

6. MARRIED WOMEN'S TRUSTS.

It is well known that at common law a husband acquired a life estate as tenant by the curtesy of England in his wife's inheritable estates in realty, provided there was issue of the marriage born alive, that he had power to alien her chattels real, and that he also became entitled to her personal property in possession, and to her choses in action, provided he reduced them into possession during coverture, or by administration, if he survived her.

This was the case not only as to the property of a *feme covert*, of which she held the legal title, but also as to that in which she had only an equitable interest. If, for example, a fund were held by a trustee for the benefit of a woman, and she were to marry, her husband would have had the right to demand payment to himself, and his receipt would have been a sufficient discharge.

This right of the husband was, however, subject to this qualification, viz.: that if, in order to reach the equitable property of the wife, he were obliged to come into the Court of Chancery, equity would compel him, at her request, to make a suitable provision for herself and her children. This right of the wife was what is known as her equity to a settlement. It grew out of the general maxim that he who seeks the aid of a court of equity must do equity; and was, therefore, at first supposed to be enforceable against the husband only in those instances wherein he was compelled to resort to the assistance of a chancellor for the purpose of reaching his wife's property. It was, however, decided in *Ellibank v. Montolieu* that the benefit of this rule could be claimed by the wife as plaintiff, and this is now settled law.

The English common law rule existed originally in most of the United States. It has, however, in many, if not all of them, been altered by statute, and the property of married women has been freed from the grasp of the husband's authority and from liability for his debts and engagements; and in England, also, the common law

rights of the husband in his wife's property have been modified in a like manner by the Married Women's Property Acts of 1882 and 1893, by which the property of a married woman is absolutely secured to her, and the intervention of a Trustee is unnecessary. Moreover, both in England and in the United States, the power of a married woman, in respect of her property, has undergone an equally radical change; for a *feme covert* in England may now, without the intervention of a trustee, dispose by will or otherwise, of any property, real or personal, as if she was a *feme sole*; while in many States of the Union statutory provisions of an equally liberal character exist.

Reasons similar to those which have led to these legislative enactments had long ago in England induced the Court of Chancery to interpose its extraordinary jurisdiction for the protection of married women, and this object was effected by the creation of what is now so well known as the equitable separate estate of *femes covert*—which not only owes its existence to equity, but which is governed, in many particulars, by rules differing from those which are incidental to ordinary legal and equitable estates, and which the courts have found necessary to lay down in order to attain the desired end.

This equitable separate estate may be defined to be an estate created by, and originally recognized only in, courts of equity for the purpose of securing the beneficial enjoyment of property to a woman during coverture—this purpose being effected through the medium of a trust whereby the ordinary marital rights of the husband over his wife's property are excluded, so far as the same are in contravention of the *feme's* enjoyment of her estate.

According to the modern English authorities, the most apt word to create such a trust is "separate"; which has a fixed and technical meaning, and which will, of itself, exclude the marital rights; whereas the same fixed and technical meaning is not attributable to "sole." And it may be stated, in general, that the instrument must manifest a design to exclude the husband, or must contain expressions inconsistent with his marital rights in respect of the property.

Any form of expression, however, indicative of an intention to confer the beneficial enjoyment upon the wife and to exclude the rights of the husband, will be enough. It would be almost impossible to give all the expressions which have been held to be sufficient; the following are instances: "For her sole and separate use"; "for her own use and benefit independent of any other person"; her husband "to have no control"; "for the use, maintenance and support"; "solely for her own use"; "for her sole use, benefit and behoof"; "absolutely"; "her receipt to be a sufficient discharge"; "to be paid to her when she is divorced from her husband or voluntarily withdraws from him"; "for the sole and only use and benefit of the wife."

The English rule above stated, in reference to the powers of a *feme covert* over her separate estate, and the liability of that estate to her engagements, naturally led to some plan by which the operation of the rule could be avoided, and the will of the donor carried out by giving the married woman the property in such a way that it would be protected against herself (so to speak) and her creditors, as well as against her husband and his indebtedness. The plan adopted was the insertion, in the trust instrument, of the clause against anticipation

which was first invented by Lord Thurlow and used in drawing Miss Watson's settlement. This clause, viz., "not by way of anticipation," was held to be effective in imposing a restraint upon alienation, and became the usual language in settlements. No particular form of words is, however, necessary. It is enough if the intention to impose the restraint be clearly expressed, and the restraint may be implied when a different interpretation would defeat the purpose of the donor.

It was said above that the objects sought to be attained by the trusts now under consideration were very nearly defeated by the construction which the English Court of Chancery placed upon the authority and powers of the *feme* over property so limited. This construction was that a *feme covert* was, as to her sole and separate estate, to be regarded as a *feme sole*, and that therefore she had the same power of disposition over the estate, and was subject to the same liabilities in regard to it, as if she were unmarried.

The same line of reasoning, which induced the English courts of equity to recognize the power of a married woman to alienate her separate estate, has also led to the recognition of the liability of this estate to the engagements of the *feme*. The separate property of a married woman being a creature of equity, it follows that, if she has the power to deal with it, she has the other power incident to property in general, viz., the power of contracting debts to be paid out of it; and equity will lay hold of the separate estate as the only means by which those debts can be satisfied.

The clause against anticipation, however, applies only to future income; it will not be operative to remove arrears of income from the control of the *feme* or from process at the suit of a creditor, as to arrears which have become due before the judgment.

It will be observed that this restrain upon alienation is a violation of the ordinary rules of property, the general principle being that the power of alienation is a necessary and inseparable incident of ownership which cannot be taken away by any condition or stipulation in the grant. But, it being once settled that a wife might enjoy a separate estate as a *feme sole*, the laws of property attached to this new estate; and it was found, as part of such laws, that the power of alienation belonged to the wife, and was destructive of the security intended for her estate. Equity again interfered, and by another violation of the laws of property, supported the validity of the prohibition against alienation.

An important question which naturally presents itself in regard to these trusts is, "For whose benefit can they be created?" For it is obvious that the trust may be attempted to be created for the benefit either of a woman covert at the time, or in contemplation (more or less immediate) of coverture, or without any such contemplation; and the question arises, "Is there any distinction between these cases?" In other words, can a sole and separate use be limited to a *feme sole* which will come into operation whenever coverture takes place; or can the trust be called into being merely for the benefit of a woman actually married at the time of its creation?

In England this question was considered in the year 1834, in the case of *Massey v. Parker*. It was there decided that where a trust of this description was created for the benefit of a *feme sole* it would, upon her marriage,

be ineffectual to debar her husband from his marital rights.

The decision in *Massey v. Parker* has been followed in Pennsylvania, in Arkansas, in North Carolina and in Massachusetts. In the first-named State it must now be considered the settled law that a separate use trust cannot be created except for a married woman, or one in immediate contemplation of marriage, and that it ceases on discovery, and does not revive on a second marriage. Whether "immediate contemplation of marriage" may or may not exist in any particular case must, it is evident, be a question of fact not always easy to determine. It has been said that the creation of the trust constitutes the evidence of the fact being in the contemplation of the donor or deviser, and when this followed within a reasonable time by consummation of the marriage, it concludes the proof.

7. TRUSTS FOR CHARITIES.

It has already been said that three things are necessary to raise a valid trust—sufficient words to create it, a definite subject, and a certain or ascertained object. To this rule there is a very noticeable exception in the cases of trusts for charitable uses, wherein the trust will be ascertained although the objects to be benefited may not be defined with that precision which would be requisite in trusts of an ordinary or private description. Uncertainty in the object is one of the characteristics of a true, technical, charitable use, because if the beneficiaries are defined with precision the ordinary doctrines of equity, which have been already referred to, would be sufficient to support it.

It is when a trust, which, if it were for an individual, would fail for want of certainty in the object, is supported in equity because it is for a charity that the term "charitable use" is to be in strictness applied. A trust for a charity which is declared with the same certainty in all respects as ordinary trusts is, of course, capable of being sustained by the ordinary rules of property; but a trust which, according to those rules, would fail for uncertainty, is upheld in chancery when the beneficiaries are objects of charity, and is then a charitable use.

In the struggle with the pope, Henry VIII was obliged to attack many charitable institutions for the purpose of asserting the power of the crown as against the claim of papal supremacy; and hence many charities were abolished by statute. But in the reign of Elizabeth, after the conflict for ecclesiastical supremacy had been settled in favor of the English monarch, and the success of the Reformation had been assured, the necessity for institutions of an eleemosynary character began to reassert itself, and several statutes were passed for the purpose of restoring and encouraging charitable foundations. These acts finally culminated, in the year 1601, in the famous Statute of Charitable Uses.

The purposes for which charitable gifts may be made may be grouped under four main heads:

1. Those for eleemosynary purposes.
2. Those for educational purposes.
3. Those for religious purposes.
4. Those for public purposes.

Mr. Binney, in his great argument in the *Girard Will Case*, defined a charitable or pious gift to be "whatever is given for the love of God, or for the love of your

neighbor, in the catholic and universal sense—given from these motives and to these ends—free from the stain or taint of every consideration that is personal, private, or selfish." (A more concise and practical rule is that of Lord Camden, adopted by Chancellor Kent, by Lord Lyndhurst, and by the Supreme Court of the United States—"a gift to a General Public use, which extends to the poor as well as to the rich.") Mr. Justice Gray, when on the Supreme Bench of Massachusetts, in the case of *Jackson v. Phillips*, defined a charity in its legal sense as a gift, to be applied consistently with existing laws, for the benefit of an indefinite number of persons, either by bringing their minds or their hearts under the influence of education or religion, by relieving their bodies from disease, suffering or constraint, by assisting them to establish themselves in life, or by erecting or maintaining public buildings or works, or otherwise lessening the burdens of government. It is immaterial whether the purpose is called charitable in the gift itself, if it is so described as to show that it is charitable in its nature.

This last definition, while not perhaps as concise as could be desired, is nevertheless both clear and comprehensive, and has already been adopted in text-books as the most satisfactory definition of a charitable use; and it has lately been approved by the Supreme Court of Pennsylvania in *The Fire Insurance Patrol v. Boyd*, where the distinction between the motive and the purpose of the gift is pointed out and the latter declared to be the true test.

The principal characteristics of a Charitable Trust are (1) uncertainty of its object, and (2) perpetuity of its existence. Ordinarily, a perpetuity will no more be tolerated when it is covered with a trust than when it displays itself undisguised in a settlement of the legal estate, and therefore a perpetual trust cannot be created for an individual and his heirs in succession, forever. But when the trust is for a charity, it is no objection to it that the property may remain in the hands of the trustees and their successors for all time. Indeed, it is often one of the main objects of a gift to charity that the charitable use of the property should be perpetual; and, moreover, it must be remembered that, from this devotion to charitable uses, it does not necessarily follow that the property is never to be alienated, for the Court can decree the sale of any trust property when the exigency of the case arises.

In general, trusts for accumulation beyond the period allowed by the common law, *i. e.*, a life or lives in being and twenty-one years afterward, are void; but in the case of trusts for charities, where there are no statutory regulations upon the subjects, trusts for accumulation beyond the common law period are allowed.

If, however, the charitable trust is not to vest until after the determination of a prior gift, and that prior gift may by possibility last longer than the time allowed by law, the gift over to charity will be void, because of the perpetuity in the first taker. Of course, this rule would not apply when the first gift is to a charity.

EXECUTIVE COMMITTEE MEETING.

The Spring Meeting of the Executive Council of the Association will be held at the Hotel Chamberlain, Old Point Comfort, Va., on May 3d, 4th and 5th next. In accordance with custom the first day, May 3d, is set aside for committee meetings and meetings of the Execu-

tive Committees of the several Sections. A meeting of the Executive Committee of the Trust Company Section will, therefore, be held at that time.

The attention of State Vice-Presidents is called to the following provisions of the Section's by-laws: "The Vice-Presidents of the Section shall be invited to attend the meetings of the Executive Committee and shall generally act in an advisory capacity to the Executive Committee, but shall not be entitled to vote."

This meeting is called to consider matters of interest to the Section and to receive reports of work since the adjournment of the last convention and to a large extent to arrange a program for the next annual convention to be held in Seattle, Wash., in the Autumn.

Since much of the success of our annual conventions is due to the interest of members in suggesting topics for discussion and for addresses, it is earnestly hoped that members will communicate promptly with the Secretary any suggestions they may wish to make on these lines.

The Secretary has sent to all members of the Section a letter regarding this meeting, and as it may not have been brought to the attention of those most interested, it is printed herewith.

March 31, 1915.

To the Member Addressed:

The annual conventions of this Section have increased in interest and value as the members have co-operated by suggesting topics for addresses and discussion and by being represented by delegates prepared to discuss the topics proposed and selected.

While the convention will not be held until the Autumn, the Executive Committee will meet on May 3d to consider matters of interest to the Section and to outline a program for the convention.

You are earnestly requested to advise me, before

that meeting, of any matters which you would like brought to the attention of the committee, and particularly to make suggestions regarding the program as to any topics which you would like to have discussed at the coming convention.

The committee will be pleased to receive any suggestions for addresses to be delivered before the convention and for the names of those who could interest and instruct the members by preparing and delivering papers and taking part in the general discussions.

Very truly yours,
P. S. BABCOCK,
Secretary.

TRUST COMPANY BANQUET.

The announcement in last month's JOURNAL and the circular letter sent to all members of the Section that it had been decided to hold the Fifth Annual Banquet on May 7th has met with very prompt and enthusiastic response. Within ten days after the circular letter was mailed over 400 seats were subscribed for, and there is no doubt that the attendance will be equally as large as that of any of the previous dinners.

Addresses will be delivered by Messrs. Frank Trumbull, President of the Chesapeake & Ohio Railway Company, and Chairman of the Baltimore & Ohio Railway Company, and Robert C. Smith, K. C., a prominent lawyer of Montreal, and a noted after-dinner speaker.

For the benefit of those of our members who might not have had the circular letter brought to their attention, it is announced that the price of each seat at the dinner will be \$12, and that application for seats should be made to the Secretary of the Section at 5 Nassau Street, New York.

SHOULD CANADA RETAIN HER GOLD?

"Inasmuch as Canada obtains its chief supply of gold through the United States," writes Adam Shortt in the Journal of the Canadian Bankers Association, "should any suspension of specie payment or other serious interference with exchange facilities take place there, the question as to the destination of Canadian gold ore might become a matter of considerable importance.

"But the suspension of specie payment does not entail the disappearance of gold from all the exchange transactions of the country, leaving everything to inconvertible paper currency. It simply means that, as regards its indispensable functions, especially the balancing of foreign exchange, gold immediately passes to a premium, the rate of which depends upon the volume of adverse exchange to be satisfied and the amount of gold available to meet it. If, however, the export of Canadian products, whether as raw material or finished goods, were sufficient to meet the foreign calls upon Canada for imports received and interest due on Canadian loans abroad, then, of course, it would not be necessary to ship any of the gold reserves out of the country. But if the exports of unrefined Canadian gold materially assisted in balancing our foreign exchanges there would be no special reason for prohibiting the export of gold as a raw material only to insure its increased export as a finished product in the shape of coin and bullion. Even a financial crisis, therefore, does not materially alter the relationship of unrefined gold to the other articles of Canadian export or the balancing of Canadian exchange.

"Under one quite exceptional condition, however, it might be entirely advisable and necessary to prohibit the export through private channels of all gold, whether in the shape of new gold, coin or bullion. That condition would be one in which Canada was at war and so hemmed in that its external trade was paralyzed, while it still urgently required certain supplies from abroad. Under such circumstances nothing but gold could command even a partial supply of the goods required. In this case, however, the embargo upon gold would simply be part of a more general embargo upon any other supplies of the country which were essential to the conduct of the war. To a large extent this is the condition of Germany and Austria at the present time, but as regards gold it is not the situation in Britain, because her trade and exchange communications are still open to the neutral world and her allies. It is obvious then that the conditions requiring interference with the free disposal of Canadian gold as produced from our mines are of very exceptional character. Under all other conditions the Dominion Government is already fully meeting the situation by furnishing an opportunity for the owners of Canadian raw gold to have it refined and converted into standard bullion or coin in Canada at reasonable rates. It should be left to the Banking and Currency Acts to make suitable provision for maintaining an adequate gold reserve in the country to meet possible commercial and other crises. Beyond that the Government, the banks and the public alike must consult their own interests."

SAVINGS BANK SECTION

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FIRST VICE-PRESIDENT
N. F. HAWLEY, Treasurer Farmers & Mechanics Savings Bank,
Minneapolis, Minn.

THRIFT PUBLICITY BEGINNING TO SHOW RESULTS

Some Practical Effects of the "Thrift Talks" and the School Savings Bank Propaganda.

Everybody recalls the old fable about the quarrel between the thermometer and the stove as to which was responsible for keeping the room warm. If the thermometer had been mechanically and mentally capable of shoveling coal into the stove there wouldn't have been any controversy nor any fable, which would have left us without a text wherewith to introduce the subject of Thrift Publicity this month. The point we wish to make is, the newspapers and the financial press are beginning to "write up" thrift propaganda so extensively that the thrift atmosphere is warming up several degrees. It is in order, therefore, for the banks individually and the Savings Bank Section generally to take note of the fact that they are not only the thermometers of the increase of the thrift habit, but they should be and are the instigators of the thrift movement that seems to be sweeping the land. Nothing is so gratifying as to see sound concrete practices result from abstract theories. The success the Section is meeting with should encourage our members to further efforts in spreading the "Gospel of Thrift."

For the consideration of our members we reprint herewith four articles in whole or in part which form a complete story in themselves, and to which our readers can supply the moral. Two of the articles quoted are taken from newspapers and two from financial magazines. The first is from the "New York World."

SCHOOL CHILDREN HEED JOHN D.

AND SAVE THE PENNIES.

Bronx Pupils of P. S. 40 the Sole Depositors in Their Own Savings Bank.

\$7,381 IN 14 MONTHS.

Principal Gets Idea After Seeing Little Ones Spend Their Coppers for Candy.

Old Ben Franklin once said, "Take care of the pennies and the dollars will take care of themselves," and John D. came along later and pointing to the largest private fortune ever accumulated he said: "Save your pennies." Now, after a short experience with this advice, 1,511 pupils of Public School 40, in the Bronx, acclaim in unison: "They had the right idea."

And well they may, for in a period covering fourteen months these girls and boys have deposited in a school bank just \$7,381.80!

The system of deposit and withdrawal is perfect. Monday of each week is set aside as banking day, and the teachers have co-operated to the extent that no school time is lost because of the banking. A pupil may open an account with any amount. The depositor is furnished with a bank book. The teach-

ers hold "deposit sheets" and a separate entry is made on a "bank card." When a deposit is made the amount and date are recorded on all three records and at the close of each banking day the money deposited is credited with the directors' accounts to each of the various classes and then redeposited to the credit of the School Bank at the State Bank, Bronx branch.

When a pupil's individual deposits have reached the sum of \$5 he is advised to withdraw the money and deposit it in the State Bank to his own account. Thus the pupil, puffed by the worldly possession of a regular bank book, becomes thrifty and ambitious and keeps his balance climbing from month to month.

The directors have been careful and strict in the method of supervising withdrawals from the school bank. A depositor can withdraw only once a month, and then only upon personal application of the parent or guardian. A discharged pupil or a graduate is given a check covering his deposit. Very few withdrawals have been made for other than the above two reasons.

The personal supervision of Principal O'Flaherty and the kindly interest taken in the project by the teachers and directors have enabled the establishment of a system which for accuracy would be a credit to many of the larger banks. Despite the fact that \$7,381.80 has been handled, coming in small amounts from the various classes, there has not been a single shortage or error in the accounts.

The records compiled by the directors show an average deposit per pupil of \$1.51. Some single accounts have mounted up in the thirties and the interest in the bank has reached a point where the pupils look forward eagerly to Monday—and an increased bank account.

The next quotation is from an address by John M. Dinwiddie, printed in the "Chicago Banker":

Where the thousands who patronize the savings bank seek advice from the bank managers, talk frankly, listen, and are persuaded, thousands of dollars are saved to them and to the city because of investigations made, advice given and protection afforded by the savings bank.

In that way, and because it is closer to the people than any other, the savings bank becomes a protector for the people. It seems, therefore, only natural, that the bank that serves the rank and file of the people freely, cheerfully, completely, with a service that could only be had elsewhere for much money, should be accepted as their own. It is fitting that the bank that advises, directs personally and at close range, as to investments, business transactions and care of property, and educates along these lines, should receive their patronage.

To those who avail themselves of information daily imparted by those engaged in the savings bank line of banking, there is no limit to the fund of general knowledge that may be gained. Explanation of various laws, assistance in correct preparation of business papers and direction in the keeping of accounts given to those of little knowledge of these things. These banks are forever teaching the value of little things and emphasizing how these little things, properly nursed and cared for, grow to large things. How the gathering together of the small savings of the wage earner not only benefits him, gives him that comfortable feeling that goes with the knowledge of possession, but creates capital for the

larger development of our manufacturing enterprises, the building of cities and the various activities possible where the savings of the people may be had from some central station, the savings bank.

The banker who has made the savings bank his business is of a different mould and temperament from the commercial banker. The savings bank is closer to the great body of the people.

The very law presupposes the savings bank to be a servant to the people, waving technicality and limitations that other banks must submit to. The State law supervision particularly safeguards the savings bank depositor, while permitting a more generous treatment of such patron than any other system.

As a servant to the people there is not any other institution that so well serves the general public as does the savings bank, and to do that successfully, patiently and generously requires one especially fitted and willing. A selfish man could not be a good savings bank man. The writing of drafts, remitting money, writing letters for customers, paying taxes, collecting notes and contracts, preparing papers, settling estates, acting as agent, guardian, administrator or trustee, accepting deposits and paying interest on them is not the whole of service. To succeed as a servant one must be able to listen even to family woes, family troubles, neighborhood quarrels and disputes and be able to settle them without offense to either side. He must sympathize with those in sorrow, or rejoice with those who rejoice, and again with Paul, "be all things to all men." Unless he can do these things he had better not be a savings banker.

Our next "exhibit" is an editorial which appeared in the "Globe" of New York under the title "Why Savings Are Increasing." We print it in full:

How is it that savings have increased while times have been hard? This is an interesting question that suggests itself through examination of the annual report of the Superintendent of Banks, Mr. Richards. In the State of New York the amount due savings bank depositors on January 1st last was almost \$30,000,000 in excess of that due them at the first of the previous year. Furthermore, most of this increase came in the last six months of the year, after the European war had thrown many people out of employment and demoralized the financial and business worlds. And not only in the total amount of cash on deposit, but in the number of depositors as well was there a marked increase, the banks reporting 27,000 more accounts as compared with a year ago.

Mr. Richards' figures prove in a convincing way that the time when people are saving most is not when they are making the most money. In boom times, when every branch of business and every banker is prospering, the thought of thrift does not intrude itself upon a large percentage of the people. When money is hard to get more thought is taken of the future, and the inclination to spend freely is checked.

To those economists who have been advocating the general adoption of a "buy it now" policy on the part of the individual the testimony of the savings banks may not seem pleasant. To those who appreciate the fact that the only way to woo prosperity is to begin with the fundamentals it affords much encouragement. There is a difference between saving and hoarding. The money which is deposited in the savings banks is sure, sooner or later, to find its way into permanent investment in conservative and constructive enterprise.

We will conclude with an extract from an editorial appearing recently in "The Southern Banker." While it was written primarily for Southern bankers, its lesson will apply generally:

The South has a much greater proportion of the territory, population, natural wealth and other resources that should go into the production of savings. What the South has not is the thrift habit. Here is

the greatest opportunity the banks have to render constructive service to the section. We can recommend no one method of performing this service above other methods. We can recommend every method that gets results.

Face to face methods are always the best—the personal effort. Encourage your customers to save by talking of the benefits of savings. Get other customers by "every wile that's justified by honor" and teach them to save. If you think there is no particular point to this article, get out your abstract of the last comptroller's report and glance down the column in which the savings of the country are tabulated.

Nothing more will be needed to convince you that the money of your community is not going into the savings banks.

The shortcomings of the South, or of any State in the South are never exploited in these columns except that good may come of it. If by this means the bankers may be aroused to the necessity of actively encouraging habits of thrift and increasing the number and size of savings accounts the South will come into its own very much more rapidly than it can possibly do as long as the unseen waste prevails as evidenced by the comparatively meager accumulation of savings.

FORMS FOR SAVINGS BANKS AND SAVINGS DEPARTMENTS IN COMMERCIAL BANKS AND TRUST COMPANIES.

There are still a few subscribers to the above book that have not as yet remitted. If your bank is among this number, we will appreciate your sending us your draft at an early date, as we are desirous of closing our records.

There are some copies left and if you have not already purchased one, it will be to your advantage to do so immediately. This book, handsomely bound in black leather and containing forms typical of those necessary in the operation of a savings bank or savings department, is a valuable addition to the library of every bank. The price, express charges prepaid, is but four dollars (\$4) to members of the Association and seven dollars (\$7) to non-members. Your order will receive prompt attention at the office of the Savings Bank Section.

INTELLIGENT INTEREST.

Skids—Does your wife take an intelligent interest in the war?

Skittles—Well, not especially so. When I told her of the loss of the U-15 she seemed to be under the impression it was a theater seat.—Puck.

KNOCKING AND BOOSTING.

Good Luck is sure a wise old owl,
And never will it roost
Upon the head of any man
Who Knocks, but will not Boost.

—E. W. McColm.

OPPORTUNITIES.

The wise man grasps small opportunities and makes them big, while the fool sits in an easy chair and waits for great opportunities to come his way.—Kansas City Star.

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SHOULD COUNTRY CHECKS BE CHARGED AGAINST BALANCES?

The Right of Federal Reserve Banks to Debit Their Members' Balances with Checks Drawn Upon Them—Good Practice Requires Immediate Credit and Debit for District Items.

Considerable discussion has arisen upon the legal status of the proposition that Federal Reserve Banks have the right to debit the balances of member banks with checks drawn upon them. Deciding the question upon the basis of common sense and sound methods of accounting, there can be little doubt but that checks within any district should be cleared rather than collected. It is to be hoped that common sense policies will prevail. Meanwhile, the discussion from the legal point of view, based upon precedent, is interesting.

We will assume that the Federal Reserve Banks have received instructions from the Federal Reserve Board to exercise the functions of clearing houses for their member banks, and that the Reserve Banks are in position to exercise such functions with respect to all checks on members within the district except such items as the Reserve Banks may refuse to accept as being drawn out of their proper channels of collection. At the outset, it must be kept clearly in mind that the relation between the member bank and its Reserve Bank as a depository for checks differs from the relation between the member bank and the Reserve Bank as a clearing house. The terms "clearing" checks and "collecting" checks are often used interchangeably in banking parlance, but technically there is a distinction between them which must be observed in attempting to make an intelligent and practical analysis of the law. There is nothing in the Federal Reserve Act nor in banking usage that would justify the Reserve Banks in debiting member checks against their balances without the expressed permission of the member banks, assuming that the Reserve Banks are merely acting as reserve agents, and are receiving checks on deposit for credit and collection.

If, however, the Reserve Banks assume the functions of a clearing house for their members, then a different situation arises. The checks which the members send to them for clearing establish a credit at the Reserve Banks as at a clearing house. Against this credit may then be applied, under the law, all checks on the members so clearing. There will arise debit and credit balances. It may be assumed that the creditor members will not object to having their reserve or other balances increased by the amount of such credits. The question under discussion is, may the debtor banks successfully contest the right of the Reserve Banks to charge their reserve or other balances without consent, with the

amount of the debit balance resulting from the clearance of district checks?

There is no precedent in law or court decisions upon which to base an opinion. Clearing houses are voluntary associations of banks which agree to settle their debit and credit balances in a manner that is mutually agreeable. All clearing house associations have provisions which apply in case a debtor bank is unable to pay its balance, but in such an event the other members of the association merely apply a ruling to which the defaulting member has previously given consent. The Federal Reserve Act clearly makes it obligatory for the Reserve Banks to act as clearing houses for their members. It is not clear that it is the intent of the Act that the Federal Reserve Board shall require the Reserve Banks to exercise such functions regardless of the wishes of the member banks. Rather it seems to be proposed to give to the Reserve Board the power to compel the Reserve Banks to exercise the functions of a clearing house in case they should refuse to accede to a request from their members that they do so. This theory is borne out by the fact that nothing in the Act can be construed as compelling member banks to make use of the Reserve Banks for the collection of any checks, although in practice it is, of course, quite unlikely that member banks would refuse to make use of the facilities offered.

There is warrant, however, for the belief that the Reserve Banks as clearing houses may charge the balances of debit member banks without their consent. In making exchanges of checks, the clearing house acts as agent for its members, which relationship also applies to the settlement of balances arising. Thus credits are paid to the creditor banks not for the clearing house but for the debtor banks. Hence the Reserve Banks, having theoretically paid the creditor banks as agents for the debtor banks, may look to the debtor banks for payment. We may here apply the principle or doctrine of offset. The sum which the debtor banks owe the Reserve Bank as a clearing house may be offset to that extent by the balance of the debtor members.

The debtor members may set up the claim that although it has been established in law that presentment of checks through a clearing house is due presentment, that such a principle is only applicable when the element of time occasioned by distance from the clearing house is not involved. As an offset to this argument, it may be urged that the debit is merely conditional or provisional and may be reversed in case the checks drawn on the debtor banks are not good. In sending checks to the Reserve Banks for clearance the member bank charges the Reserve Bank therewith immediately, and

similarly good practice requires that the Reserve Banks should be allowed a like privilege. Giving immediate credit for checks deposited, subject to reversal if unpaid, is a practice so well-established in business and banking usage as to make its abandonment impractical, if not impossible.

Viewing the entire question in its narrower and strictly legal aspects, therefore, we must come to the conclusion that the use of the Reserve Banks as clearing houses is optional with the member banks and, therefore, it is incompatible with the conditions to discuss whether or not the Reserve Banks may enforce a charge against the members' balances for debit clearing balances. That they would have the right to do so, if the members could be compelled to accept the clearing house relation, is equally clear.

It seems to the writer, however, that a broader view must be taken of the situation. If we should be governed entirely by precedent and present practices the obvious purposes of the check collection provisions of the Act would be seriously handicapped if not entirely defeated. It is to be hoped that the member banks and the Reserve Banks will co-operate in adopting every modern accounting device and method for the proper handling of checks without making it necessary for the Reserve Board to bring any pressure to bear upon them. Should such a course be necessary, however, the Act suggests the method through which it might be accomplished. The Federal Reserve Board should require each Reserve Bank to exercise the functions of a clearing house, and the Reserve Bank in order to properly exercise such functions could then take advantage of its power

"To prescribe by its board of directors, by-laws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

"To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this Act and such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by this Act."

Let us assume that the Federal Reserve Banks are acting under the broad powers mentioned above and are collecting checks for their members without it being specifically provided that they shall act as a clearing house. Good practice requires that checks sent to the Federal Reserve Banks for collection (if drawn upon members of the same district) shall be passed to the immediate credit of the depositing members. If such checks are not charged against balances of the members upon which they are drawn, then upon the books of the Federal Reserve Bank they must be entered on the resource side as amounts due from such members. Here again we can apply the principle of offset. That is to say, the bank has the legal right to consolidate the accounts just as all banks do to-day when a correspondent bank fails having a balance on deposit with the reserve agent which had sent checks to the failed bank and had charged such items in a separate account.

Additional discussion upon the general question of check clearing will be found under the State Secretaries' department in this issue.

ADDITIONAL USES FOR THE NUMERICAL SYSTEM.

When the Clearing House Section's special committee of transit experts devised the Universal Numerical System, they builded wiser than they knew. The original intent was to construct a practical system of bank numbers that would simplify transit records and prevent further conflict between independent and private numbering systems. That end has been successfully accomplished, and in addition several other uses to which the system can be put have been developed. The Treasury Department of the United States found the numbers a great convenience in making their internal and other records; the Code Committee of the Association hit upon a plan, described in the official Cipher Code, whereby telegrams containing bank names can be shortened considerably by using transit numbers. Several members are using their transit numbers in check cancellation devices and at least one member uses its number in connection with a safety-paper mark.

The fact that more than 70 per cent. of checks now bear the transit numbers has begun to interest the general business public. A borough tax collector called at these offices recently to purchase a key to the Numerical System. He explained that he found the system a great time saver in keeping his records of receipts. Nearly every bank depositor who handles any quantity of checks would find it to his advantage to make his records by number rather than by name. Depositors would surely appreciate suggestions as to how they might use the numbers. Why not put a card in your monthly statement or pass-books explaining to your customers what the numbers on checks mean?

And, by the way, is your bank among the few who have not yet gotten into step? Are you showing your transit number, or is it necessary for every one of the thousands who now use the system to look up your number every time they handle one of your checks?

NEW MEMBER.

Quincy, Ill., Clearing House Association is now a member of the Clearing House Section, making a total membership of 159.

HURDMAN'S ADDRESS IN PAMPHLET FORM.

Many requests have been received for copies of the able address of Frederick H. Hurdman on "Credits from the Standpoint of a Certified Public Accountant," delivered before the Clearing House Section at Richmond. Copies of this address are now available and may be had on request.

IT PAYS TO ADVERTISE.

The codfish lays a million eggs,
While the helpful hen lays one;
But the codfish does not cackle
To inform us what she's done;
And so we scorn the codfish coy,
But the helpful hen we prize;
Which indicates to thoughtful minds
It pays to advertise.

—"Michigan Manufacturer."

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FURTHER DISCUSSION OF THE COLLECTION OF CHECKS AT PAR

Would Free Collection Be an "Unscientific Drain Upon the Resources of the Reserve Banks"?—Provisions of the Federal Reserve Act and Their Application.

In response to the invitation extended last month to submit views on the parring of checks for publication in this department, two communications have been received. The editor of the "American Banker" sends in an extract from an editorial appearing in the March 13 number of that paper bearing on the subject. Another correspondent, whose name will be furnished on request, has written a letter which takes issue with the "American Banker." The editorial and the letter follow:

"The question of free check collection is a very serious proposition and, if adopted, will prove to be an unnecessary and unscientific drain upon the resources of the reserve banks, as well as a serious menace to the very existence of the smaller banks. To propose that any bank can take, from a customer, a check on a bank in some distant town or State, and pay out the face of that check, making no allowance for the expense of clerk hire, postage, stationery, loss of interest and other expenses incidental to its collection from the bank on which it is drawn, is an unbusinesslike proposition, and one that would not be tolerated in any other line of business. As well expect the retailer to put out his goods to the customer at the same price at which he receives them from the wholesaler.

"In the transmission of funds from one city to another, or even from one bank to another, by means of checks, it is absolutely imperative that certain expenses become involved, and the logical question should be, who is to defray this expense? Naturally the person or persons who benefit by the transaction should be the ones most justly liable for the expense of transmission, and not the banks which perform the service, and which are already rendering more free services than any other strictly commercial organization in the community.

"While the country banks have never depended upon the revenue from collection charges as a necessary means of livelihood, they have fewer opportunities for profitable investment than the banks in the larger industrial and financial centers, and therefore can ill afford to give themselves over to this service without at least sufficient recompense to cover the actual cost thereof, plus a small margin for overhead expense. If the Federal banks are to become free collection agencies, they are assuming a function of which there has been no particular demand from the business community, to the evident disadvantage of the member banks, the funds of which make possible the very existence of the Federal System.

"So far as we know, there has never been any appreciable agitation among the business men of the United States for the introduction of a free collection system. They have always been willing to pay the

extremely modest fees required of them by their banks for the collection of their money; and when it is remembered that they are given immediate credit for checks which, in some instances require eight or ten days to collect, we think there should be small reason for complaint.

"As to Mr. Hepburn's suggestion that the man who draws the check should bear the expense of collection, this is not less equitable than that the recipient of the check should pay. Each merchant who, on a given date receives (say) twenty checks, will more than likely be issuing twenty checks on the same day. So that matters are automatically evened up.

"F. E. Lyford, of Waverly, Ky., in discussing this question recently said: 'As I see it, the Federal Reserve banks can serve the country splendidly in being fiscal agents of the Government, handling foreign exchange business, and in rediscounting for member banks; but they will do great harm if they become collecting agencies. Country banks certainly should not be in a hurry to adopt a new and untried method of handling checks, which, from all we can judge at present, will surely work to their disadvantage.' The country banks that are now in the system must remain there as long as they are solvent, and must abide by its rules and regulations. It would be manifestly unfair, however, to inaugurate new methods that would seriously curtail their earning capacity, if, indeed, they were not driven out of business entirely."

I have read the leading editorial in the "American Banker" of March 13 on the subject of check collection and, accepting the invitation expressed in the March number of the JOURNAL-BULLETIN, I herewith submit some observations, using the article mentioned as a general text. The editor of the "American Banker" has made the mistake that so many writers, and not a few bankers, have made of discussing a technical subject without taking all the facts into consideration. The tendency seems to be to take the abstract subject, "Should checks be collected at par," and then proceed to build up a one-sided argument based upon personal interest without any thought at all of why the question of check collection was taken up in the Federal Reserve Act or how the Act provides that checks shall be collected. The article in the "American Banker" is typical of that attitude or treatment of the question. Let us analyze some of its statements.

What is meant by "unscientific drain upon the resources of the reserve banks"? Perhaps the writer is beset by that hobgoblin of "float". It has been gravely put forth by dignified and respected bankers that if the Federal Reserve Banks undertake to collect checks, all their resources will be wasted in this "float" of outstanding items. Assuming that any Federal Reserve Bank should act as a clearing house for its members who

keep reserve balances on deposit with it, we should like to have it explained to us how more checks can come out of the reserve bank at night than go into it during the day. Perhaps there may be a clearing house somewhere in the world where more checks come out of the exchanges than go in, but if there is, we have never heard how it accomplished this accounting miracle. Surely the "unscientific drain" does not refer to the mechanical costs of clearing, because the Act says "The Federal Reserve Board shall, by rule, fix the charge which may be imposed for the service of clearing or collection rendered by the Federal Reserve Bank."

Our friend takes serious exception to the proposition that banks should take out-of-town checks from customers at par without any regard to the expense involved. This, he says, is an unbusinesslike proposition and should not be tolerated. He then explains the nature of the service rendered by banks to their customers and states that banks, which already render more free service than any other commercial organizations, can ill afford to give themselves over to this service without just compensation. This is sound doctrine and we concur heartily. But for the moment he seems to overlook the fact that he is expressing strong approval of the Federal Reserve Act. He sets up a straw man and then labors to annihilate him! Who is it, pray, who advances the proposition which our friend so ably attacks? Not the Federal Reserve Act, which states: "Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds."

The editorial directs our attention to the fact that there has been no demand by business men that there should be a free collection system. Granted, for the sake of argument; but there has been very considerable demand for a better collection system. Why should it take "eight or ten days to collect" a check payable 100 miles or less distant from the bank in which it is deposited for immediate credit? It never has been proposed that the Federal Reserve Banks should become "free collection agencies." The Act provides that they may exercise the functions of a clearing house for their members. If reducing the amount of bookkeeping, accounting, draft-drawing, postage, clerical hire, time and stationery by about 50 per cent. is to the "evident disadvantage" of country banks, then we may as well admit that member banks are in business to waste money rather than to earn it. At this point we may call attention to the real question under discussion and ask that all opponents of the Federal Reserve Act and its check collection provisions stick to the subject. The main idea in the Act is not to abolish collection charges as such; the purpose is to correct the abuses that have grown up as the inevitable result of our disjointed, out-of-date, clumsy and unscientific methods of collecting checks and fixing exchange rates. We should like to have the editor of the "American Banker" explain if it is right that reserve balances should be pyramided, that checks should go hundreds of miles out of the way in the process of collection; if checks should pass through the city where they are payable two or three times before "stopping off" for presentation; if they should be handled a dozen times instead of twice; if the business public, including the banks, should be called upon to pay for this useless extravagance; if banks should permit kiting to go on because it nets them

extra exchange; if country banks should "remit" with cashier's checks; if they should "hold up" remittances for days and even weeks; if they shall remit separately for checks drawn on them, charging the highest rate for each draft; if they should reap large profits in exchange solely because other country banks remit at par; if they should claim that all checks are payable at their counters in cash, and then, when so presented, they should pay in silver dollars that have first been treated with a mixture of molasses and asafoetida; if as the result of the combination of all these facts our check collection system should fail utterly every time there is a financial scare or flurry—IF all or any of these things are right, then we will admit that the Federal Reserve Act is wrong and we should at once abolish every clearing house in the land and compel banks to do business with each other as they did in 1850.

Quoting Mr. Lyford of Waverly, N. Y. (not Ky.), weakens rather than strengthens the argument. Mr. Lyford says: "Country banks certainly should not be in a hurry to adopt a new and untried method of handling checks, which, from all we can judge, will surely work to their disadvantage." New and untried? What about the Suffolk System that was operated so successfully in New England beginning about 1818? What about the English system of handling country checks that has been an entire success since 1858? There might be a question as to the success of that system as applied to America were it not for the fact that it has been successfully employed here in Sedalia, Mo., York, Reading and Lancaster, Pa., for many years. These are small cities, you may say. Very well, what about the system of clearing country checks in Boston, Kansas City, Nashville and Atlanta? New and untried! That's what some bankers said about the New York Clearing House when they opposed its organization in 1853. That's what the public stage line owners said when they violently opposed the building of railroads in 1830. The same argument probably was used when Noah was advertising the Ark.

Perhaps the explanation of the entire point of view in the editorial under discussion is to be found in the "quotation" from the Federal Reserve Act itself. "Section 17" is quoted as an exhibit, but unfortunately the quotation used is from the early draft of the bill and not from the law as passed. Those who criticize the Act should at least inform themselves as to the law even if they don't pretend to be technically trained in the subject of check collection.

FLORIDA CONVENTION.

The twenty-second annual convention of the Florida Bankers Association was held in the city of Palatka March 26th and 27th. The attendance was large and the program was carried out systematically. The addresses were well delivered and on subjects of particular interest at this time.

The usual address of welcome was delivered by Mayor Kennerly and responded to eloquently by Dr. Hulley, President of Stetson College, De Land.

Much interest centered in the excellent annual address of President Aird and the annual report of the veteran Secretary, George R. De Saussure. These, with the various reports of the Committees and Treasurer, showed the Association to be in a most prosperous and progressive condition.

Especially significant and comprehensive were the reports of the American Bankers Association in this State by the Vice-President for Florida, S. J. Harvey, the member of our Council, J. A. Griffin, and the Vice-Presidents of the Section, F. W. Hoyt, J. D. Puller and W. W. Trice. These reports were an unusual feature at State conventions.

The addresses were as follows: "The American Bankers Association and Its Activities," Col. Fred. E. Farnsworth, of New York City; "Credit Methods and Records," J. W. Pettyjohn, of Jacksonville, Fla.; "Real Estate Loans," J. J. Logan, of Jacksonville; "Agricultural Credit," T. C. Watts, of Jasper; "Agricultural Development," Hon. W. S. Jennings, of Jacksonville; "An Outsider's View of Banks: Their Policy, Organization and Efficiency," F. P. Conroy, of Jacksonville; "Bond, Burglar, Fire, Life and Title Insurance," E. H. Paxson, of Jacksonville.

Officers for the ensuing year were elected as follows: President, A. S. Willard, Cashier Putnam National Bank, Palatka; Vice-Presidents, Forrest Lake of Sanford, A. P. Anthony of Jacksonville, G. G. Ware of Leesburg, R. M. Price of Miami and T. C. Watts of Jasper; Secretary-Treasurer, George R. De Saussure, Vice-President of the Barnett National Bank of Jacksonville (re-elected); Executive Committee, Giles L. Wilson of Jacksonville, H. D. Stokes of Ocala, F. N. Conrad of Daytona, E. A. Osborne of Williston and H. H. Root of Plant City.

At a meeting of the members of the American Bankers Association in Florida the following were elected: Thomas P. Denham, Vice-President of the Atlantic National Bank, Jacksonville, Vice-President for Florida; Charles A. Faircloth, Vice-President of the Florida National Bank, Gainesville, member of the Nominating Committee; W. E. Bell, Vice-President of the Farmers and Merchants Bank, Trenton, Alternate; Henry G. Aird, Vice-President of the Guaranty Trust and Savings Bank, Jacksonville, Vice-President Trust Company Section; D. J. Herrin, President of the First Savings Bank, Jacksonville, Vice-President Savings Bank Section; Robert E. Wheeler, Cashier of the Barnett National Bank, Jacksonville, Vice-President Clearing House Section.

Daytona was the place chosen for holding the 1916 convention.

Resolutions were passed unanimously thanking the speakers, Palatka bankers and others.

Palatka is a live, prosperous and growing city. The bankers of the town represented true Southern hospitality and gave the visitors a most delightful entertainment. Some of the prominent features were a boat trip through the orange groves in the neighborhood of Palatka on Friday afternoon, and in the evening a concert and ball at the Putnam House, which was largely attended and enjoyed by bankers and townspeople. On Saturday afternoon a boat trip was taken on the St. Johns River and this covered a three hours' pleasant sail. In the evening the annual banquet was held at the Putnam House, Dr. Lincoln Hully acting as toastmaster. About twenty speakers enlivened the occasion with five-minute talks.

CENTRAL STATES ASSOCIATIONS.

The conference of Secretaries of Central States Bankers Associations met at the LaSalle Hotel in Chicago on March 22d and 23d, with a representative attendance of

Presidents and Secretaries of Associations composing the conference. Associations of the following States were represented: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio and Wisconsin. The meeting was presided over by Major S. B. Rankin, chairman of the conference. The proceedings were informal and consisted of the discussions of questions affecting the fundamental functions of bankers associations work. It was probably the most interesting and most profitable meeting ever held by the conference. Officers elected for the ensuing year are: W. B. Hughes, of Nebraska, Chairman, and Mrs. H. M. Brown, of Michigan, Secretary.

VERMONT CONVENTION.

At the recent convention of the Vermont State Bankers Association the following officers were elected for the current year: President, H. M. McFarland, Vice-President Lamoille County National Bank, Hyde Park; Vice-President, H. G. Woodruff, Director National Bank of Orange County, Chelsea; Secretary, C. S. Webster, Treasurer Barton Savings Bank and Trust Company, Barton (re-elected); Treasurer, D. L. Wells, Cashier First National Bank, Orwell (re-elected)

The following resolution was unanimously adopted: Resolved, That the Vermont State Bankers, in convention assembled, desire to record their appreciation of the results obtained under the application of the Aldrich-Vreeland emergency currency law, whereby the currency necessary for the commercial and financial operations of this country during the recent period of financial stress was provided; and further to express and register with the members of the National Congress from Vermont the desire that the Aldrich-Vreeland Law, which expires by limitation in June, 1915, be enacted as a permanent measure or incorporated in the Federal Reserve Law.

JOINT CONVENTION IN SAN FRANCISCO.

A joint meeting of the State Bankers Associations of California, Oregon, Idaho, Nevada and Arizona will be held in San Francisco, May 27th to 29th. The bankers located in the Twelfth Federal Reserve Bank desired to hold a joint meeting of all the State Associations covered by that district, but Utah and Washington will hold their conventions in their own States, as arrangements to this end had been made prior to the decision to hold a joint meeting.

MONTANA CONVENTION.

The Montana Bankers Association extends to all American Bankers Association delegates, their ladies and friends, a hearty invitation to spend two or three days visiting their Montana friends at the Montana Convention at Glacier Park, Friday and Saturday, September 3d and 4th. It will be easy to arrange for railway routing over the Great Northern Railway through Glacier Park. The hotel accommodations leave nothing to be desired, and visitors can be assured of ample opportunity for rest and recreation. By the assistance of the bankers from the large cities, a very attractive program has been arranged.

LIBRARY DEPARTMENT

MARIAN R. GLENN, LIBRARIAN

Banking Problems Complicated By the Federal Reserve Act

How the Library Is Endeavoring to Meet Changed Conditions—Literature on Foreign Exchange, Analysis of Accounts and Rural Credits.

Changes in banking problems brought about by the operation of the Federal Reserve system have noticeably increased the number of requests which come to the Library from the smaller banks, and tended to change the general nature of inquiries from those on specific points of practice to those on the underlying principles of banking.

Southern and Middle Western requests come chiefly from bankers in small towns, while Pacific Coast requests come more often from the larger towns and cities. Requests are received from Chicago and St. Louis bank officers more frequently than from bank clerks, while just the reverse is true of Eastern banks, the Library being used more in New York by junior officers and clerks, most of whom are students of the American Institute of Banking, although certain senior officers of large banks have come to depend upon the Library for much of their speech material. Economic writers are beginning to discover the value of the Library's card catalogues in tracing source material to be found only in its files; and there has been of late a marked tendency on the part of bankers to send to the Library for data on subjects of broader public interest than those directly related to banking.

It is to country bankers, however, that the Library seems most helpful, and they appear to make practical business use of the material which they borrow. The lack of local facilities for financial reading and reference and the fact that opportunities for the discussion of banking problems with other bankers are fewer than those afforded city bankers makes the country banker glad to be able to avail himself of the Association Library in New York, simply by writing for what he wants. The Library is not always able to fill inquiries promptly or adequately, as it sometimes happens that several requests are received at once for information on a subject upon which only a few articles are available, and upon many banking subjects nothing whatever exists in print written from the standpoint of the small bank. The few books, for instance, that have been written on banking practice are useful only to the departmental city bank, while analyses of existing conditions are usually written by city rather than by country bankers. But the Library makes every effort to secure all the available data on subjects asked for, and "that was just what I wanted" is a statement frequently found in letters of acknowledgment from bankers who are making use of the Library service.

Country banks are beginning to see themselves in perspective in relation to the Federal Reserve System, and the Library books on foreign exchange, for instance,

are as often in demand by officers of interior banks who are studying their local credit conditions in relation to the general discount market as by employes of city banks who are more interested in the technical details of money changing. The Library's articles on "Acceptances," "Bills of Exchange," "Letters of Credit," and on "Discounts" are in almost constant use, as are those on commercial paper problems ranging from principles of purchase to registration. The increased necessity of safeguarding credit instruments probably accounts for the sudden demand for the few available articles on forgery, while the increasing importance of accuracy in bills of lading and warehouse receipts in relation to acceptance transactions has led to more frequent use recently of the Library's collection on those subjects.

There has also been a noticeable increase in the demand for methods of cost analysis of bank accounts since changes in collection charges were proposed, and there is a growing desire for articles on efficiency methods in banks—a subject upon which almost nothing has been written. The recent ruling which permits Federal Reserve banks to exercise fiduciary functions has resulted in a marked increase in the use of the Library's collection on trust company practice, and recent requests seem to indicate a revival of the branch banking controversy, upon which the Library is well equipped with material.

Proposed guaranty of deposits legislation in several States kept the Library's files on that subject exhausted for weeks during the past winter, and its ample collection on Agricultural Credit has, for the first time, proven almost inadequate to the demands from States where plans for agricultural financing are being considered. In connection with agricultural loans, Association members seem to find the Library's articles on the Torrens system of land registration of increasing interest.

From their requests for books on the principles of bank, mercantile and personal credit, and on credit statements and methods, it is evident that bank officers who have formerly made loans on the basis of knowledge of local conditions are studying credit and creditors from a broader viewpoint in relation to National conditions and Federal Reserve discount provisions. Material on international money markets that will be useful to the average American banker is somewhat difficult to secure, but the Library is anticipating requests for such books and articles by collecting what is now available.

Changes in the reserve provisions of the Federal Reserve System seem to have revived interest in that subject, while the numerous articles in financial papers contrasting the new system with former practise have evidently caused the present unusual demand for the history of American banking, and for general books on money and banking which have never before been off the Library's shelves except for reference.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

Announcements and Resolutions of the Federal Reserve Board

CLEARING HOUSE FUNCTIONS OF FEDERAL RESERVE BANKS.

March 4, 1915.

It was announced to-day at the offices of the Federal Reserve Board that the Board had determined to direct the introduction of a voluntary reciprocal plan of immediate clearance at all those Federal Reserve Banks where a clearing plan is not already in operation, the same to take effect with as little delay as possible. Letters are being sent to all Federal Reserve agents and the latter are directed to take the matter up at once with their boards of directors.

The Federal Reserve Board does not prescribe details inasmuch as it has found in those districts where general clearing is already being practised that the best results were obtained by leaving the control of such details in the hands of the local authorities. It, however, states that it will approve as a beginning a reciprocal arrangement whereby banks assenting to the plan will be given the privileges of immediate clearance at par upon all other banks similarly assenting.

It is the belief of the Board that within a short time a general clearing arrangement will be in operation in all districts and that this will be gradually extended so as to embrace the bulk of the banks in the system.

The plan does not provide for the settlement of the balances between Federal Reserve Banks or for the inter-district clearing of checks. It is an intra-district clearing plan pure and simple, the inter-district phases of the problem being reserved for future treatment.

INTER-FEDERAL RESERVE BANK REDISCOUNT RATES FIXED.

March 10, 1915.

In view of the possibility of an early demand for rediscounts between Federal Reserve Banks, the Federal Reserve Board to-day fixed a rate of rediscount for the present between Federal Reserve Banks of three and one-half per cent. for paper up to thirty days, and four per cent. for paper of maturities over thirty days and up to ninety days. All applications for rediscounts are to be filed with the Federal Reserve Board, the Board reserving the right to apportion the applications for rediscount among other Federal Reserve Banks.

NATIONAL BANKS AS TRUSTEE, EXECUTOR, ADMINISTRATOR, OR REGISTRAR OF STOCKS AND BONDS, AND STATE BANKS AS MEMBER BANKS.

March 22, 1915.

The Federal Reserve Board has adopted the following resolution, which has been transmitted to all Federal Reserve agents:

Whereas, The framers of the Federal Reserve Act had in contemplation the establishment of a co-ordinated system of banking in the United States under effective Governmental supervision, and

Whereas, It is the opinion of the Federal Reserve Board that the interests of the Government, the banks and the public will be best served, and the success of the system best assured by a membership which will include as many as possible of the banks made eligible under the terms of the Act, and

Whereas, In order to equalize the powers of the State and National banks as members of the system, the provisions of the Act extend to State banks and trust companies the privilege of membership, when not in contravention of State laws, and empower the Federal Reserve Board to extend the powers of National banks by granting such banks permission to act as trustee, executor, administrator, and registrar of stocks and bonds, when not in contravention of State laws, and

Whereas, It appears from an examination and analysis of the laws of the several States that banks created and organized under the laws of certain States cannot become members, and the right to exercise the powers of trustee, executor, administrator, etc., cannot be extended to National banks in certain States by reason of the laws of such States;

Now, therefore, be it resolved, That the Federal Reserve Board is in entire sympathy and accord with the efforts of those who are advocating legislation designed to remove such restrictions and to make possible the perfection of a system of banking which will uniformly serve the interests of the public in all the Federal Reserve districts.

DESIGNATION AS A RESERVE CITY—CONDITIONS PRECEDENT.

March 22, 1915.

The Board has adopted the following requirements as necessary before consideration will hereafter be given to the designation of any city as a reserve city:

A population of at least 50,000; combined capital and surplus of National Banks in the applying city of not less than \$3,000,000, with deposits of not less than \$10,000,000; indorsement of the application by at least fifty (50) National banks located outside of the applying city who will state that they are carrying or intend to carry upon such designation accounts with a National bank in the applying city. Applications will be referred for report and recommendation to the Federal Reserve Bank of the district in which the applying city is located, whose chairman shall certify the names of the National banks indorsing the application.

**RECENT RULINGS OF INTERNAL
REVENUE DEPARTMENT
UNDER THE EMERGENCY
REVENUE ACT.**

**INSTRUCTIONS REGARDING TAX ON PROMIS-
SORY NOTES.**

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., March 4, 1915.

To Collectors of Internal Revenue and Others Concerned:

The following rulings have recently been made by this office with reference to the provisions in the Act of October 22, 1914, imposing a tax on "promissory notes, except bank notes issued for circulation, and for each renewal of same, for a sum not exceeding \$100, two cents; and for each additional \$100 or fractional part thereof in excess of \$100, two cents":

(1) In view of the decision made by the Supreme Court of the United States in the case of the United States v. Isham, 17 Wall. 496, that "the liability of an instrument to a stamp duty, as well as the amount of such duty, is determined by the form and face of the instrument, and cannot be affected by proof of facts outside of the instrument itself," this office is of the opinion that drafts, acceptances, overdrafts and post-dated checks are not taxable under the above act as promissory notes, even though they are used in such a way as to perform some of the functions of a promissory note.

(2) A contract or agreement extending either a chattel or real estate mortgage is not taxable, but if such extension effects the renewal of promissory notes, either embodied in the mortgage or given in connection with the mortgage, the renewal of such notes is taxable under the above Act.

(3) This office has received several inquiries regarding the taxability of contracts for the purchase of pianos, machinery and other merchandise, in which, among other conditions and provisions, there is included an agreement to pay the vendor a stipulated sum of money at a certain time, with interest, for value received. If, in such contracts, this agreement is in form and effect a good and valid promissory note, upon which the maker would be liable in a suit at law, such promissory note is taxable under the above Act.

If, however, the contract merely provides for the payment of the purchase price in installments and enumerates the dates upon which such payments are due, stating, as many of the contracts do, that in default of payment the vendor may take the property, such agreement is not a promissory note.

(4) A promissory note drawn in a foreign country and placed in the mails in that country for delivery to a person residing in the United States is not taxable under the above Act. Delivery of commercial paper is necessary for its completion and by the weight of authority such an instrument is delivered when placed in the mails. The laws of the foreign country, therefore, would determine the validity of the contract, even if the instrument is made payable in the United States.

On the other hand, a promissory note drawn in the United States and placed in the mails for delivery to a person residing in a foreign country is taxable for the reason above stated.

(5) A receipt given by a loan company for property received as security for a debt is not a promissory note; but if in the receipt there is included a promise to pay a certain sum of money at a specified time, with interest, for value received such a provision, in the opinion of this office, is a valid promissory note, upon which the maker would be liable in a suit at law, and is taxable.

DAVID A. GATES,
Acting Commissioner of Internal Revenue.

**LEGISLATION IN THE SIXTY-
THIRD CONGRESS AFFECTING
BANKS.**

During the sessions of the Sixty-third Congress four principal measures became law in which this Association was vitally interested.

The Income Tax Act, approved October 3, 1913.

The Federal Reserve Act, approved December 23, 1913.

The Clayton (Interlocking Directorate) Act, approved October 15, 1914.

The Emergency Revenue Act, approved October 23, 1914.

During the progress of the Income Tax bill through Congress this Association, acting through its Committee on Federal Legislation and its General Counsel, secured some important modifications, but did not succeed in the larger effort to eliminate entirely the provisions as to withholding at source, nor to restrict such provisions to the mere giving of information at source. Shortly after the passage of the Act the policy was determined upon of urging its amendment so as to do away with the collection-at-source feature entirely, or, if that could not be attained, then to seek its amendment by providing for information at source, eliminating deduction and collection and also simplifying the provisions of the law. A number of bills were introduced in the Sixty-third Congress along these lines, but it was found impossible to procure any attention to these measures. Our Committee on Federal Legislation propose to conduct an active campaign to procure amendment of the Act by the Sixty-fourth Congress, and part of its activity will be devoted to the accumulation of detailed evidence which will show the great expense to which banks are put in carrying out the collection at source provisions of the law, and that such provisions are not necessary so far as the Government is concerned.

Since the passage of the Federal Reserve Act on December 23, 1913, three amendments have been adopted:

The Act of August 4, 1914, which amended Section 27 to make more generally available the temporary provisions of the Federal Reserve Act relating to national bank circulation.

The Act of August 15, 1914, amending Section 19 sub-sections b and c of the Federal Reserve Act relating to reserves.

The Act of March 3, 1915, amending the Federal Reserve Act relative to acceptances by authorizing the Federal Reserve Board in its discretion to increase the amount of acceptances based on the importation and exportation of goods which a member bank may discount and a Federal Reserve Bank rediscount.

The Currency Commission ably represented the As-

sociation before the Committees of Congress while the Federal Reserve Act was in process of formation.

The Clayton Anti-Trust bill, so far as it related to Interlocking Directorates of banks, was consistently opposed by our Committee on Federal Legislation and General Counsel acting in its behalf, during its progress through the House. A number of modifications were secured in the House, while in the Senate still greater success was attained, for the interlocking directorate provisions were entirely eliminated. They were restored to the bill, however, by the conferees of the two Houses and thus finally became law. These provisions do not take effect until two years from the passage of the Act, and it is the intention of the Committee on Federal Legislation to urge the amendment of the Act by the Sixty-fourth Congress by the elimination of these unjust provisions.

The Emergency Revenue Act is, of course, but a temporary affair. During its progress through Congress our Committee on Federal Legislation succeeded in having reduced the proposed tax on bank capital from \$2 to \$1 for each \$1,000.

The Income Tax Act, the Federal Reserve Act and the Emergency Revenue Act have given rise to many questions involving the interpretation of different provisions which General Counsel has been called upon by numerous members to attempt to solve.

In addition to the four principal measures above set out which passed the Sixty-third Congress, our Committee on Federal Legislation has kept track of numerous other measures relating to banks. In all over 500 bills were introduced in House and Senate during the Sixty-third Congress affecting the banking interests. These have all required examination. A great majority have proceeded no further than reference to a particular committee, but the progress of a number of measures has been carefully followed in the interests of the Association.

STATE LEGISLATION AFFECTING BANKS RECOMMENDED BY ASSOCIATION.

In the forty-one State Legislatures which have held sessions during the present year a large number of bills have been passed affecting in various ways the banking interests, and from the present outlook the year will be a most successful one with respect to the enactment of measures favored by the American Bankers Association. Many of the State Legislatures are yet in session and only partial reports of legislation attempted or accomplished have as yet come in, but much information of a gratifying nature has already been received.

The Association bill to punish the making of false statements to obtain credit has been passed this year in three additional States, New Hampshire, West Virginia and Wyoming. The underlying purpose of this bill, to adequately punish those who obtain bank and mercantile credit by means of false representations, is well known to all and need not be dwelt upon.

Two additional States have passed our measure to punish those who make derogatory statements affecting banking institutions, namely, Kansas and North Carolina. The extension of the field of this enactment which

affords banks protection against malicious slanderers is most gratifying.

Three States also, Idaho, Kansas and North Dakota, have this year passed the bill to punish the issuing of checks or drafts without sufficient funds to meet them. Legislation of this character has now been enacted in a considerable number of the States and should have a potent effect in minimizing the perpetration of this form of fraud.

In Idaho the Association bills covering the payment of deposits in two names and in trust have been incorporated in the State Banking Law, and in Kansas the Legislature has passed our bill relative to the competency of bank notaries.

The bill newly drafted last year by General Counsel to protect a bank from excessive damages where it refuses payment of a check through error has been passed this year in Idaho and Montana. It provides that "no bank shall be liable to a depositor because of the non-payment, through mistake or error and without malice, of a check which should have been paid, unless the depositor shall allege and prove actual damage by reason of such non-payment, and in such event the liability shall not exceed the amount of damage so proved."

The Uniform Bills of Lading Act has been passed this year in the additional States of Idaho and Washington. This is a very important measure, as it improves the legal value of a security upon which banks make advances to the extent of hundreds of millions of dollars each year, and those who favor its enactment meet with opposition from adverse interests. In Missouri a strong effort was made to pass this bill during the present year, but it was defeated in the Senate. The companion to this bill adapted for Federal enactment, known as the Pomerene bill, unanimously passed the Senate in the Sixty-second and again in the Sixty-third Congress, but on both occasions failed in the House.

The Uniform Warehouse Receipts Act recommended by this Association has also been passed by the Legislature of Idaho and signed by the Governor. The Legislature of Idaho, in addition to passing the Uniform Bills of Lading Act and the Uniform Warehouse Receipts Act, which bills have been signed by the Governor, also passed the Uniform Stock Transfer Act, but this latter measure was vetoed by the Governor.

The above, of course, is only a partial and preliminary summary of State legislation recommended by this Association which has been enacted during the present year. The results thus far are most gratifying and there is a prospect that the record of enacted legislation will be further augmented when those Legislatures yet in session finally adjourn.

RECENT STATE LEGISLATION ON TRUST POWERS.

The States of Indiana, South Dakota and Washington have passed laws during the present year under which it would be lawful for National banks to exercise fiduciary powers in the State. North Carolina, on the other hand, has enacted contrary legislation.

In Indiana the Legislature has enacted the following:

A Bill for an act granting fiduciary powers to duly organized banks.

Section 1. BE IT ENACTED BY THE GEN-

ERAL ASSEMBLY OF THE STATE OF INDIANA. That every person, firm or corporation transacting a banking business subject to the provisions of an act entitled, "An act to regulate and supervise the business of banking by individuals, partnerships or unincorporated persons," approved March 8, 1907; and every corporation transacting a banking business as prescribed in, "An act to authorize and regulate the incorporation of Banks of Discount and Deposit in the State of Indiana," approved February 7, 1873, and all acts amendatory or supplemental thereto, and every National bank coming within the United States Federal Reserve Act shall be empowered by this act to accept and execute trusts of any and every description which may be committed or transferred to them, under the same rules and regulations as now govern like powers in loan and trust companies. In case of any person, firm or corporation transacting a banking business and accepting any trust under the provisions of this act, the president or cashier of such bank is authorized to receive and execute the same in the name of the bank.

In South Dakota a bill was passed permitting both National and State banks to act as trustee, executor, administrator or registrar of stocks and bonds under such rules and regulations as the Federal Reserve Board may prescribe.

In Washington the trust law of the State was amended so as to enable National banks to do a trust business under the permission and regulation of the new Federal Reserve Act.

The following is a bill to the contrary effect recently passed by the Legislature of North Carolina:

A Bill to be entitled "An Act to Prohibit Foreign Corporations from Doing a Fiduciary Business in this State and Limiting the Use of the Word Trust."

The General Assembly of North Carolina do enact:

Section 1. No corporation organized under the laws of any State other than North Carolina or organized under the laws of any foreign country shall be eligible or entitled to qualify in this State as executor, administrator, guardian or trustee under the will of any person domiciled in this State at the time of his death.

Section 2. That no corporation shall be hereafter chartered under the laws of North Carolina with the word "trust" as a part of its name, except corporations reporting to and under the supervision of the Corporation Commission; nor shall any corporate name be so amended as to include the word "trust" unless the corporation be under such supervision.

Section 3. No person, firm, association or corporation domiciled within the State of North Carolina, except only corporations reporting to and under the supervision of the Corporation Commission of this State shall therein advertise and put forth any sign as a trust company or in any way solicit or receive deposits or transact business as a trust company, or use the word "trust" as part of his or its name or title: Provided, that this act shall not be held to prevent any individual as such, from acting in any trust capacity as heretofore. Any violation of any provision of this section shall constitute a misdemeanor and on conviction thereof the offender shall be fined in a sum not exceeding \$500 for each offense.

Section 4. All laws and clauses of laws in conflict with this act are hereby repealed.

Section 5. That this act shall be in force from and after its ratification.

Last year the Legislature of New York enacted a provision, as part of the new Banking Law, restricting trust powers to State institutions, while the State of Virginia passed an act enabling National Banks to exercise trust functions.

LEGISLATION ENABLING STATE BANKS TO JOIN FEDERAL RESERVE SYSTEM.

The Legislatures in a number of States have passed laws during the present year empowering State institutions to become stockholders in the Federal Reserve Banks. Information has been received of the passage of such laws in the States of Delaware, Idaho, Kansas, Montana, North Dakota, South Dakota and Washington.

TERMINAL WAREHOUSE BILL IN WASHINGTON.

Among the important laws enacted this year by the Legislature of the State of Washington is what is known as the Terminal Warehouse bill, copied largely from the Illinois statute. Concerning this bill Mr. J. H. Edwards, Chairman of the Legislative Committee of the Washington Bankers' Association, advises: "This bill supplements the Uniform Warehouse Receipts bill and will tend to the establishment of Sound ports which are designated as terminal points to become important clearing centers for shipments of grain to all sections of the world. By establishing a scientific and up-to-date method of registering grain receipts in and out of warehouses the financing of that class of paper is simplified and made available under the new Federal Reserve Act. The ultimate result should be the bringing to Puget Sound ports of large quantities of grain, not only from the immediate Northwestern States, but extending into Montana, North and South Dakota. With the opening of the Panama Canal, thus lowering cargo rates to European points, this is made possible. Such movement of grain will naturally tend to bring business of all kinds this way which at present is going to the larger cities of the Central States."

NEW GENERAL BANKING LAWS.

The legislatures of the States of Missouri and Montana have enacted new and improved general banking acts governing the operations of banks in those States respectively. The bill passed in Missouri was recommended by a Commission for Revision of the Banking Laws representing the Missouri Bankers Association, of which Mr. Breckinridge Jones, of St. Louis, is Chairman. During its progress through the Legislature it was subjected to a number of amendments introduced by legislators which were deemed objectionable, but the bill as finally passed is in quite satisfactory form.

In Montana the bankers have for a number of years been greatly interested in bringing about a revision of the State Banking Laws. The Legislative Committee of the Association labored for a long time in creating a satisfactory bill and the bank act as passed is substantially in the same form as introduced.

GUARANTY OF BANK DEPOSITS.

Bills for the guaranty of bank deposits were introduced this year in a number of the State Legislatures. Advices thus far received show that in Arizona and North Dakota bills of this character failed to pass, but in South Dakota the Legislature has enacted a revision

of the Banking Law and added provisions for the guaranty of bank deposits. The bill provides for a Depositors' Guaranty Fund Commission and for the maintenance of a guaranty fund by assessment upon the banks of one-quarter of one per cent. on the average daily deposits yearly until the total reaches one and one-half per cent. The assessments then cease until the fund is depleted below one per cent., when the necessary assessments may again be levied at one-quarter of one per cent. per annum until the fund again reaches one and one-half per cent. of the average daily deposits.

AMENDMENT OF NEGOTIABLE INSTRUMENTS ACT.

The Legislature of Kansas at the instance of the Kansas Bankers Association has amended the Negotiable Instruments Act by repealing the section which provides that where the instrument is payable at a bank it is

equivalent to an order to the bank to pay the same for the account of the principal debtor thereon. Under this provision it has been the duty of a bank to pay a depositor's note when presented at maturity and charge it up to his account equally as it would pay his check. Such was the judicial rule of New York and other Eastern States before the passage of the Negotiable Instruments Act, but under the custom and law prevailing in some other parts of the country, when a customer made his note payable at the bank he did not expect it to be paid and the bank had no right to pay it without express instructions from him so to do. The insertion of the New York rule by the Commissioners on Uniform State Laws as a part of the Negotiable Instruments Act was designed to clear up the conflict and make the rule uniform throughout the country. But such rule has found disfavor in some of the Western States. In several of these the Legislature, when passing the law, omitted this particular section, and the Legislature of Kansas has now amended the law by repealing the section.

OPINIONS OF THE GENERAL COUNSEL

VALIDITY OF ATTORNEY'S FEE CLAUSE.

DOES NEGOTIABLE INSTRUMENTS ACT MAKE VALID STIPULATIONS FOR ATTORNEY'S FEES IN PROMISSORY NOTES IN STATES WHERE SUCH STIPULATIONS BEFORE THAT ACT WERE HELD VOID AND UNENFORCEABLE—CONFLICTING DECISIONS UNDER ACT CITED.

From Arkansas.—Please advise whether under the Negotiable Instruments Act a clause in a promissory note providing that in case of non-payment at maturity, a reasonable attorney's fee will be paid, can be enforced.

There has been a wide conflict among the courts in the different States as to the effect of a provision for payment of an attorney's fee in a promissory note. The cases may be divided into four classes, those which (1) sustain both the validity of the provision and the negotiability of the instrument; (2) hold that the provision is valid and enforceable but that it destroys negotiability; (3) hold that negotiability is not affected but the provision is void and unenforceable, and (4) hold that the provision for an additional amount as attorney fee above the highest rate of interest allowable renders the transaction usurious.

The almost universal enactment of the Negotiable Instruments Act which provides that the negotiability of an instrument shall not be affected, although the instrument is to be paid "with costs of collection or an attorney's fee in case payment shall not be made at maturity" takes out of the conflict those cases which hold that the provision, though valid and enforceable, destroys negotiability, but it leaves uncertain the question whether the Act, by recognizing and legislating upon the attorney fee provision to the extent of declaring negotiability unaffected, would be construed to validate it in those States which hold the provision void and unenforceable.

Recent decisions have been made upon this proposition as follows:

In *Miller v. Kyle*, 93 N. E. 372, the Supreme Court of Ohio held (December, 1911) that "it is the settled law of this State that stipulations incorporated in promissory notes for the payment of attorney fees if the principal and interest be not paid at maturity, are contrary to public policy and void," and that the Negotiable Instruments Act does not give validity to such stipulations, but provides only that they shall not destroy the negotiable character of instruments in which they are incorporated.

Also in *West Virginia* the Supreme Court of Appeals in *Raleigh County Bank v. Potee*, 82 S.E. 332 (decided June, 1914), has held that a stipulation in a negotiable promissory note for payment of attorney's fees is forbidden in that State by the policy of the law and is void and unenforceable; and that the Negotiable Instruments Act does not legalize contracts expressly condemned and declared void by a statute of this State nor those forbidden by the policy of its laws. Two Justices dissented.

To the contrary, the Supreme Court of Appeals of Virginia, in *Oglesby Co. v. Bank of New York*, 77 S.E. 468 (decided March, 1913), used this language: "The contrary view (that the attorney's fee clause is not contrary to the public policy of the State) is also accentuated by the circumstance that the General Assembly has adopted the Negotiable Instruments Law in force in New York and, generally, throughout the United States."

Again, in *Florence Oil Refining Co. v. Hiawatha Oil, Gas & Refining Co.*, 135 Pac. (Colo.) 454, the Supreme Court of Colorado has held that a stipulation in a note for the payment of attorney's fees is not against public policy or void, especially in view of the provision of the Negotiable Instruments Act which makes negotiable an instrument, although it is to be paid with costs of collection or an attorney's fee in case payment shall not be paid at maturity which provision, it is held, impliedly recognizes such stipulations as valid.

In Nebraska and North Carolina and South Dakota, however, the Negotiable Instruments Act itself contains express provisions to the effect that nothing in the Act shall be construed to authorize the enforcement of a stipulation for attorney's fee contained in a negotiable instrument, thus expressly providing against a construction of the Act which would validate stipulations of this character.

Such is the situation of the law at the present time. In Arkansas the courts have held that a stipulation for attorney's fees does not affect the negotiability of the note but that the stipulation itself is void and unenforceable. *Boozar v. Anderson*, 42 Ark. 167. The Negotiable Instruments Act was passed in Arkansas in 1913, but whether that Act will or will not validate such stipulations has not yet been passed upon by the courts of your State and, as shown above, the decisions elsewhere conflict.

ATTORNEY'S FEE NOTE.

IN SOUTH DAKOTA PROVISION FOR ATTORNEY'S FEE IS VOID AND UNENFORCEABLE BUT DOES NOT AFFECT NEGOTIABILITY OF NOTE.

From South Dakota.—Kindly advise whether a clause in a promissory note in this State that the maker agrees to pay all costs of collection, including reasonable attorney's fees if not paid at maturity, is valid and enforceable.

In South Dakota the courts have held that the negotiability of an instrument is not affected by a provision for attorney's fee, but that the provision is void and unenforceable. *Baird v. Vines*, 18 S.D. 52; *Chandler v. Kennedy*, 8 S.D. 56. Furthermore, the Legislature of your State which passed the Negotiable Instruments Act in 1913 struck out the provision of the Uniform Act which makes the instrument negotiable although it is to be paid "with costs of collection or an attorney's fee in case payment shall not be made at maturity." and inserted in lieu thereof: "Provided, that nothing herein contained shall be construed to authorize any court to include in any judgment on an instrument made in this State any sum for attorney's fees, or other costs not now taxable by law."

Under the law of South Dakota, therefore, an attorney's fee provision is void and unenforceable, but if contained in a note it will not affect its negotiability.

DEDUCTION OF BANK TAXES FROM GROSS INCOME.

WHERE TAXES ARE ASSESSED AGAINST BANK STOCKHOLDERS AS UPON THEIR PROPERTY, THOUGH PAID BY THE BANK, THE FEDERAL COURTS HOLD THE BANK CANNOT DEDUCT THE TAXES SO PAID FROM ITS GROSS INCOME, SUCH TAXES NOT BEING ASSESSED AGAINST THE CORPORATION OR ITS PROPERTY.

From Tennessee.—This bank was approached to-day by a revenue agent of the United States Government, who quoted to us a ruling of his department to the effect that taxes paid by this bank to the State of Tennessee, the County of Hamilton, and

the city of Chattanooga, could not lawfully be deducted as expenses from our gross income in making our return under the United States Income Tax Law. This company is organized under the laws of the State of Tennessee. Those laws require the payment of the taxes which we have paid to the State, the county and the city aforesaid by the corporation itself, and under the laws of the State of Tennessee they are assessable against the corporation itself. The position of the Department seems to be that while these taxes are assessed against the corporation and collected from the corporation, they are in reality the taxes of the individual stockholders and, therefore, cannot be deducted as part of the company's expenses in doing business.

In the JOURNAL for March, under the title "Deduction of Bank Taxes from Gross Income" (page 683), I cited decisions of the Federal courts in three cases to the effect that the provision of the Income Tax Law, which allows a corporation to deduct from gross income "all sums paid by it within the year for taxes imposed," etc., does not permit deduction of taxes paid by a bank which are assessed against the shareholders, for the reason that the tax is not imposed upon the bank or its property, but against the individual shareholders and their property.

It would follow from this that where taxes are assessed against the bank as upon its property, they would be deductible. But upon examining the Tax Law of Tennessee it does not bear our your interpretation that the taxes are assessed against the corporation itself. Chapter 602 of the Laws of 1907 provides "that the shares of stock of stockholders of any bank or banking association * * * shall be assessed and taxed for State, county and municipal purposes as the personal property of the stockholders," etc.; that "assessment of shares of stock under this section" shall be made at the place where the corporation is located and the president or business manager is "required to fill out and furnish under oath to the assessor an assessment schedule in writing." The tax is made a prior lien on the stock until payment of the same and "it shall be the duty of such corporation to pay the tax due upon such stock, regardless of any dividend or earnings belonging to such stockholder, a prior lien being hereby declared on all such stock" and "the said corporation being hereby subrogated to such prior lien for the purpose of enforcing repayment of any taxes that may be so paid for the account of any such stockholder."

It would appear, therefore, that the tax statutes in Tennessee are similar to those in other States where the taxes are assessed to the stockholders as their property, though paid by the bank, which has a prior lien for reimbursement, and that the reasoning and rulings of the Federal courts in cases in other States would equally apply to the situation in Tennessee. The position of the Treasury Department, therefore, that such taxes paid by the bank cannot be deducted would probably be sustained by the courts.

The most recent decision upon this subject is *Eliot National Bank v. Gill*, 218 Fed. 600, being a decision by the United States Circuit Court of Appeals, First Circuit, affirming the decision of the District Court in 210 Fed. 933, which was referred to in the March JOURNAL. This decision is rendered under the Massachusetts Tax statutes which have similar features to those of Tennessee. I quote the following from the language of the court:

"The Corporation Tax Law permits the deduction from gross income of certain payments of other kinds made within the year by the corporation. All these, however, as they are described in that statute, are payments by the corporation in diminution of its corporate income as such, being payments to discharge liabilities incurred solely on its own account, and not to discharge liabilities for which others would be ultimately responsible. But the payment which the laws of Massachusetts require a bank to make as above is of taxes plainly not assessed upon it or its property; and besides giving it a lien for the amount paid upon the shares in respect of which the taxes are assessed, the provisions of the Massachusetts laws are such as result in making the respective shareholders liable to the bank for the amount of taxes paid in respect of their shares. We agree with the District Court that such payments made by the bank in compliance with the laws of Massachusetts would have been recoverable from the respective shareholders, because made for their benefit, upon the contract necessarily implied from the circumstances of the payments. The above lien and right of recovery distinguish such payments in their nature from the other payments which the Corporation Tax Law allows to be deducted in ascertaining taxable net income. They also, in connection with the provisions in the State laws for assessment to the shareholders, for credit to the municipalities whereof they are residents, and for settlement of any questions of exemption with the respective municipalities, make it impossible to say that the tax is one imposed upon the bank. Though payment of such taxes is a duty imposed upon the bank, it cannot be said that the taxes are imposed either upon it or its property. The taxes are imposed upon the shareholders and their property, and the payment is by the bank only as their representative."

THREE YEARS TIME LIMIT FOR CORRECTION OF ERRONEOUS CORPORATION RETURN.

UNDER BOTH CORPORATION AND INCOME TAX LAWS, WHERE ERRONEOUS RETURN IS MADE, DISCOVERY OF ERROR MUST BE MADE BY COMMISSIONER WITHIN THREE YEARS FROM TIME RETURN IS DUE.

From Tennessee.—The Department of Internal Revenue has its Inspector throughout this section making examination of the books of banks and other corporations to ascertain if reports of income have been correctly made out for the years 1909 up to and including 1913. After said examination had been made, some of the banks were requested by the Inspector to sign the following:

"We hereby waive the provisions of the Statute of Limitations in regard to the time within which assessments may be made by the Commissioner of Internal Revenue, and agree that an assessment may be made against this corporation by the said Commissioner of Internal Revenue of additional taxes found to be due by it, under the Excise Tax Law, for the years 1909, '10, '11, as developed by an investigation of our books.

"This—day of—1915."

Will you please advise us whether there is a limitation on the collection of these taxes. We think from the reading of Article No. 177 of the regulations of the Income Tax there is a limitation,

but as to limitation under the corporation or excise law in force prior to 1913 we do not know.

The Corporation Excise Tax Law of 1909 (Act of August 5, 1909, section 38) which preceded the present Income Tax Law provided in paragraph Third for the making of returns on or before March 1, 1910, and the first day of March in every year thereafter; and in paragraph Fifth for notification of assessments on or before June 1st and payment on or before June 30th.

"Except in cases of refusal or neglect to make such return, and in cases of false or fraudulent returns, in which case the Commissioner of Internal Revenue shall, upon discovery thereof, at any time within three years after said return is due, make a return upon information obtained, as above provided for, and the assessment made by the Commissioner of Internal Revenue thereon shall be paid by such corporation, joint stock company or association, or insurance company, immediately upon notification of the amount of such assessment. * * *"

In *Eliot National Bank v. Gill*, 210 Fed. 933, it appeared that the Commissioner of Internal Revenue, on or before February 27, 1913, discovered that the bank in making its returns for the years 1909, 1910 and 1911 had deducted from its gross income an amount of taxes paid by the bank which had been assessed by the City of Boston upon its shares. The Commissioner, having made or caused to be made an amended return, assessed an additional tax for each year upon the amounts so deducted, which additional taxes the bank paid under protest. The court sustained the validity of the additional assessment. In the course of the opinion it said:

"The defendant (bank) also contends that the additional assessment for the year 1909 is invalid, for the alleged reason that it was not made within three years from March 1, 1910, when the return for the year 1909 was due. This contention is without foundation. The statute does not require the additional assessment to be made within the three-year period. The limitation is upon the discovery of the error by the Commissioner within the three years, and not upon the making of the additional assessment. But, however this may be, the additional assessment in this instance was made within three years from March 1, 1910, for that date is to be excluded in computing the time fixed by the statute."

This decision has recently been affirmed by the Circuit Court of Appeals, First Circuit (218 Fed. 600, decision rendered December 21, 1914). Upon the point in question the court said:

"The Commissioner's discovery of the facts regarding these deductions was made within three years after March 1, 1910, the year wherein the first of the three returns, afterward found erroneous, namely, that for 1909, was due, and his assessment of the amount of the deductions was made March 1, 1913. In the case of 'false or fraudulent' returns, the fifth subdivision of section 38 of the Act gives the Commissioner power 'upon the discovery thereof, at any time within three years after said return is due,' to make an additional assessment. We agree with the District Court that this language does not prevent the making of the assessment after, if the discovery has been within, the three years, and that in any case March 1, 1913, was within the three years."

From the foregoing it would seem to follow that un-

less the errors in the returns for the years 1909, 1910 and 1911 were discovered by the Commissioner of Internal Revenue within three years from March 1, 1910, 1911, 1912, respectively, when such returns were due, an additional assessment would be barred. Such presumably is the reason why the inspector is requesting some of the banks to sign a waiver of the provisions of the statute of limitations.

You ask concerning the present Income Tax Law. The language of that law with respect to the three-year provision is identical with the provision above quoted from the Corporation Excise Tax Law and article 177 of the Income Tax regulations to which you refer is based on such provision of the Income Tax Law.

NATIONAL BANK CASHIER

CASHIER OF NATIONAL BANK NEED NOT BE A DIRECTOR.

From Texas.—Will you kindly advise me if the laws require that a cashier of a National bank be a director?

There is no provision in the National Bank Act which requires that a cashier, to hold such office, must be a director of the bank. The Act provides, among the corporate powers of national banking associations, one "to elect or appoint directors, and by its board of directors to appoint a president, vice-president, cashier and other officers" (R.S., Sec. 5136); that "the affairs of each association shall be managed by not less than five directors who shall be elected by the shareholders" (R.S., Sec. 5145); and that "one of the directors to be chosen by the board shall be the president of the board" (R.S., Sec. 5150); but, further than this, there is nothing in the Act relative to directorship as a requisite of eligibility of an officer and, therefore, the cashier need not but of course may be, a director.

STOLEN BEARER CHECK.

WHERE CHECK IS INDORSED IN BLANK BY PAYEE, STOLEN FROM HIM AND CASHED FOR THE THIEF BY A BANK, WITHOUT NOTICE, THE LATTER IS A HOLDER IN DUE COURSE AND CAN ENFORCE PAYMENT OF THE CHECK, WHICH HAS BEEN STOPPED, FROM DRAWER AND PAYEE.

From Oregon.—A few days ago we cashed a small check drawn on a bank in a neighboring town. The party who presented the check to us represented himself as the payee appearing on the check. We frequently cash small checks when we know the drawers' signatures, and merely ask the payees if they are the correct parties. In this case that was done and the check was indorsed, or the man who presented it pretended to indorse it. In fact, the check was indorsed when it came into his possession. We sent the check out in the regular way and it was returned marked "Payment stopped—check stolen." Upon investigation we find that the payee of the check had actually indorsed the check in blank and turned it over to a merchant in another town for goods. That night the merchant's store was broken into and the check stolen. The party who presented the check to us either stole it or received it from the man who did. As the check was indorsed in blank and was then payable to bearer, we are wondering upon whom the loss should fall. The merchant from whom the check was stolen threatens us with suit to recover the check, claiming it is his property.

The check in this case being indorsed in blank by the payee was payable to bearer and negotiable by delivery. Your bank, having purchased it from the holder in good faith, for value, acquired an enforceable title, notwithstanding the check was stolen from the true owner. Instead of being liable to return the check to the merchant from whom it was stolen, you can look to the payee as indorser, as well as to the drawer, to recover the amount, payment having been stopped. The burden of proof, however, would be on your bank that you acquired it in good faith for value and without notice.

A similar case was passed upon by the Supreme Court of Tennessee a few years ago, *Unaka National Bank v. Butler*, 113 Tenn. 574. In that case a check had been indorsed in blank by the payee and lost. It was cashed by a merchant for a stranger. The court held the merchant acquired a perfect title. It said: "A check drawn as this one is a negotiable instrument and, when indorsed in blank, is payable to bearer and passes by delivery as freely and absolutely as a bank note, and a bona fide purchaser in due course of business acquires a good title." (Citing the Negotiable Instruments Act.) The court held that the title of the merchant was not affected by the fact that the check had been lost by the payee further than that, when this was made to appear, it threw the burden on the holder to show it was received in due course of trade for value and without notice; this being shown, the title of the payee was destroyed. The court denied the contention that the merchant was not a bona fide purchaser because, while he had no actual knowledge that the check had been lost and was being fraudulently negotiated, the circumstances attending its purchase were calculated to excite suspicion. The fact of taking a check indorsed in blank by the payee from a finder, who was unknown, but was supposed to be the payee, without inquiry as to his identity or further indorsement, was held not to prove knowledge of the defective title of the finder or bad faith.

I think, therefore, your bank has an enforceable title to this check and can hold both drawer and indorser liable thereon.

RIGHTS OF PURCHASER OF CHECK.

WHERE CHECK IS PURCHASED FROM PAYEE IN GOOD FAITH AND PAYMENT IS STOPPED BECAUSE OF PAYEE'S FRAUD UPON DRAWER, PURCHASER MAY ENFORCE PAYMENT FROM DRAWER FREE FROM LATTER'S DEFENSE AGAINST PAYEE.

From Washington.—Some time ago a stranger presented to this bank a check, for payment, on a neighboring bank. After he was properly identified and the check indorsed by a local man we paid it. We sent the check to the neighboring bank for payment and they returned it with the statement that the maker had ordered payment stopped. Shortly we received a letter from the maker of the check, stating that the check had been procured by fraud and that he had received in return for it no consideration whatever. The check shows two indorsements, the payee's and the local man's who identified him. Cannot we look to the maker of the check for payment or will be compelled to look solely to the indorsers of the check?

Your bank has a right of recourse upon the drawer

of the check as well as upon the indorsers. The Negotiable Instruments Act provides: "Section 57. A holder in due course holds the instrument free from any defect of title of prior parties and free from defenses available to prior parties among themselves, and may enforce payment of the instrument for the full amount thereof against all parties liable thereon." Your bank, being a holder in due course, may, therefore, enforce payment against the drawer free from the defense of fraud and failure of consideration which he has against the payee.

STOPPED CHECK.

BANK WHICH PAYS STOPPED CHECK CANNOT CHARGE AMOUNT TO DRAWER'S ACCOUNT, BUT WHERE PAYEE INDUCES PAYMENT THROUGH FRAUD, GENERAL RULE THAT PAYMENT TO A BONAFIDE HOLDER IS A FINALITY DOES NOT APPLY, AND BANK HAS RIGHT OF RECOVERY FROM PAYEE.

From New York.—A check is drawn by one of our customers and sent to the payee, who lives some distance from the drawer. The drawer notifies the bank to stop payment on the check. The cashier of the bank pins a slip to the check and indicates that payment has been stopped thereon, and after protesting the check returns it to the bank which had it for collection. The same check is later presented to the bank for payment, but the attached slip, containing notice of protest and stop payment, has been removed, and as there is nothing about the check to inform the cashier of the bank, the check is paid upon this second presentation. Who must suffer the loss of the amount of the check? The check probably was tampered with by the payee.

Under the Negotiable Instruments Act a check does not constitute an assignment of the fund to the holder who has no right of action against the bank thereon unless or until it is certified. It is a mere order to pay which the drawer has a right to countermand and a notice by the drawer to the bank to stop payment revokes the authority of the bank to pay the check, so that if it disregards the notice the payment is its own loss. *Schneider v. Irving Bank*, 30 How. Prac. (N. Y.) 190; *Peoples Savings Bank & Trust Co. v. Lacey*, 146 Ala. 688.

In the present case the bank originally obeyed the instruction of the drawer and refused payment; but later, through fraud of the payee in removing the attached slip containing notice of protest and stop payment, the bank was misled into paying the check when presented a second time. This, of course, would not relieve the bank as against the drawer, as the original instruction not to pay holds good and the amount cannot be charged to his account. The bank would, however, I think, have a right of action against the payee to recover the money as paid under mistake caused by fraud of the payee. The rule that payment of a check is a finality and cannot be recovered from the payee would not apply in such a case. While it is held by the weight of authority that payment of a check due to mistake as to sufficiency of deposit cannot be recovered from a bona fide payee upon the ground of mistake of fact, nor where the bank pays after countermand by the drawer (*Nat. Bank of New Jersey v. Berrall*, 70 N. J. Law, 757), it is otherwise if the payee is not a bona fide holder. *Starkweather v. Emerson Mfg. Co.*, 132 Iowa, 266.

In the present case, therefore, the bank cannot charge the amount to its customer, but would have re-

course upon the payee and would not ultimately lose the amount unless the payee is financially irresponsible.

In the foregoing I have assumed that the drawer had good cause to stop payment and had a valid defense to the check in the payee's hands. If, however, the case was one where the payee was a holder for value and could have enforced payment against the drawer if refused by the bank, there is some little authority for the conclusion that the bank would succeed to the payee's rights. But I do not understand that such is the present case.

CHECK STOPPED AFTER CONSIDERATION RECEIVED.

WHERE DRAWER PURCHASES CATTLE AND GIVES HIS CHECK THEREFOR AND AFTER RECEIVING THE CATTLE, STOPS PAYMENT OF HIS CHECK, HIS LIABILITY TO CONVICTION FOR OBTAINING GOODS UPON FALSE PRETENSES, WOULD DEPEND UPON CONVINCING A JURY THAT HE GAVE THE CHECK AND RECEIVED THE CATTLE WITH FRAUDULENT INTENT TO STOP PAYMENT OF THE CHECK.

From Louisiana.—A live stock dealer, living in the State of Arkansas, comes down in Louisiana and buys five head of cows, giving his check for \$95 in full payment of said live stock. He drives these cows over into Arkansas and goes to the bank in Arkansas on which he drew the check and instructs the bank not to pay the check. This check came to our bank and was cashed in good faith and sent in through regular channel for collection, and payment being refused the same was protested. The party who gave the check had sufficient funds on deposit to offset the check at the time same reached the bank. He did not notify any one except the bank on which the check was drawn, not to cash same. Party gives as his reason for not honoring this check, that he had, previous to this, purchased a bunch of cows from the same party and failed to get one of the cows. He admits that he got the five head of cows for which the check in question was given. Now I wish to know to what extent he has violated the law and what the penalty is and what steps I should take, as he refuses to make satisfaction.

Your bank being an innocent purchaser of the check for value can enforce payment from the drawer thereon, as well as look to the prior indorser, assuming his liability has been preserved by due notice of dishonor.

As to criminal liability of the drawer, this is not a case where a man has obtained property by giving a worthless check, but one where he had funds in bank sufficient to meet his check. He may, however, have had the criminal intent when he gave the check and obtained the cattle, to order its payment stopped, so that he would be virtually obtaining property by false pretenses. I discussed a question of this kind in the *JOURNAL* for August, 1913 (page 99), where a man tendered a check to procure a bill of lading and then, after obtaining the goods, stopped payment of the check, asserting that the freight had not been prepaid. I stated my opinion that the mere fact that the drawer had sufficient funds in bank to meet the check would not absolve him from the charge of obtaining goods upon false pretenses if such was his intent and that conviction would depend upon the ability to prove that he had a fraudulent intent to stop payment at the time he gave the check.

The live stock dealer in this case might be punished criminally if you were able to prove that, at the time he gave the check for the cows, he intended to stop its payment. This would be a question of fact for a jury, and it might be difficult to convince a jury of such fraudulent intent, especially if the drawer could show that the payee of the check was indebted to him upon prior transactions; that at the time he gave the check there was no intention to stop payment; but that, in view of the fact that the payee had not delivered all the goods on a previous purchase, he subsequently determined to stop payment of his check, in order to procure an adjustment of the matter. On the other hand, a jury might find, from a view of the entire transaction, that there was a clear scheme and intent to defraud and hold the live stock dealer guilty in such a case under the Louisiana statute which punishes the obtaining of money or property under false pretenses. You might present the facts to your local prosecuting officer and obtain his opinion. There would be a further difficulty, in case of prosecution, in getting at the offender who lives in Arkansas.

CHECK STOPPED AFTER CONSIDERATION RECEIVED.

WHERE CUSTOMER, HAVING MONEY IN BANK, OBTAINS GOODS AND GIVES HIS CHECK THEREFOR, PAYMENT OF WHICH HE STOPS, LIABILITY TO PUNISHMENT FOR OBTAINING PROPERTY UNDER FALSE PRETENSES WOULD DEPEND UPON PROOF OF INTENT TO STOP PAYMENT AT TIME OF GIVING CHECK.

From Pennsylvania.—After depositing money in our bank one of our depositors notified us by letter that we are not to pay a certain check, he giving us the amount, the number and the name of the payee. When the check comes to us we protest and return account "Payment refused" or account "Payment stopped." Our depositor is a worthless fellow who does this simply to defraud the party to whom he has given the check—usually some wholesaler in Philadelphia or New York. Would it not be well for us to ask our depositor for a bond to indemnify the bank in case the payee should come back at us for not paying a check when the maker had sufficient funds to pay same? In case our depositor should refuse to give such a bond (or was unable to give it) would it not be well for us to pay the check notwithstanding the instructions he has given us?

Where payment is stopped by the drawer, the bank upon which the check is drawn is under no liability to the payee because it refuses to pay, but the latter has recourse upon the drawer alone. There would be no utility, therefore, in obtaining a bond of indemnity from the drawer to protect the bank in its refusal and it would seem the best course to take with a customer of the character described would be to close his account and deprive him of the banking facilities which enable him to pursue such practices.

Where a man is in the habit of buying goods and paying for the same by check upon his account which is good for the amount and then, after receiving the goods, stopping payment of his check for the purpose of defrauding the seller, a practice of this nature would seem to afford some ground for prosecuting the offender criminally for obtaining goods under false pretenses. The mere fact that the drawer has sufficient funds to meet his

check would not seem to absolve him from the charge of obtaining property under false pretenses if it could be shown to the satisfaction of a jury that at the time of giving the check and receiving the goods he did so with fraudulent intent to stop payment of the check. Especially would there seem a basis for successfully prosecuting the offender where the transaction was not an isolated one, but repeated more than once as part of a clever scheme to defraud wholesalers. See the JOURNAL for August, 1913 (page 99), wherein a question of this kind was discussed. I find no record of a case where a man has been convicted under such circumstances, but it would seem equally a crime to obtain goods upon a check against funds in bank which it is the intention to revoke, as to obtain goods upon a check which the drawer knows will not be paid because of insufficient funds in bank—in both cases goods are obtained under false pretenses—and the only difference is that it is more difficult to prove a criminal intent to stop payment in the first class of cases. Yet it is reasonable to suppose that a conviction could be obtained in such a case, for otherwise an easy way of obtaining goods without paying for them would be open to the dishonest trader who, by having money in bank at the time he gave his check, and afterward stopping its payment, could successfully perpetrate a fraud and bid defiance to the criminal law.

CHECKS FOR MORE THAN BALANCE PRESENTED THROUGH CLEARING HOUSE.

BANK MUST PAY SUCH OF THE CHECKS AS DEPOSIT IS SUFFICIENT TO MEET, AND MAY EXERCISE OPTION WHICH TO PAY AND WHICH TO REJECT—CHECKS PRESENTED THROUGH MORNING'S MAIL HAVE PRIORITY OVER CHECKS LATER PRESENTED THROUGH CLEARING HOUSE.

From Kentucky.—We wish to have your opinion upon the privilege and duty of a bank in determining whether it shall pay all or a part of a number of checks against the account of a depositor when the said account would show an overdraft if all the checks are paid. In other words, if a half-dozen checks are presented to the bank through the clearings, and the balance of the deposit would admit of the payment of only three of the checks, has the bank the right of choice or what would legally govern in such a case? It some times occurs that one or two checks will arrive at the bank in the morning's mail and others be presented through the exchange made later in the day. We do not recall any legal decision bearing upon this question and will appreciate having your opinion.

Where a number of checks aggregating more than the customer's balance are presented at the same time through the Clearing House, and the balance is sufficient to pay some of them, the bank must pay such of the checks as the deposit is sufficient to meet and may choose which to pay and which to reject, but it will be liable in damages if it returns all such checks unpaid. The foregoing is the substance of an opinion which I rendered on this subject, based on a review of the few cases in which questions of this kind have been considered. This opinion was published in the JOURNAL for July, 1914 (page 31).

In the case where checks of a customer are pre-

sent through the morning's mail and later in the day other checks of the same customer are presented through the exchange, I think the checks presented through the mail would have preference. As between different check-holders, the one who first presents his check for payment is entitled to preference, for checks should be paid in the order of their presentment at the bank, and the rule is "first come, first served." *Myers v. Union Nat. Bank*, 128 Ill., 478.

NEGOTIATION OF POSTDATED CHECK.

POSTDATED CHECK IS NEGOTIABLE BEFORE DAY OF ITS DATE, AND PURCHASER BEFORE MATURITY TAKES ENFORCEABLE TITLE—WHERE PAYMENT OF POSTDATED CHECK IS STOPPED, HOLDER HAS NO RECOURSE UPON DRAWEE, BUT ONLY UPON DRAWER AND PRIOR INDORSERS.

From Washington.—A regular patron of ours issued a check as payment in advance for supplies to be furnished them, and postdated the check in order that inspection might be made of the supplies prior to the date of payment. The holder then transferred this check by indorsement to another regular patron of ours, who held the check until the date which it bore, when the check was presented to us for payment, but payment was refused by us, the makers having previously stopped payment on the check. As both the parties to this transaction are regular patrons of the bank, we are desirous of making an adjustment which will avoid any legal entanglement if possible. Can you advise us as to our rights and as to the right of the maker of the check to stop payment in this manner?

A postdated check is valid and negotiable, but is not payable until the day of its date arrives. Before that time the drawer has a right to stop payment.

Concerning the validity and negotiability of a postdated check, the Negotiable Instruments Act provides:

"Section 12.—The instrument is not invalid for the reason only that it is antedated or postdated, provided this is not done for an illegal or fraudulent purpose. The person to whom an instrument so dated is delivered acquires the title thereto as of the date of delivery."

Under this Act it has been held that an indorsee of a postdated check is not put upon inquiry merely because of its negotiation prior to its date. *Albert v. Hoffman*, 117 N. Y. Supp., 1043. It has also been held in England that a postdated check is not irregular so as to charge the holder with equities. *Hitchcock v. Edwards*, 60 L. T. Rep. 636.

Concerning the proposition that a postdated check is not payable until the day of its date, the following language of the court in *Smith v. Maddox-Rucker Banking Co.*, 68 S.E. (Ga.) 1092, sufficiently illustrates the law: "A postdated check (*i. e.*, a check dated at a time in future) is not subject to payment or acceptance until the time of its date arrives. If it be presented at a time in advance of its date, the drawee, even if he has funds on hand sufficient to pay it, cannot pay it, or retain the fund to pay, as against other checks or drafts presented and payable prior to the time the check bears date. The drawer of a postdated check does not undertake to have the funds in the drawee's hands to meet it before the time at which the check bears date arrives."

It follows from the above that the drawer of the

check would be liable to the indorsee, notwithstanding stoppage of payment because of failure of consideration, assuming the indorsee is an innocent purchaser for value; but, so far as your bank is concerned, the drawer of the check had a right to stop payment and it was the duty of your bank to obey the instruction. Your bank is under no liability to the holder of the check whose sole recourse is against the drawer and the prior indorser. It may be, if the drawer of the check is convinced that the present holder is an innocent purchaser for value, and that if sued he would be compelled to pay the amount of the check to such holder, he will cancel his stop order and instruct you to pay the check and charge it up to his account. Otherwise the transaction will have to be settled outside of your bank in a controversy between the two parties. But, so far as your bank is concerned, you pursued the right course and are under no legal liability, for the drawer of the check has the right to stop its payment, and the drawee bank, whether such stoppage is rightful or wrongful, is under no liability to the holder whose sole recourse is against the drawer and prior indorser.

COMPETENCY OF NOTARY.

IN IOWA OFFICER OF A BANK NOT A STOCKHOLDER IS COMPETENT TO TAKE ACKNOWLEDGMENTS OF INSTRUMENTS WHETHER EXECUTED BY OR RUNNING TO THE BANK.

From Iowa.—Will you kindly advise us if an acknowledgment is valid if taken by an assistant cashier of a bank, but who is not a stockholder, regarding the release of real estate mortgages, or any other paper, executed by the president and cashier belonging to the bank?

In the *JOURNAL* for September, 1914, I published decisions of the Iowa courts, pointing to the conclusion that a stockholder of a bank in Iowa is incompetent as notary to take acknowledgments of instruments running to the bank, but if the notary is an officer and not a stockholder he is not disqualified. You ask concerning the competency of an officer not a stockholder to take acknowledgments of instruments running from the bank. I think he would be equally competent in this case. In a case which came up in California, *Greve v. Echo Oil Co.* (Court of Appeals, Cal., May 26, 1908, rehearing denied July 24, 1908), where a notary took the acknowledgment of a deed by a corporation of which he was stockholder, the court differentiated this case from an acknowledgment of an instrument running to the corporation and held the acknowledgment valid. It said: "We have been unable to find, after diligent search, involving the examination of many cases, a single case where it has been held that an acknowledgment by grantors taken before a grantor is void. No reason occurs to us why such an acknowledgment should be held void, and the reason assigned in the cases for holding an acknowledgment taken before a grantee void does not exist in such case." This case, it is seen, was one where a notary who is stockholder while incompetent to take acknowledgments of instruments running to the bank, was held competent to take acknowledgments of instruments executed by the bank. In the case you present, the notary is not a stockholder but a mere officer and it would seem clear, that under the law of Iowa he is not only competent to take acknowledgments

of instruments running to the bank, but equally competent to take acknowledgments of the instruments executed by the bank. Answering your specific inquiry, I should say, therefore, that an acknowledgment is valid where taken by an assistant cashier of a bank who is not a stockholder, regarding the release of real estate mortgages or any other paper executed by the president and cashier belonging to the bank.

USURY IN TENNESSEE.

TAKING EIGHT PER CENT. AFTER MATURITY OF NOTE FOR FORBEARANCE OF DEBT IS USURIOUS.

From Tennessee.—We have recently brought suit against one of our clients for the collection of a past due note. The party has filed cross-bill alleging usury and demanding a full credit for the amount paid in interest above the legal rate of this State, which, as you of course know, is 6 per cent. We find, however, the loan was originally made in January of 1908, and for which only 6 per cent. was charged. It was continued at this rate for about two years, when payment was demanded, but the customer claimed it was not convenient to settle at that time and asked indulgence, which was granted, and the rate was then raised to eight per cent. and continued at this rate until sued for. Our attorney claims that we are not liable for the usury by reason of the fact that the note at its inception was taken at the legal rate and later increased to 8 per cent. by mutual agreement rather than have the bank force the collection. He claims this is forbearance or indulgence and not usury. Will you be good enough to investigate this question fully for us and favor us with an opinion thereon?

Although the loan was originally made at the legal rate of six per cent., the subsequent indulgence to the debtor or forbearance of the debt after its maturity, for which eight per cent. was received, would, I think, undoubtedly be held usurious in Tennessee.

The Tennessee statutes in regard to usury are: "No person shall receive, by way of compensation for the use of money, more than at the rate of six dollars for the use of one hundred dollars for one year." (Shan. Code Tenn. [1896], Chap. 6, Art. 1, Sec. 6732.)

"Interest defined. Interest is the compensation which may be demanded by the lender from the borrower, or the creditor from the debtor, for the use [of] money." (Ibid. Sec. 3492.)

"Rate; usury. The amount of said compensation shall be at the rate of six dollars for the use of one hundred dollars for one year, and every excess over that rate is usury." (Ibid. Sec. 3493.)

It has been held in Tennessee that a note, though purporting to be given for labor and materials, is usurious upon its face, where it provides for six per cent. interest until its maturity and for ten per cent. interest after its maturity until paid. *Bang v. Windmill Co.*, 96 Tenn. 361, in which case the court said: "In the case at bar the instrument provides for a credit till November 1, 1893. At that date, by the terms of the instrument, the amount of the original debt and six per cent. interest became due. Any indulgence after that date is the 'forbearance of the debt,' and, inasmuch as it is provided that for this forbearance 10 per cent. must be paid, it is clearly usurious under our statute. * * * There is a class of cases holding that a stipulation for interest in excess of the legal rate, after maturity, shall be regarded as not usurious, but in the nature of a penalty to enforce

prompt payment. But this holding has been expressly disapproved in *Richardson v. Brown*, 9 Bax., 242-249, as not in harmony with our laws defining usury."

In *Richardson v. Brown*, supra, it was held that, under sections 1 and 2 of the Tennessee Act of 1869-70, whether the sum above the legal rate is contracted to be paid before, at the time the note falls due, or after it is due, it is equally a contract for a sum as interest above the rate allowed by law, and is usurious.

See, also, *Hamilton v. Fowler*, 99 Fed. 18 (1899), recognizing this construction of the Tennessee statute.

I think, therefore, the transaction submitted would be held usurious.

PRESENTMENT OF CHECK.

WHERE CHECK RECEIVED ON THURSDAY AND PRESENTED FOR PAYMENT ON SATURDAY FORENOON, FRIDAY BEING A HOLIDAY, OPINION THAT COLLECTING BANK EXERCISED SUFFICIENT DILIGENCE AND IS NOT LIABLE FOR NOT PRESENTING CHECK ON DAY IT WAS RECEIVED.

From Montana.—We are located a considerable distance from railroad and have mail service three times a week by stage. A check in the amount of \$500, drawn on _____ Bank of this place, arrived by stage Thursday afternoon, February 11th. We presented it for payment Friday morning, a legal holiday. Payment was refused by drawee bank on account of this being a legal holiday. We presented it again for payment Saturday morning and payment was refused for lack of funds. The check was protested and returned by next stage leaving Monday morning. Are we, in your opinion, liable for not presenting the check on the day it was received? It being remembered that one mail day has lapsed, namely, Friday, so that if the check had been presented on the day it was received, it would have been returned three days earlier. It has been the custom, although there is no specific agreement to this effect between the banks, to clear the morning following the day upon which the mail arrives.

The Negotiable Instrument Act requires presentment for payment of instruments payable on demand to be made within a reasonable time and, in case of checks, the courts hold that where a check comes from another place, presentment not later than the next business day following its receipt is within reasonable time to hold an indorser. Where, therefore, a collecting bank receives a check for collection, it is ordinarily sufficient diligence on its part to make presentment not later than the next business day following its receipt, as by so doing it preserves the liabilities of prior parties to the paper. But there have been a few exceptional cases where what would be due diligence on the part of the holder to charge an indorser would not be considered due diligence on the part of a collecting agent and where greater promptness of the latter is required because of his possession of special knowledge that the interests of his principal would be jeopardized if presentment was delayed to the full legal limit. For example, in *First Nat. Bank v. Fourth Nat. Bank*, 77 N. Y. 320, the court uses this language:

"Suppose an agent receives for collection from the payee a sight draft. No circumstance can make it his duty, in order to charge the drawer, to present it for payment until the next day. He has entered into no contract with the drawer, is not employed or paid by him to render him any service, and owes him no duty to pro-

tect him from loss. What is required to be done to charge the drawer is simply a compliance with the condition attached to the draft, as if written therein; and that condition is, in all cases, complied with by presentation, demand and notice, on the next day after receipt of the draft. But suppose the agent, on the day he receives the draft, obtains reliable information that the drawee must fail the next day, and that the draft will not be paid unless immediately presented; what then is the duty he owes his principal, whose interests for a compensation he has agreed with proper diligence and skill to serve in and about the collection of the draft? Clearly, all would say, to present the draft at once; and if he fails to do this, and loss ensues, he incurs responsibility to his principal; and yet the drawer would be charged if it was not presented until the next day."

See, also, *Pinkney v. Kanawha Valley Bank*, 69 S.E. 1012.

In the present case your bank received a check from another place on Thursday afternoon in time for presentment on that day, the custom, however, being to present checks for payment on the morning of the day following their receipt. But the bank knows, in this particular instance, the following day is a holiday and that unless it makes presentment on the day of receipt it cannot, in event of dishonor, send notice thereof or of protest until the following Monday, that being the day the first stage leaves the place after Friday. The question arises whether, in such a situation, it was the duty of your bank as collecting agent to have made presentment on the day of receipt? I know of no decided case involving the precise question.

I am inclined to the opinion that the facts do not present a case where extraordinary diligence is required. It is not a case where the collecting bank has information that the drawee is approaching insolvency which would call for immediate presentment to obtain payment before the crash comes, but one where the drawee remains solvent, and there is no especial reason why the collecting bank should depart from its usual custom of presentment the next business day following receipt, namely, Saturday afternoon, except for the fact that it cannot send remittance or notice of dishonor, as the case may be, until Monday. But this would be in time to hold the indorser equally as if the check had been presented on the day of receipt and notice of dishonor forwarded by Friday stage. In other words, the drawee remains solvent, and the liability of the other parties to the paper is preserved by the presentment Saturday forenoon equally as if presentment had been made on Thursday afternoon; and I am therefore inclined to think your bank is not guilty of negligence and would not be liable to a principal because the check was not presented on the day of receipt.

CHECK ON DEPOSITORY BANK.

WHERE A BANK RECEIVES ON DEPOSIT AND CREDITS TO THE DEPOSITOR A CHECK ON ITSELF, THE BANK CANNOT, ACCORDING TO A MAJORITY OF THE COURTS, CHARGE BACK THE AMOUNT TO THE DRAWER'S ACCOUNT UPON DISCOVERING THAT THE CHECK SO DEPOSITED IS AN OVERDRAFT.

From Kansas.—Will you kindly give me an opinion on the following case: A depositor pre-

sents his passbook at the window with a deposit containing a number of checks on the depository bank. The deposit is checked and the amount entered in his passbook. A little later the same day and before the ledger is posted it is found that there are not sufficient funds on deposit to cover some of the checks and they are charged back to his (the depositor's) account or presented to him for payment. The depositor holds that the entry in his passbook is final payment of all checks on the depository bank and refuses to pay same. Is this correct? Would there be any different decision if he had presented only one check and had taken the cash for same?

It is held by the greater number of courts that where a bank receives on deposit and credits to the depositor in his passbook, a check or checks on itself, the transaction is the same as though the money had been first paid to the depositor in cash and redeposited. In other words, such credit constitutes a payment of the check or checks which, in the absence of fraud on the part of the depositor, is final and cannot be revoked by the bank and charged back to the depositor's account upon subsequently learning that the checks so deposited were overdrafts. *Oddie v. National City Bank*, 45 N. Y. 735; *Consolidated National Bank v. First National Bank*, 114 N. Y. Supp. 308; *City National Bank v. Burns*, 68 Ala. 267; *American Exchange National Bank v. Gregg*, 138 Ill. 596; *Titus v. Mechanics National Bank*, 35 N. J. Law, 588. In California, to the contrary, it has been held that the check in such case is received by the bank for collection from itself and if the drawer has insufficient funds the amount may be charged back. *National Gold Bank and Trust Co. v. McDonald*, 51 Cal. 64; *Ocean Park Bank v. Rogers*, 6 Cal. App. 678. Also where the depositor knew that the drawer had no funds, he was guilty of fraud, and the bank could charge the check back to the depositor. *Peterson v. Union National Bank*, 52 Pa. 206.

Banks sometimes credit the depositor's account conditionally with checks drawn upon it by another depositor; that is to say, upon condition that if, upon examination, the drawer's account is found not good, the check shall be charged back to the depositor. The right is often reserved by notice printed in the passbook or on the deposit slips that checks upon the depository will be credited conditionally and if not found good at close of business will be charged back to the depositor, and the latter notified of the fact. But if there is no such agreement that the credit is conditional and no fraud on the part of the depositor, the majority of courts, as shown, hold that the receipt on deposit and credit in the passbook of one depositor of a check or checks of another depositor drawn on the same bank is as final and irrevocable as if the money had actually been paid over the counter in cash and redeposited, and that the depository cannot charge the amount back upon discovery that the drawer of such checks had no, or insufficient, funds on deposit to meet them. I do not find any decision in Kansas upon the point.

OFFICIAL BADGES.

There are a few of the official badges left over from the Richmond Convention which will be sent to such of our members as would like them, on request in writing to the General Secretary. Until the supply is exhausted they will be sent out in the order in which applications are received.

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FORUM OF THE INSTITUTE

TAX ON DEMAND LOANS AND LOAN AGREEMENTS.

How do banking institutions in the larger cities, conducting active operations in over-night demand loans (so-called) meet the war tax imposed on loans?

Banks in the larger cities make such "loans" under a collateral loan agreement which the broker files with the bank. This agreement gives the bank power of sale over the securities in case of need, and is subject to a tax of 25 cents, coming under the agreement class and not the promissory note class.

STOCKHOLDER'S LIABILITY.

If a stockholder purchases National bank stock at \$150 per share, par value being \$100, is he liable to the extent of \$250 per share?

The "double liability" provision of the National Bank Act is based upon the par value of the stock and has nothing to do with the market value. If the par value is \$100 per share, in case of failure, the stockholder may be assessed any amount up to but not more than \$100. Market value is based upon earnings or investment value. If the capital stock of a good bank sells at \$250, par \$100, it does not mean that the capital of the bank is \$250,000 let us say, instead of \$100,000.

ASSETS AND LIABILITIES.

Are Capital, Surplus and Undivided Profits liabilities strictly speaking?

The average trained accountant would be inclined to smile at the above question, and under ordinary circumstances it might not be thought of sufficient interest to entitle this inquiry to be published in the Forum. The idea that capital is an asset persists to such an extent, however, that it may be well to attempt to account for this attitude of mind very often found in the layman. There is no question but that part of the con-

fusion is due to the fact that when capital is paid in originally, the cash which represents the capital is an asset of the bank. That is to say, if the capital of a bank is \$100,000, all paid in in cash, and the statement reads:

Assets		Liabilities	
Cash.....	\$100,000	Capital.....	\$100,000

it seems only natural, since there is but one item of \$100,000 involved, to regard the capital which consists of cash as an asset. Another reason for regarding capital as an "asset" is that the depositor is safeguarded by capital and surplus. The bank owes this money to its stockholders, just as it owes its deposits to its depositors and its circulation to the general public who hold its notes, but in the distribution of assets to meet all liabilities the stockholder comes last. If, in case of forced liquidation, there are not enough assets to go around, the stockholder not only "gets left," but he may even be assessed an additional amount.

WILLIS AND THE INSTITUTE.

Please describe in concrete form the work of the Institute and give a general idea of its accomplishments.

The work of the Institute is described in concrete form on the inside of the back cover leaf of the JOURNAL-BULLETIN. One of the difficulties encountered in Institute extension is an idea that the Institute is a complicated organization, whereas it is extremely simple. It is merely the application of ordinary educational methods to the specific subject of banking. As to Institute accomplishments, the following quotation occurring in the course of remarks made by Dr. H. Parker Willis at the recent banquet of Washington Chapter may be accepted as authoritative:

"A little more than a year ago, shortly after the Federal Reserve Act had been enacted, the Secretary of the Treasury asked me to prepare a report with reference to the methods to be followed in putting the new

legislation into effect. I felt that it was a great responsibility, and I asked him if I might get assistance from competent and expert men. Having received that permission, I looked about for the best men in the different branches of banking that I could find. I sought first for a clearing expert, one who was familiar with the transit problem and with every phase of the clearing house question, and I found him finally in the president of New York Chapter, who was voted by all of those whom I consulted to be the best authority on that subject who could be obtained.

"Then I sought to find someone who was thoroughly familiar with bank accounting; and having secured the co-operation of one of the best firms in the United States, I found that that firm had placed the work of making accounting recommendations in the hands of one of its members, who turned out, curiously enough, to be also a member of the Institute of Banking.

"Next I looked for a foreign exchange expert. Applying to one of the largest and best known financial institutions in the City of New York, it suggested a capable and expert man for that service, one who was said to be thoroughly familiar with every detail of foreign business involving the application of financial and banking principles. In this way I went on making up a list of the different experts who were needed and endeavoring to secure their aid. When they were all assembled for the first meeting, I found that every one of them was a member of the Institute of Banking. And that result had come about without any previous knowledge on my part, but simply because it was true, as I had believed for years, that the young professional men in the banking field, the men who felt pride in their occupation and who were best skilled and best trained in its technique, were leading members of this Institute, devoting themselves to the study and development of the theoretical side of their profession.

"Later on, when the Federal Reserve Board began the work of selecting the directorates and assisting in the choice of the officers of the new banking system, it was with interest I noted that many of the best and ablest men so chosen, particularly of the younger group, were those who had been active and influential in local chapters of the Institute of Banking.

"So, gentlemen, I can say I have seen something of the work of your Institute at first hand. I have both known something of the making of the men that go into it, and of their early training, and been associated with them in this labor of putting into effect the new financial statute which has been so fully discussed this evening.

"But it is not merely from the standpoint of personal knowledge and relationship that I like to think of the American Institute of Banking. It has an importance and a significance very much beyond the fact that it includes a lot of royal good fellows, or that it counts within its membership many of the ablest and best of the younger technicians of the profession. There have been within the past few years three educational movements that are, I think, of fundamental importance to the business men of the United States. One is the introduction of practical technical training into the universities, the second is the creation of trade schools whereby men who wish to perfect themselves in the practical occupations of life can get a knowledge of the principles by which their occupations are governed, and

the third has been the organization from a professional standpoint of several of the great branches of business existing in our country to-day. Of such branches of business, the two that have advanced most rapidly are the railway service and the personnel of the banks of the country. The American Institute of Banking, therefore, organized as it has been for about 15 years, seems to me to be part of a movement representing the most important educational tendency of the day, namely, that of bringing scientific training and scientific practice to the business men of the country, while applying broad principles and working them out in better, more thorough and more successful ways by the aid of the practical men who are engaged in carrying on, as their daily occupation in life, the business to which theorists and economists have applied the abstract principles of the science.

"Your organization, therefore, has this important educational side. But it has also the scarcely less significant function of maintaining and developing the ethics and the ideals of the profession of banking. There is in this country no branch of business or trade which has a better developed standard of ethics than banking. Whatever may be said of its failures or of its defects, there is no branch of business in which the principles that divide the honorable from the dishonorable have been more sharply and more clearly drawn than there. There have been many no doubt who have fallen away from these standards, and in numerous cases there have been gross derelictions of duty. To suppose that there were not would be to assume that the profession consisted of men who were ready to enter into the heavenly rest rather than of human beings. But this I do know, that taking the business world as it exists, we find the standard of individual and business morality as high in the banking profession, if not higher than, elsewhere. It is to the organized members of the profession, necessarily, that must be entrusted not only the conservation of these standards of ethics and of business conduct, but also the elevation of those standards to still higher levels, as well as their further interpretations and application to the fresh problems that arise from time to time as the result of unwonted conditions and of new legislation."

CHICAGO CHAPTER ENDOWMENT.

Kindly publish in the JOURNAL-BULLETIN the provisions of the arrangement under which Chicago Chapter has been endowed by local banking institutions.

The foregoing request has come from several sources. The plan of endowment is based upon an agreement between most of the banks and trust companies of Chicago, together with their successors and assigns, parties of the first part, and such other persons, firms or corporations as may from time to time desire to join herein as parties of the first part, hereinafter sometimes called the "subscribers," and James B. Forgan, George M. Reynolds, Charles G. Daves, Ernest A. Hamill, Edmund D. Hulbert and the President, from time to time, of Chicago Chapter, American Institute of Banking, together with their successors, parties of the second part, hereinafter called the "Trustees," which witnesseth:

"That whereas each and all of the subscribers are engaged in the banking business, or some branch thereof,

in the City of Chicago, Illinois, and in connection with the prosecution thereof employ a large number of people; and

"Whereas, Chicago Chapter, American Institute of Banking, is a corporation, not for profit, organized and existing under the laws of the State of Illinois, having its principal office in Chicago, in said State, and having for its object the educational advancement, especially along the lines of banking and finance, of the bank men of Chicago and vicinity in Cook County, Illinois, hereinafter sometimes referred to as the "Bank Men"; and

"Whereas, a large number of the employes of each and all of the Subscribers are members of said Chicago Chapter, American Institute of Banking, and will so continue in the future, and as a result of such membership will derive, individually and collectively, large benefits and advantages, which in a considerable degree will inure to the gain and advantage of each and all of said Subscribers; and

"Whereas, the necessary cost and expense incident to the accomplishment of the purposes and object of said Chicago Chapter, American Institute of Banking, is large and continuous, and it is the desire and purpose of each and all of the Subscribers to increase the opportunities for educational advancement afforded their employes, and each and all of said Subscribers wish to provide for the consummation of said purposes and object:

"Now, therefore, for and in consideration of the premises and of the mutual covenants and agreements hereinafter contained, and in further consideration of the payment of one dollar (\$1.00) by each of the parties of the first part to each of the parties of the second part in hand paid, and the further payment of one dollar (\$1.00) by each of said parties of the first part to each other of said parties of the first part in hand paid, the receipt of all of which considerations is hereby acknowledged, each and all of said parties of the first part mutually covenant and agree each with the other and with the Trustees, and the Trustees mutually covenant and agree with each and all of said parties of the first part, as follows, to wit:

ARTICLE I.

"Each of the Subscribers covenants and agrees to pay to the Trustees, in trust for the purposes and upon and subject to the terms and conditions hereof the amount set opposite the name of such Subscriber on the Schedule hereto attached as a part hereof, marked Exhibit A on or before the first day of March A. D. 1915, and a like sum on or before the first day of March in each and every year thereafter for a total period of ten (10) years or up to and including the first day of March A. D. 1925.

ARTICLE II.

"The Trustees shall hold the legal title to all moneys and property, real, personal and mixed, at any time received and held by them hereunder, and shall have and exercise exclusive management and control of the same; shall invest and keep invested from time to time all such moneys and property, except as herein otherwise provided, in such real estate, mortgages on real estate, stocks, bonds or other corporate securities, or in such other property, of any description whatever, as said Trustees shall, in their discretion, think fit, with full power at all times and from time to time to alter, change and vary any and all such investments, without being limited

to investments prescribed by the laws of the State of Illinois to be made by Trustees.

ARTICLE III.

"After the payment of all expenses incurred in the care and management of the trust estate hereby created the net income thereof, from time to time, shall be paid by said Trustees to Chicago Chapter, American Institute of Banking: Provided, said Chicago Chapter, American Institute of Banking shall continue in the opinion of a majority of said Trustees to promote the educational advancement of the Bank Men.

ARTICLE IV.

"If the corporate existence of said Chicago Chapter, American Institute of Banking, shall at any time terminate, from any cause, or if, in the judgment of the Trustees (and the decision of the Trustees with reference thereto shall be binding and conclusive on every and all parties), said Chicago Chapter, American Institute of Banking, shall at any time have ceased to fulfill the objects of its incorporation, then in either or any such event the Trustees shall discontinue the payment to said Chicago Chapter, American Institute of Banking, of all or any portion of the income arising from the trust estate hereby created, and it shall thereupon and thereafter be the duty of said Trustees to pay out and expend the net income from said trust estate from time to time in such manner and amounts and to such party or parties as, in the opinion of said Trustees, will best accomplish the educational advancement of the Bank Men: provided that upon the termination of the corporate existence, from any cause, of said Chicago Chapter, American Institute of Banking, or the failure of said Chicago Chapter, American Institute of Banking, to fulfill the objects of its incorporation, as aforesaid, the Trustees may upon the vote of a majority of the Trustees at any such time acting, declare the trust hereby created at an end, and it shall thereupon be the duty of said Trustees to distribute the entire trust estate hereunder, at such time existing, among the several Subscribers, proportionately, in accordance with their several subscriptions to said trust estate.

ARTICLE V.

"The Trustees, in their collective capacity, shall be designated, as far as practicable, as "Trustees of Endowment Fund Chicago Chapter, American Institute of Banking," and under that name shall, so far as practicable, conduct all matters and execute all instruments in writing, in performance of their trust.

ARTICLE VI.

"The Trustees shall not delegate any duty or trust imposed upon them hereunder involving the exercise of their discretion and judgment: subject to this limitation said Trustees shall have authority to appoint such agents and attorneys as they may from time to time deem necessary or expedient in connection with the care and management of the trust estate hereby created, and shall have power to fix the compensation of such agents or attorneys. Said Trustees shall have power and authority to accept any and all gifts of every character made with the intention of furthering the objects of the trust hereby created and shall administer the same as a part of the trust estate hereby created. Except as herein otherwise provided the concurrence of all of the Trustees shall not be necessary to the validity of any act done by them, but a majority of said Trustees shall have the

power and authority to decide all questions arising, and to do all acts and things provided for hereunder. A receipt for any moneys paid to or for said Trustees in connection with said trust estate, signed by a majority of said Trustees or by such person or persons as may be lawfully authorized by a majority of said Trustees to execute receipts shall be an absolute discharge to the person or persons paying the same, of and from any claim whatever in respect to the moneys so paid, and such person or persons shall not be required to see to the application thereof. So far as strangers to this instrument are concerned a resolution signed by a majority of the Trustees at the time acting, authorizing a particular act to be done, shall be conclusive evidence in favor of such strangers that such act is within the power of said Trustees. The Trustees shall not be personally liable for errors of judgment nor for any loss arising out of any investment nor for any act or omission to act performed or omitted by them in the execution of this trust in good faith, nor shall they be personally liable for the acts or omissions of each other or of any agent or attorney appointed by or acting for them.

ARTICLE VII.

"Any and all of the Trustees and their successors may resign at any time upon written notice to that effect given to the remaining Trustees or Trustee. In case of any vacancy or vacancies occurring in the office of Trustee at any time, caused by death, resignation, refusal or inability to act, or resulting from any other cause whatever, such vacancy or vacancies shall be filled by the unanimous appointment of the remaining Trustees

or Trustee, except in the case of the President of Chicago Chapter, American Institute of Banking, who shall always be elected in accordance with the By-Laws of said Chicago Chapter, American Institute of Banking. Upon the neglect or failure of the remaining Trustees or Trustee, for a period of thirty (30) days after the occurrence of a vacancy or vacancies, to appoint a new Trustee or Trustees, or in case of a total vacancy in the office of Trustee, any one of the Subscribers may apply to the Circuit Court of Cook County, Illinois, for the appointment of a new Trustee or Trustees, upon such notice as such court shall prescribe to be given, in such manner and upon or to such party or parties as such court shall direct or upon such notice as shall be in accordance with the rules and provisions of said court; such Trustee or Trustees so appointed by the remaining Trustees or Trustee, or by said court, shall, on his or their written acceptance of his or their appointment, thereupon become and be vested with all the powers, rights, estates and interests granted or conferred upon the original Trustees hereunder, without any further conveyance or assurance whatever.

ARTICLE VIII.

"Neither the dissolution or termination of the corporate existence, from any cause, of any one or all of the Subscribers nor the death of any one or all of the Trustees at any time, shall operate to determine the trust hereby created; nor shall the happening of either or any such event confer any rights of any character or entitle any party or parties whatever to take any action in the courts or elsewhere on account thereof."



A RURAL VIEW OF RURAL CREDIT

John H. Stetchel, in a paper read at a recent meeting of the Cuba (N. Y.) Grange, said:

"How should farmers be rated? is the question submitted by our worthy lecturer, and which the writer is asked to discuss before this Grange. Inferentially the question—and it was no doubt so intended—refers to the rating financially given by Bradstreet's and Dun to business men in the ordinary transactions of business as to their ability to pay their obligations in the everyday transactions of life. Ability to pay is made up of tangible evidence as to whereby the law may be invoked in case of failure, coupled with the reputation of individuals for honesty of purpose to meet all his obligations faithfully as they shall mature.

"If the law is invoked against his available assets it will protect him oftentimes in the case of misfortune where he is unable to comply and give him the benefit of bankruptcy law, and this to the business man is oftentimes of great advantage, for it enables him to again engage in business in good standing and furthers his chances for future success. Few men, except in mercantile business, are what we know as rated. We are advised that we have merchants in our community who refuse to be rated, maintaining that they are able to get all the credit they need without this formality. I have in mind parties of this kind, and I am sure they are rated automatically by their general reputation as A1.

"In the farming interest we are also rated by our general environments and reputation. In Holland the

young farmer who has a modern windmill, which is often a comfortable home underneath and a water supply for the house and for irrigation purposes, possesses a rating that will insure him a marriage certificate and the hand of one of the most desirable maids in his community, should he so desire. This building which is used for a home often affords quarters for one or more cows, which in Holland is the special property of his bride. She attends to and controls the output of the dairy, and such an equipment is attractive to the bride, and the rating of the financier is ample for any funds they are likely to desire.

"The surroundings of a farmer of this rank and nationality appeals to one who has money to invest as entirely safe, but in our own community, where the young farmer is often a renter, exploits the farm on shares for a year or so at a time and often each year leaves the farm with an unsavory reputation, such a man finds it difficult to obtain accommodation at his bank, and this class forms no small number of the active farmers of the State, and of this class it may be truthfully said their rating is low. As a rule they have little or no tangible assets and their reputation for veracity is not of the best. A farmer who seeks credit must have some kind of security to offer, or, at least, an acknowledged reputation for honesty. Honesty will serve him better than most any other asset he can have. It will secure him the help of his brother farmer when he needs help."

INSTITUTE CHAPTERGRAMS

SAN FRANCISCO CONVENTION.

GEORGE A. JACKSON, CHAIRMAN OF THE TRANSPORTATION COMMITTEE, TELLS OF PLANS FOR ROUTING DELEGATES—"INSTITUTE SPECIAL" TO LEAVE CHICAGO AUGUST 11TH, BEARING EASTERN AND MIDDLE-WEST DELEGATIONS, AND PICKING UP OTHER DELEGATES EN ROUTE—STOPS AT THE GRAND CANYON, LOS ANGELES AND SAN DIEGO—ROUTE OF RETURN OPTIONAL WITH EACH DELEGATE.

The route of the special train that will conduct Institute delegates to the San Francisco convention, as officially announced in the February JOURNAL-BULLETIN, will be over the Burlington Road from Chicago to Kansas City, and over the Santa Fe from Kansas City to San Francisco.

Chicago will be the centering point for a majority of the delegations east of the Mississippi River. Delegates from New England Chapters, from New York, Pennsylvania, Maryland, Washington, D. C., Ohio and Michigan, it is expected, will come to Chicago to join the main delegation. Mr. Kinsey, who is looking after the transportation in the East, reports that special cars, bearing delegates from Boston, Providence and Hartford, will leave New York August 10th, gathering up, en route, men from Philadelphia, Washington, Baltimore, Pittsburgh and other Southern and Pennsylvania Chapters, and will arrive in Chicago August 11th at 5 p.m., in time to have cars coupled onto the Convention Special. Delegates from Southern and Southeastern Chapters, Virginia, Kentucky, Tennessee, Georgia, Alabama, Mississippi and Florida, will probably divide their choice between coming to Chicago and joining the special train at Kansas City. Delegates, starting from points west of Chicago, are requested to meet the special train en route.

The train furnished by the Burlington and Santa Fe roads will be operated wholly for the comfort and pleasure of A. I. B. delegates. It will be under the personal charge of an experienced railroad representative. It will be elegantly equipped with observation, library and dining cars, standard drawing rooms and compartment, steel sleeping cars and baggage cars. At Kansas City a club car, with barber, bath, etc., will be attached. Train will leave Chicago, via the Burlington Route, from the Union Station, August 11th, at 6.10 p.m., and will carry our delegates over their entire westward course.

Dinner will be served delegates immediately after leaving Chicago. Breakfast will be eaten next morning in the beautiful New Central Station at Kansas City. After leaving that city our meals will be taken at Santa Fe "eating stations," so called. These stations, also commonly referred to as the "Harvey Restaurants," are famous among travelers as the best in the West. Full meals may be had at them for 75 cents. An a la carte service is also maintained, affording travelers food in such quantities as they wish at very reasonable prices. In arranging the schedule of the Convention Special,

stops of 45 minutes have been allowed for meals, and have been fixed to come at regular meal hours.

The distance many delegates will have to travel to attend the convention is considerable, and the expense of their journey will be correspondingly heavy, consequently it has been the committee's aim to economize expenses wherever possible, without diminishing the pleasure delegates count upon having.

It is difficult to say what the convention trip is going to cost one. The expense will, of course, vary greatly according to the distance traveled, and according to individual wants. Round-trip fares over the railroads from Chicago and numerous other middle West and Eastern points are shown in the following table:

TO SAN FRANCISCO AND RETURN.

FROM	Direct.	Via Portland.
Milwaukee	\$65.90	\$81.70
Rochester	84.54	Standard..... 102.04
Rochester	Differential... 83.96	Differential... 101.46
Providence	Via Worcester 104.60	Via Worcester 122.10
Philadelphia	Standard... 95.20	Standard... 113.70
Philadelphia	Differential... 92.95	Differential... 110.45
Columbus	74.18	91.35
Asbury Park	98.50	116.00
Birmingham	63.50	84.40
Kansas City	50.00	67.50
Duluth	69.90	75.45
Detroit	73.50	91.00
Syracuse	88.80	106.30
Boston	104.20	121.70
Baltimore	95.95	110.45
Dayton	70.90	85.40
Knoxville	72.55	91.00
Memphis	57.50	81.20
Omaha	50.00	67.50
Grand Forks, N. Dak., via Portland in both directions....		74.45
Grand Forks, N. Dak., via Missouri River in one direction and in the other direction, via Portland.....		79.07
Toledo	71.90	89.40
Utica	90.90	108.40
Scranton	92.95	110.45
Washington	92.95	110.45
Cincinnati	70.25	88.40
Nashville	63.50	85.25
Jacksonville	80.50	104.50
Minneapolis and St. Paul.....	63.85	74.45
Cleveland	Standard... 76.20	Standard..... 92.70
Cleveland	Differential... 74.50	Differential... 92.00
Albany	94.70	112.20
Wilkes Barre	92.95	110.45
Pittsburgh	Standard... 81.25	Standard.... 98.75
Pittsburgh	Differential... 79.30	Differential.. 96.80
Louisville	67.10	85.80
Chattanooga	66.95	88.40
New Orleans	57.50	83.75
Buffalo	Standard... 83.50	Standard..... 101.00
Buffalo	Differential... 81.10	Differential.. 98.60
Hartford	Via Springfield 101.14	Via Springfield 118.64
New York	Standard... 98.80	Standard.... 116.30
New York	Differential... 94.30	Differential... 111.80
Wheeling	79.00	96.50
Richmond	90.25	108.46
Atlanta	71.90	95.00
St. Louis	57.50	75.00
Eau Claire	67.43	78.01

The foregoing fares do not include sleeping car charges, meals or side trips. The following sleeping car fares will apply for the going trip, including stop-overs, from Chicago to San Francisco, on the Institute Special: Lower standard berth, \$18.50; upper standard berth, \$14.50; drawing room, \$65; compartment, \$52.

Barring mishaps and delays, our train should arrive at San Francisco August 17th at 6 p.m. The time required for the complete journey from Chicago to "The Golden Gate," as our members will make it, will require just six full days, lacking ten minutes.

The choice of a return route will be optional with

each delegate. Nevertheless delegate must indicate, at the time of buying his ticket, the route he desires to use.

Members will find it more convenient to buy their round-trip railroad tickets in their home cities, but they should be sure to specify that their tickets read by the route of the Convention Special going to San Francisco, which is as follows:

SCHEDULE OF THE INSTITUTE SPECIAL.

Aug. 11.—Lv. Chicago	6.10 P. M.	Burlington.
Aug. 12.—Ar. Kansas City	8.00 A. M.	Breakfast, Un. Sta.
Aug. 12.—Lv. Kansas City	2.00 P. M.	Santa Fe.
Aug. 12.—Ar. Newton, Kan.....	6.50 P. M.	Dinner.
Aug. 12.—Lv. Newton, Kan.....	7.35 P. M.	Breakfast.
Aug. 13.—Ar. Trinidad, Colo....	7.10 A. M.	Santa Fe.
Aug. 13.—Lv. Denver	7.45 P. M.	Santa Fe.
Aug. 13.—Lv. Colorado Springs.	10.30 P. M.	Santa Fe.
Aug. 13.—Lv. Pueblo	11.50 P. M.	Santa Fe.
Aug. 13.—Ar. Trinidad	7.40 A. M.	Santa Fe.
Aug. 13.—Lv. Trinidad	7.55 A. M.	
Aug. 13.—Ar. Las Vegas	12.30 P. M.	Luncheon.
Aug. 13.—Lv. Las Vegas	1.15 P. M.	
Aug. 13.—Ar. Albuquerque	5.30 P. M.	Dinner.
Aug. 13.—Lv. Albuquerque	6.30 P. M.	
Aug. 14.—Ar. Grand Canyon ..	8.00 A. M.	
Aug. 14.—Lv. Grand Canyon ...	7.00 P. M.	Breakfast.
Aug. 15.—Ar. Barstow	8.00 A. M.	
Aug. 15.—Lv. Barstow	8.30 A. M.	
Aug. 15.—Ar. Los Angeles	1.30 P. M.	Lunch and dinner.
Aug. 16.—Lv. Los Angeles	11.59 P. M.	
Aug. 16.—Ar. San Diego	7.00 A. M.	
Aug. 16.—Lv. San Diego	8.30 P. M.	Breakfast.
Aug. 17.—Ar. Bakersfield, Cal..	8.15 A. M.	
Aug. 17.—Lv. Bakersfield	9.00 A. M.	
Aug. 17.—Ar. Merced	12.55 P. M.	Luncheon.
Aug. 17.—Lv. Merced	1.30 P. M.	
Aug. 17.—Ar. San Francisco ...	6.05 P. M.	

ALBANY.

BY A. L. TAYLOR.

That the work of the past season has been very successful is something you will not hear any of the members of the Albany Chapter deny. Through twenty weeks of grind the study class members have kept their noses between the pages of their instruction books, and a great deal of wisdom and bank lore has been digested. The classes have showed surprising strength, and the average attendance has been around thirty-five. When consideration is given to the size of Albany Chapter this would seem to be a very good showing.

Professor Hill's last lecture was on "Bank Examinations," and a great deal of information usually unknown to the average bank clerk was brought out, to the enlightenment of all on this very interesting subject. The bank examiner is one who is known by every bank clerk, but his mode of procedure in the various departments is something near to Greek to the most of us. The forms used by the Federal Government when making a call for the condition of the bank were shown, and the changes that have taken place in the same were discussed.

April is the last month in which we hold study classes, the schedule for which is as follows: "Reserves," April 1st; "Savings Banks and Building and Loan Associations," April 1st; "Regular Meeting," April 8th; "Trust Companies," April 15th; "Investments," April 29th.

Following the April schedule will be a thorough review and then the examination. The examination this year will undoubtedly find the largest class qualifying for the completion of the first part of the course that we have ever had.

BALTIMORE.

BY THEODORE C. THOMAS.

Hats off to the Baltimore Chapter Debating Team! On Friday night, March 19th, our Chapter team met and defeated the heretofore invincible Philadelphia combination of R. U. Frey, P. B. Detwiler and W. W. Allen, Jr., which won the championship of the Institute last fall at Dallas and which recently triumphed over New York. We certainly feel proud of our team and hope that our men will have an opportunity to take part in the debate to be held in connection with the National Convention this August at San Francisco. Baltimore Chapter's team was composed of C. Leland Getz, of Townsend Scott & Son; Edward P. Smith and J. Adreon Keller, both of the Merchants-Mechanics National Bank, with Frederick DeM. Bertram, also of the Merchants-Mechanics National Bank, and Edgar L. Heaven, of the Mercantile Bank, as alternates. The subject was "Resolved, That in view of the present situation the United States should take immediate steps to materially increase its army and navy." Baltimore won with the negative side by a two to one vote of the judges.

The first issue of the "Baltimore Chapter News" came out last month, too late for recognition to be given it in our last Chaptergram. However, we welcome such a sheet in our Chapter, and congratulate the Board of Governors for having started the publication of such an interesting and finely gotten-up paper.

Things educational have been going along very smoothly during the past month. The Post Graduate Class is now having lectures by Dr. Whitney on our "Foreign Trade," and these lectures have proven highly interesting. The work of the Public Speaking Class was consummated with the annual debate, referred to above. The work of Mr. Hickman was highly satisfactory, as was shown by the outcome of this debate. Dr. Wilbur F. Smith, of the City College, is giving a course of lectures in English on Tuesdays.

At our open meeting on March 9th we had the pleasure of hearing our good friend Fred W. Ellsworth tell us how to "Build the Business of the Bank." L. T. Brehm, Manager of the Foreign Exchange Department of the Fourth Street National Bank of Philadelphia, spoke to us on "Foreign Exchange." Our City Register, Richard Gwinn, presided at the meeting and introduced the speakers.

To the bankers of Jacksonville we want to commend our former Secretary and a member of the Board of Governors, H. Clarke Jones, who goes to that city as a representative of the Continental Paper Bag Company. We regret Clarke's going very much, but wish him much success in his new field. The vacancy caused by Mr. Jones' resignation has been filled by Theodore C. Thomas, of Alexander Brown & Sons.

The President has just appointed the Excursion Committee, of which Gwynn Crowther, of the Merchants-Mechanics National Bank, will be Chairman. We all look forward to our annual excursion, which will be held at Chesapeake Beach on May 29th.

In his address at the recent banquet President Smith said: "We have a splendid Chapter of the American 150 new members have enrolled this year. We are con-Institute of Banking here—almost 600 members. Over 150 new members have enrolled this year. We are con-

ducting three Educational Classes a week, studying 'Foreign Trade,' 'The Federal Reserve Act,' 'Practical Banking' and 'Public Speaking.' Our organization has helped the banks of Baltimore in raising the standard of efficiency and loyalty more than they realize. There is scarcely a bank in Baltimore but what has on its official staff an officer who at some time has not been an active Chapter man. Gentlemen, we are striving to increase our membership to 650. If you are not a member, I want you to enroll. I wish to thank the officers of financial institutions here to-night for their liberal support, and I urge that you come to our headquarters and see what we are doing. I cannot close without thanking the members of the various committees for the splendid support they have given me, and especially the committee in charge to-night."

We are glad to mention that two of our old Chapter men have been admitted to the firm of Townsend Scott & Son. They are Guy H. Reese and F. H. Barclay.

BIRMINGHAM.

BY C. P. HILTY.

Birmingham Chapter has an active Law Class, conducted by Frank Dominick, a prominent lawyer of this city, and is at present studying "Agency and Associations." The lessons are prepared by the students in advance and a lecture is given at each meeting. We also discuss such questions as may arise between meetings, thereby securing legal advice which is invaluable to any banker.

A Debating Society has been formed and interesting debates are held at stated periods. One of the features of the program of this month's general meeting was an interesting debate on a momentous question, namely, "Resolved, That the United States should acquire a merchant marine." The affirmative was upheld by H. L. Badham, Jr., and S. D. Camper; the negative by E. M. Brittain and J. C. Weinberg.

The affirmative contended that we should have a merchant marine to meet such emergencies as the present European war, because there are not enough available ships to carry our large amount of exports and we are paying abnormally high freight rates; that this money is going out of the country and that our industries are being handicapped by not being able to get things that they need from foreign countries. A merchant marine would be of great benefit in time of peace, because we could give employment to a large number of men. The United States, with its extensive sea coasts and abundance of natural resources, is especially fitted for becoming an exporting nation; that \$200,000,000 we pay yearly for freight charges would be kept in this country. We should have a merchant marine for our national defense, for in time of war we would have an available source to procure able seamen, also ships as a complement to our regular navy. As other nations have subsidized their merchant marine, we believe that the United States should do likewise.

The negative contended that the American people have never indicated a desire for Government ownership of public service corporations; that the idea of Government ownership was repugnant to the exporters and shippers of this country, as evidenced by the Chamber of

Commerce of New York City, which by unanimous vote went on record as being opposed to Government ownership of merchant marine; that it would be a large field for graft and for the playing of politics; that it could not immediately acquire a merchant marine, as the shipyards are working to capacity on private orders, and that the United States cannot possibly utilize ships of foreign register, as this would not be tolerated by the belligerents of Europe; that even if this were so the number of ships which the United States could purchase through an appropriation of, say, \$40,000,000 would have no appreciable effect upon the demand for shipping facilities. Therefore, the negative contended, since the Government could not, if it chose, acquire a merchant marine immediately, that by the time one could be acquired competition would put it out of business, owing to the cheaper labor of Europe.

The judges, after solemn deliberation, awarded the victory to the affirmative.

Birmingham Chapter proposes to enter the City League this year, and will also hold its annual banquet in the near future.

BOSTON.

BY ARTHUR O. YEAMES.

The close of Boston Chapter's official year is fast approaching. The annual meeting comes the second week in May, and the Nominating Committee appointed by President Bryant has already reported a list of names to be voted on at that time. The test of any Chapter's success is shown by the number of men who have followed the various educational courses, especially the number of those who pass the examinations. In our Law Course 114 men were eligible to take the examination which was held at the Massachusetts Institute of Technology on April 12th. We hope to be able to report a large number of additions to our list of graduate and "one credit" members. The course in Business English, conducted by Prof. F. W. C. Hersey, of Harvard University, came to a close March 18th with a special meeting at which "Public Speaking" was considered. Members were given the opportunity of speaking from two to three minutes on the subject "What a Bank Man Can Do to Increase Prosperity at the Present Time." At the close Professor Hersey criticized the speakers. The Debating Committee was on hand looking for prospective candidates for its team. The "Stock Transfer" course has proved popular. On April 8th F. Winchester Denio, of the Old Colony Trust Company, lectured on the "Legal Side of Stock Transfers." The last lecture in this course comes on April 22d. These lectures have been printed and sold to bank men at 25 cents per copy. For the special benefit of the junior members of the Chapter a series of talks on "Practical Banking" are being given, the subjects including "Receiving and Paying Tellers," "Discount," "Bookkeeping" and "Collection" departments.

About twenty papers were handed in on March 29th in the Prize Essay Contest, a friend of the Chapter having generously offered three prizes of \$50, \$25 and \$10 for the best themes of from 3,000 to 5,000 words on the following subjects: "Value of A. I. B. Educational Courses to Bank Men and to Banks," "How Can a Man Best Utilize His Time Outside of Regular Working

Hours?" "Should the Federal Reserve Bank Supersede the Present Clearing House System?" "Efficiency Methods for Banks," "Value of Bank Advertising," "Boston's Transportation System." The papers are now in the hands of the judges, Professor Hersey, of Harvard University; Thomas P. Beal, Jr., Vice-President of the Second National Bank, and Frederick C. Waite, Cashier Merchants National Bank, who will mark them as to "careful planning, clearness, correctness of sentences, spelling, punctuation, paragraphing and readableness."

An adding machine contest for the "Burroughs" Cup is to be held early in May.

The April "Chapter Night" was held on the 7th inst. at the handsome new home of the Boston City Club. Hon. George Fred Williams, recent United States Minister to Greece, spoke on "Albania," and we were again glad to welcome our old friend, O. Howard Wolfe, Assistant Educational Director of the Institute, who addressed us.

The April issue of the Boston "Chapter Calendar" contained a splendid article on "Cattle Loans" by Edward D. Whitford, Treasurer of the John P. Squire Company. This is one of a series of articles that have been printed in the "Calendar." Some of the subjects, briefly treated, have been: "Massachusetts Savings Bank Life Insurance," by William J. Montgomery, State Actuary; "Main Purposes of the Federal Reserve Act," by Alfred L. Aiken, Governor Federal Reserve Bank; "Theory of the Franchise Tax as Illustrated by the Tax on Savings Banks and Trust Companies in Massachusetts," by William D. T. Trefry, Tax Commissioner.

Boston Chapter has been gratified by the cordial expressions of approval of the candidacy of Robert H. Bean for the high office of National president of the American Institute of Banking. Many letters have been received from representatives of Chapters in all parts of the country stating their willingness to heartily support Boston's candidate at the Annual Convention in August.

BUFFALO.

BY GODFREY F. BERGER, JR.

On Saturday afternoon, March 20th, a large part of Chapter men and their friends enjoyed the first of a series of sightseeing trips arranged by President Hoffman and the Executive Committee. Following the lead taken by several other Chapters, the Buffalo Chapter has decided that trips of this sort are to be made at intervals during the Spring and early Summer. Iron and steel were the subjects thought to be of most interest to the Chapter men, and when Hugh Kennedy, Vice-President of the Rogers-Brown Iron Company, invited the Buffalo Chapter to inspect the new plant of this company, the invitation was readily accepted. Mr. Kennedy, assisted by Geo. W. Kennedy, superintendent of the plant, personally conducted the party and a systematic tour was made. It is planned to follow up the iron and steel trade, and the Lackawanna Steel Company, the largest independent plant in the country, will probably be inspected in the near future.

Our Forum Class, which is now studying Foreign Exchange, is progressing, and that the subject is of great interest may be seen by the good attendance at the Forum meetings. Mr. Rattray, our instructor, as usual, leads the

discussion, but everyone present is entitled to ask questions or give his point of view, and a goodly number of disputes arise which are always settled amicably. Giving everyone an opportunity to state anything of which he is in doubt brings out points that otherwise may not be brought to light and makes the meetings of a much more instructive quality.

Definite plans for our annual banquet have been decided upon. The banquet will be held in the banquet hall of the Hotel Statler on Saturday evening, May 8th, at 6.30 p. m. The speakers will be Carlos Alden, Dean of the Buffalo Law School; one of the officers of the National City Bank of New York, who will talk on Southern trade and banking as affected by the war, and Wm. S. Evans, President of the American Institute of Banking. An excellent musical program has been provided.

CHICAGO.

BY GUY W. COOKE.

A lecture on Glacier National Park and the Black-foot Indians brought forth a big attendance at the regular March meeting of the Chapter, held in Northwestern University building on the 9th instant. The lecturer was Lawrence D. Kitchell, of the State of Washington, who was thoroughly familiar with his subject, having visited the park many times, and both his stereopticon and moving picture views of the great natural playground proved him to be not only a man of keen discernment, but also an artist. Rapidly taking his audience from the Twin Cities through the wheat field of Minnesota and the great Northwest, he led up to the scenic part of his subject with a comparison showing the ease with which the tourist now reached the park and the conveniences afforded for making his stay pleasant. By automobile, by horse, or on foot the sightseer may tour days or weeks among the glaciers, lakes and cataracts, each scene seemingly surpassing the last, with monotony ever absent. Mr. Kitchell made a stirring plea in support of the slogan "See America First," and there is little doubt that each one of his auditors felt that some day he must visit this great panorama of nature's wonders.

The long anticipated debate between representatives of the local Chapter and that of Milwaukee came off, as scheduled, on the evening of March 20th. Some thirty-five or forty of the Windy City men went up to support our team in the town made famous by various things, but the support was unavailing as the judges decided in favor of Milwaukee. The question under discussion had to do with the merits of the Federal Reserve Bank system as compared with a central bank. Chicago had the central bank side, and while the discussion was largely of an academic nature many practical arguments were made on both sides, showing that the debaters not only had sound principles always in mind, but that they had studied the subject from many angles. Milwaukee's reputation for hospitality was well sustained—even gained if it were possible. The visitors were welcomed on arrival and taken to Hotel Wisconsin, where dinner was served. After an ample repast the banquet hall was cleared of tables and Edgar J. Hughes welcomed the guests and introduced John W. Gorby, who responded for Chicago. The rest has already been told; we were defeated but not

discouraged, and though this seems to be the allotted fate of debating teams from our Chapter optimism is one of our striking characteristics and challenges will be welcomed next year from those who seek to establish a reputation at our expense.

The educational work of the Chapter for the year 1914-1915 is rapidly drawing to a close. The classes in negotiable instruments and those in banking and finance have completed the assigned work, while in public speaking and in accounting there is still some ground to cover. Among the more advanced men work in the Forum continues with interest, the course laid down by the Institute has been closely followed and considerable benefit has accrued to individuals following the studies outlined. Plans are already under discussion for next year's work, and while nothing has yet been definitely decided upon for 1915-1916 the year promises to be educationally the greatest in the history of the Chapter.

JOHN W. GORBY WITHDRAWS AS A CANDIDATE FOR THE PRESIDENCY OF THE INSTITUTE.

To the Members of the American Institute of Banking:

In view of the enthusiasm with which the friends of Chicago all over the country have taken up my proposed candidacy for President of the American Institute of Banking, and because of local and unforeseen circumstances which have risen within the last three months, it is but fair that I issue the following statement.

I am deeply thankful to our many friends who have given emphatic approval by tongue and pen of what we of Chicago have been able to accomplish. The idea of the Endowment Fund as developed in Chicago, and soon to be announced in other cities, is the solution of local financial A. I. B. problems. It is, first of all, that I may place this progressive movement clearly upon its merits, disentangled from political bickerings, that I now withdraw from the Presidential contest. Secondly, during the latter part of January the President of the bank with which I am connected went to the hospital for a prolonged illness, complete recovery from which is, unfortunately, not yet in sight. Third, our Cashier has recently resigned. This combination of circumstances serves to place around me a responsibility that is peculiarly heavy, and in the bearing of this I will, with God's help, be faithful to the end.

For these three reasons, any one of which is sufficiently convincing, I desire to withdraw from the Presidential contest.

Again thanking all our friends and all the friends of greater American Institute of Banking, I am sincerely yours,
JOHN W. GORBY.

CINCINNATI.

BY WILLIAM BEISER.

On Tuesday, March 9th, W. L. Thede, of the Union Savings Bank and Trust Company, spoke on "The Smile, an Asset of Business." Mr. Thede showed that intangible values of a business which do not appear in its balance sheet are frequently of great value to a business. He emphasized this viewpoint through numerous illustrations. To use his original description he referred to "The Smile" as an outward expression of efficiency. In his handling of the subject he showed that he was capable of deep philosophical thought, for he analyzed

the effects of a smile in many and most interesting phases.

C. E. Ford, of the Fifty-third National Bank, spoke upon events requiring the attention of the bankers during the last eighteen months. He referred briefly to the income tax, the Federal Reserve banks, the Federal Trade Laws, the War Tax bill, the effects of war on American finance, and to the possibilities of the development of South American trade. In this brief reference he displayed a thorough knowledge of all phases of the various topics, and proved that he was a careful student of current conditions in so far as they affect business and banking.

Howard P. Warren, Instructor of Finance at Cincinnati University, lectured before the Chapter on Wednesday, March 24th, on "A Recent Change of Attitude Respecting the Financing of Corporate Indebtedness." It had heretofore been considered a sound policy to finance long-time requirements at a time when interest rates were high, through short-time loans, under the hope that at the maturity of the short-time loans the condition of the investment market would be such that it would absorb long-time loans at a lower rate than existed at the time of the creating of the short-time indebtedness. So many obstacles have been met in refunding operations since 1907 and the cost has been so high that the method has fallen into disuse. Mr. Warren's lecture is an original and interesting contribution to current banking literature.

CLEVELAND.

BY H. W. HERRICK.

Cleveland Chapter held its Annual Dance at Hotel Statler the evening of February 8th. The large attendance, about 175 couples, proved conclusively that we are quite alive in other than educational lines. Not that the dance was not educational, for Geo. Cherry instituted a novelty in the way of some professional talent teaching us the latest hesitation, fox-trots, one-steps, etc. Everybody reported a grand time and the ball a huge success.

The following evening, at the regular bi-monthly meeting, F. Dwight Connor, Publicity Manager of The Guardian Savings and Trust Company, addressed the Chapter on "Should a Bank Advertise?" Mr. Connor's talk was very interesting, disclosing, as it did, the enormous amount of money spent in bank advertising, and the expectant returns.

At the next regular meeting we had the honor of our Mayor's presence, Newton D. Baker speaking on "Bankers as Citizens." His exposition of the war question, and the ultimate relation the American citizen will bear at the final outcome to the great problems this country will have to face, was particularly clear and impressive. He "jollied" the bankers into believing that the United States would look forward to the bankers to solve not only the supremacy of this country as to finances, but also as to education, moral uplift, and other great enterprises. We are glad to state that a large attendance greeted the eloquent address of Mr. Baker.

The Class in Public Speaking and Debate has been progressing rapidly under the instruction of M. B. Price, of Western Reserve University. It is hoped, however, that a greater number of the boys will avail themselves of this opportunity, as Mr. Price is an experienced man

in this particular line. At the meeting of the Class in Practical Banking, February 23d, F. H. Randel explained in an interesting way the workings of the Adjustment Bureau of the Cleveland Credit Men's Association.

The Chapter has been fortunate in securing David C. Wills, our Federal Reserve Agent, to conduct the class in the study of the Federal Reserve Bank. This class will meet every Tuesday evening, beginning March 2d, and a large attendance is desired.

Already plans are being made for our Annual Banquet to be held in April, Carl Palmer, of the First National Bank, being chosen to head that committee. The selection of Mr. Palmer insures for us a treat and huge success at that time.

The 'Frisco Convention, August 18th-20th, is being taken up quite actively of late, but as yet we are unable to announce our delegates.

W. F. Mackay, of Hayden, Miller & Co., will follow Mr. Wills in a series of lectures on Stocks and Bonds. Mr. Mackay is one of our charter members and an ex-president of the Chapter, and we are glad to welcome him as an instructor in the educational class.

On Tuesday evening, March 9th, the Chapter digressed somewhat from its usual program and invited the ladies to enjoy with them a stereopticon lecture on the wonders of Yellowstone Park. Dr. John M. Friend, in exhibiting several hundred colored slides collected on his recent tour of the Park, spoke very entertainingly. We all felt as if we had been personally conducted through this very instructive and educational trip.

At the next regular meeting, March 23d, we listened to another one of the department heads of our municipal government, Thomas L. Sidlo, Director of Public Service. Mr. Sidlo has been a close student of civic affairs, and is the youngest man in the country at the head of a municipal department, being still under thirty. His exposition of the Public Service Department and its functions was very thoroughly and clearly defined. We have gathered some very instructive information this Winter from the study of our city and county governments, and are indeed very grateful to the Mayor and his assistants for their able and highly educational talks.

CORRESPONDENCE.

BY O. HOWARD WOLFE.

It is gratifying to one who has followed the work done by correspondence students during the past four years to note the marked improvement in the exercises which are submitted for correction and criticism. This improvement has in turn reacted upon the Study Course pamphlets, which have been revised from time to time. Whenever it has been found that a majority of Correspondence Chapter members were "falling down" on any particular question in the exercises, we assumed that the text matter bearing on that particular subject was not sufficiently clear or else the question was not properly put. Due change has then been made.

The Chapter may feel proud of its "suffragette students," as they are called by the examiners. Several young women are taking the courses, and their work compares favorably with the work of the mere men. The Study Class idea is also gaining ground. The largest of these classes is in Roanoke, Va., and it will probably be

organized into a separate Chapter in the Fall. We publish herewith a "Chaptergram" from C. W. Beerbower, who is Vice-President of the Correspondence Chapter:

ROANOKE.

Early last Fall a class was organized among the younger bank men of this city to take up systematic study of the Institute Study Course in Banking and Finance. The movement met with the hearty support of the senior bank officers, and a number of them have attended the meetings. At a special meeting to consider "the Federal Reserve Act" each of the cashiers of the banks affiliated with our class, made an interesting address on the Law.

Meetings of the class have been held every two weeks, at which different members made talks or read papers and a general discussion followed, at which helpful ideas were brought out. At the present time we have for consideration the "Loans and Investments" pamphlet. Two meetings have been assigned to this subject. At the current meeting an address will be made by our Chairman, T. L. Engleby, on "The Fours 'C's' of Credit," and other phases of the subject will be discussed by members of the class.

In order to handle the Study Course in a systematic manner, the following organization was formed from our members: T. L. Engleby, Chairman, the National Exchange Bank; J. H. Matthews, Vice-Chairman, the First National Bank; Geo. N. Dickenson, Colonial Bank and Trust Company, member Executive Committee; A. E. Anderson, First National Bank, member Executive Committee; L. R. Tucker, National Exchange Bank, member Executive Committee, and C. W. Beerbower, Secretary, the National Exchange Bank. We are of the opinion our methods and form of organization should prove successful to other towns and cities where the population or the circumstances do not seem to warrant a regularly organized Chapter.

On March 5th we held a special meeting, at which we were favored with an address by O. Howard Wolfe of the New York office. Mr. Wolfe, who was assigned "Present Day Banking Problems" by our local program committee, spoke at some length as to the effects of the new banking law and left with us a clear insight as to the practical workings and intentions of the law. He also laid particular emphasis on the benefits to be derived from a local Clearing House, properly organized, and closed with an appeal to the younger bank men to follow the study of banking and finance, for this method, he said, was the only way to secure a clear insight into the present day banking problems.

DALLAS.

BY A. B. KENDRICK.

On March 24th Dallas Chapter held a called meeting for the purpose of appointing an "On to San Francisco" committee to formulate plans for insuring the attendance of a large delegation from this Chapter at the 1915 convention. The most important action taken at this meeting is announced below:

BECKLEY FOR EXECUTIVE COUNCIL.

Upon a unanimous ballot, which followed a remarkable demonstration of enthusiasm, Dallas Chapter adopted

a motion to present the name of Stewart D. Beckley for election to the National Executive Council. This indorsement, although entirely unsolicited by Mr. Beckley himself, was unanimously given by the Chapter after careful deliberation upon both the propriety of advancing a candidate for this office and the special fitness and qualifications of this particular man. In taking this action Dallas Chapter desires that it be distinctly understood that it in no sense bases its claims upon any sentimental arguments in connection with its having acted as host to the 1914 convention. On the contrary, we submit our appeal for representation on the Council solely upon the broad grounds that this is a propitious time for the Institute to take official cognizance of the growth of its educational propaganda in the Southwest in such a way as to insure the permanency of this growth, and we earnestly believe that this could be done in no better way than by giving us now a voice in the high council of authority which shapes its policies. To this plea we add that our candidate is a man whose vigorous young manhood, proven ability and ardent devotion to the aims and ideals of the Institute, eminently qualify him for the place. In support of this claim we point to his splendid record of long and uninterrupted administrative successes in every capacity and activity in which he has served the cause of the Institute, the unusual strides in educational progress made by Dallas Chapter in recent years culminating last year in one of the largest graduating classes in the United States, originated largely during the administration of President Beckley in the year 1912. One of the largest factors that has contributed to our subsequent progress has been this man's unflagging zeal and faithful work under the succeeding administrations. Mr. Beckley has certainly earned a high place in the ranks of the Institute, and although modest and unassuming, his ability, intelligence and loyalty have indeed commanded nation-wide esteem and respect, as is evidenced by his being selected as one of the three men appointed to formulate the official program of the coming convention. For these reasons we believe he is worthy of membership in the Council and qualified to discharge the duties of the office with credit to the Institute as well as himself. With this conviction we respectfully submit his candidacy in the confident belief that it will be favorably received, and to this end our Chapter will in due time proceed to do everything in its power to prosecute the campaign in his behalf to a successful conclusion. Respectfully submitted on behalf of Dallas Chapter.

M. B. KEITH,
FORREST MATHIS,
GEORGE L. HERN,
JACK D. GILLESPIE,

W. J. EVANS,
GRADY BURLEW,
J. BARNEY DAVIS,

Committee.

DAYTON.

BY JESS BLACKMORE.

An adding machine contest always brings out a crowd. Our contest this time brought out the most interested crowd we have had. The Chapter offered a handsome cup in addition to the usual prizes of \$25 in gold given by the Burroughs Adding Machine Company. Lawrence Bucher, of the Dayton Savings and Trust, was second time champion, listing the 200

checks in three minutes twelve and one-fifth seconds. George Sellers, of the Dayton Savings and Trust Company, took second. Lon M. Holler, of the Fourth National, took third, and J. C. Hayes, of the City National, fourth. Mr. Bucher lowered his last year's record by ten seconds.

The educational classes are progressing rapidly and well. We are now on the last pamphlet and have had tests in the other pamphlets which we have completed. The first pamphlet, "Wealth and Banking," was gone over thoroughly, for it gives a foundation upon which the study of the science of banking must rest if good results are to be gotten. A class in public speaking is under consideration.

HARTFORD.

BY CALVIN C. BOLLES.

The rapidly approaching debate in this city with New York Chapter is the one thing that is foremost in the minds of our Chapter's administration. The subject is, "Resolved, That the California law disqualifying alien Japanese from holding land be repealed." Our seemingly tireless debate committee, headed by Vice-President W. F. Lawson, has selected from the candidates the five following men from whom the "star trio" will be chosen: W. F. Lawson, Earl C. Young, A. G. MacKinnon, Victor I. Neilson and C. T. Hubbard. The affair will be held in the new Centre Church House at 8 o'clock on April 20th. Every bank man is invited, as well as wives, sweethearts and other ornaments. The committee intend this debate, aside from the serious side of it, to be a gala social event. It is a rare chance for some of our boys to show off their better halves—past, present or future. There are several dames we want to look over after hearing so much about them. Entertainment will be provided during the intermission the judges take to reach a decision.

The annual election is only a month away. We have passed out of that prehistoric stage where candidates were forced to consent to accept nomination for office. This year we are going to have more men than offices.

At a recent meeting George H. Gilman, a member of our well-known law firm, Hyde, Joslyn, Gilman & Hungerford, read a very comprehensive and interesting paper on "Mortgages." Mr. Gilman is blessed with the sense to know when enough is enough. Too often a speaker on such a subject would ramble for hours and accomplish but little, but Mr. Gilman went straight to the point.

March 11th saw the Board of Governors and the Consuls banqueting at the City Club. A great deal of important work was done and direct results have long since been visible.

By the time this issue of the BULLETIN reaches its readers the season of the Banking Class will be over and examinations being worried about. Our last class night was one of the year's finest. President Kane talked for the first hour on Savings Banks, and clearly outlined by use of forms the system used by his bank, the Society for Savings, one of America's oldest. They have done business continually since 1819. The other division—Trust Companies—was very ably handled by Arthur H. Cooley, of the Security Trust Company. Mr. Cooley made the most of his topic and put us through a

fine series of mental gymnastics, which, supplemented by the physical gymnastics of one of his coworkers, make the evening a huge success.

KANSAS CITY.

BY J. B. McCARTER.

The year's work, as outlined by our Educational Committee, is almost completed. Many are looking forward to the examination which is to come at its close, and from present indications Kansas City Chapter's roll of Institute certificate holders will be much enlarged after that time.

Those attending the weekly meetings during the past month have listened to especially strong addresses by men of wide knowledge and experience. The talk by J. Z. Miller, Federal Reserve Agent for District No. 10, on "The Federal Reserve Act," and that of Mr. Houston on "The New York Stock Exchange," were such as would especially appeal to the person seeking knowledge of business affairs. Mr. McNellis handled the subject of "Accountancy" in a way that was not only a stimulant to deeper thought but was very entertaining as well.

The Alumni Class has been studying the banking systems of England, Germany and France in comparison with our own Federal Reserve System. Mr. Allendorfer has been playing the role of tutor.

Prof. Boynton stated in one of his lectures to us last fall that any people in order to progress must have at their disposal some leisure time—that is some margin during which their efforts need not be directed toward the maintaining of an existence. This rule is equally true as to individuals. It is in the use of spare time that we may lay the foundations of progress. With most of us, it is not a question of having this time but one of the proper use of it. It is gratifying to see the great number of our Kansas City boys, who are making use of this leverage to pry themselves out of, or to prevent their falling into that groove or state of vegetation into which one is so apt to be drawn.

The members of the Chapter are deeply indebted to the Educational Committee for the splendid program arranged for this year. A program which has been rich in that information so vital to the success of the young business men.

KNOXVILLE.

BY E. I. BROWN.

On the evening of March 2d Knoxville Chapter had the pleasure of hearing an address by O. Howard Wolfe, President of New York Chapter and Assistant Educational Director of the Institute, who spoke on "The Federal Reserve Act." If any one knows the new system thoroughly it is Mr. Wolfe, and more than that, he knows how to tell others about it. He outlined in general the new system as far as it has been devised, and how he expects it to be gradually introduced. He referred in an interesting manner to the changes which the Federal Reserve Banks would effect, and spoke in detail of check collection through the Federal Reserve Banks, the usefulness of a concentrated reserve, and the readjustment of exchange charges. He also discussed the new Federal Reserve Currency—its use and elasticity

as compared with the present issue. The meeting was one of the best Knoxville Chapter has had, and we are deeply indebted to Mr. Wolfe for the time he has taken to come to our city and address our Chapter.

LOS ANGELES.

BY W. H. THOMSON.

Four hundred bankers attended the opening meeting of Los Angeles Chapter in Blanchard Hall on the evening of March 25th, and gave an enthusiastic reception to the several speakers. J. H. Francis, Superintendent of the Public Schools of Los Angeles, made an interesting address on "Educational Methods." J. A. Graves, Vice-President of the Farmers and Merchants National Bank of Los Angeles, and J. S. Macdonnel, Cashier of the First National Bank of Pasadena, gave us excellent talks. We were also glad to hear from E. G. McWilliam, former President of New York Chapter, now with the Security Trust & Savings Bank. We consider Mr. McWilliam a valuable asset of Los Angeles Chapter in view of his wide experience in Institute work. We were to have had G. M. Reynolds, the well-known banker of Chicago, with us, but at the last moment Mr. Reynolds wired that he would be unable to attend the meeting.

Los Angeles Chapter has been organized for the sole purpose of affording an opportunity to the bank men of the city to improve themselves in their chosen profession. An Educational Committee has been appointed, which will see to it that the work of the Chapter is carried on to the best of advantage and that the educational standard of the Institute is upheld in Los Angeles. We are planning to have everything in readiness to begin systematic work in September. For the balance of this season we intend to hold general monthly meetings only.

MILWAUKEE.

BY J. H. DAGGETT.

Forty members of Chicago Chapter traveled to Milwaukee on Saturday, March 20th, to see their team defeated by the debaters from Milwaukee on the question of "Resolved, That the needs of the business interests of the country would be better served through the establishment of a single central institution than by the twelve regional banks." The affirmative was upheld by Joseph J. Schroeder, T. J. Nugent and H. K. Roney, of Chicago. J. H. Daggett, Edw. Schranz, Jr., and J. G. Swift, of Milwaukee, handled the negative. The judges were Hon. Franz Eschweiler, F. P. Blumenfeld and J. M. Hays.

The affirmative contended that the Federal Reserve Act, while a step in the right direction, was not complete enough to serve the business needs. They argued that the powers given were not sufficient to control the gold supply or to establish a discount market.

The negative argued that the Federal Reserve Act was the ablest piece of financial legislation ever devised; that the regional banks had sufficient powers to remedy all of the defects of our financial system of the past, yet not enough powers to ever make it a monopoly and dangerous to the business life of the nation. In adopting the Federal Reserve Act the nation simply carried out its basic theories of government. This nation has

never believed in centralized power, therefore a central bank would never be acceptable to the people.

The debate was preceded by a banquet in honor of Chicago Chapter, and the attendance was over 200. Among those present were John W. Gorby, of Chicago, candidate for president of the Institute, and John W. Rubecamp, member of the Executive Council.

NASHVILLE.

BY LEON M. SAVELL

For our March meeting we decided to leave out the "deep stuff" and have something of a social nature instead. On Tuesday night, March 9th, to be exact, a goodly number of Nashville bank clerks gathered at the Commercial Club for a smoker and adding machine contest. George T. Cordell, the new local manager of the Burroughs Adding Machine Company, had previously offered a silver cup to the person making the best record. Other prizes were contributed by the local Chapter and several Nashville merchants. Mortimer Harvey, of the Fourth and First National Bank, won the cup, and "Beauty" Wilson, of the American National Bank, won second prize. Awards were also made to Howard Donaldson, C. C. Pierce, Chas. Johnson, R. L. Thompson and A. C. Dorris.

Our class in "Banking and Finance" is moving along slowly but surely. The preliminary test in "Wealth and Banking" will be held shortly, and we hope to make quicker progress in the remaining pamphlets.

NEW ORLEANS.

BY RAOUL PRUDHOMME.

During the past month was inaugurated the most important innovation the Chapter has seen for a number of years, viz., the issue of a Chapter paper. Beginning with the April issue a monthly periodical will be gotten out by New Orleans Chapter, and from the preliminary interest being taken in the project, we can reasonably expect and predict that the paper will play a prominent part in the future development and progress of the Chapter. At the meeting held by the organization committee, the following gentlemen were entrusted with the management and issue of the paper: Frank L. Ramos, of the Canal Bank, editor-in-chief; Thos. Regan, of the Citizens Bank, assistant editor, and Frank Moise, of the Whitney, business manager. The personnel of the staff seems to assure the success of the enterprise, the gentlemen comprising it all having been prominent in Institute affairs, and ably equipped to launch this important aid to Chapter progress. The paper will be called "The Chapter News," the first issue to appear about the first of April. "The Chapter News" will have a very auspicious beginning, as our esteemed president, Wm. S. Evans, has kindly written a very appropriate editorial for our initial issue.

The educational year is rapidly drawing to a close, and we feel justly proud of the work so far accomplished. The Banking class, under the direction of Mr. Hardie, is getting along splendidly, and while the Spanish class is somewhat diminished in point of attendance, this is more than balanced by the great enthusiasm and keen

interest displayed by those who are following the course. The Public Speaking and Debating class is still attracting a large number of members, and as an evidence of the good work and remarkable progress made by this body, we are to be favored at the next Chapter meeting by an extemporaneous debate, the speakers to be selected from members of the class. The membership at large is looking forward with pleasure to the debate. The Forum also reports a good attendance.

In addition to the debate mentioned above, at the next meeting we will have A. Norman Young, of the well-known accounting firm of Marwick, Mitchell, Peat & Co., also Professor of Accountancy at the Tulane College of Commerce, lecture to us on "The Principles of an Audit." Mr. Young is probably the foremost accountant of this section of the country, and is a very clear and forceful speaker as well, hence we are all going to take advantage of this opportunity to hear him lecture on a subject so closely allied to banking.

NEW YORK.

BY J. M. SQUIER.

With the coming of April New York Chapter enters upon the final month of its educational activities for the present season. The past six months have been the most successful in the history of the Chapter; meetings have been held four and five nights a week during that period, and the attendance at all lectures has been large. The program, as laid out at the beginning of the year, has been followed without a break and reflects great credit upon the men who have had charge of this part of our work.

The second year class will bring its season's work to a close with three lectures on Associations: Partnerships and Corporations, by Prof. John H. Esterday, Professor of Corporations in the Brooklyn Law School. These will be followed by a review on Negotiable Instruments on April 22 by Prof. John W. Edgerton, of the Yale Law School, and on April 29th Milton W. Harrison will conduct a review in Contracts and Commercial Law. The examination in this course will be held on May 6th, at which time it is expected that over a hundred men will endeavor to qualify for the Institute certificate.

The First Year Class in Practical Banking concluded its work with a lecture on Credit on April 6th by A. F. Maxwell, of the National Bank of Commerce. Following this two reviews will be held on the 13th and 27th, and the examination will be held on May 4th. Friday, April 23, has been set aside for the examination in Business English and the Elements of Practical Banking.

April 9th we had the pleasure of hearing our president, O. Howard Wolfe, lecture on the Federal Reserve Act. Mr. Wolfe was a member of the Preliminary Organization Committee of the Federal Reserve System, and there is probably no one in the country better qualified to talk on this subject. Mr. Wolfe has lectured on this topic before various chapters, Boards of Trade, colleges and schools throughout the Eastern, middle, Western and Southern part of the country, but up to this time, strangely enough, he had not been heard in his own Chapter.

J. I. Burke, Assistant Secretary of the Guaranty

Trust Company, delivered the last of his lectures on the Income Tax Law on April 7th. The class in Spanish has been meeting regularly every Monday and Wednesday evening, and will probably continue up to the first of June.

New York Chapter's debating team will journey up to Hartford on April 20th in an endeavor to regain some of the laurels which they lost to Philadelphia in February. Last year we defeated the Hartford boys, and it is understood that they are out for revenge this year. The subject, which is both timely and interesting, is "Resolved, That the California Law Prohibiting the Ownership of Land by Japanese Aliens be Repealed," and New York will uphold the affirmative side.

The Committee on Public Affairs has been unusually busy during the past month. Thirteen lectures on banking subjects have been given before high schools in and around New York city by W. H. Kniffen, Jr., F. W. Ellsworth and O. Howard Wolfe. Mr. Kniffen reports that 42 lectures have been asked for by the principals of the various high schools of the city.

The Chapter Forum has been meeting regularly during March and much good has been derived from the discussions held regarding the Federal Reserve Act, particularly concerning the question of acceptances, which has been under consideration at the last meetings. On April 28th the members of the Forum and their friends will hold a dinner at the Hotel Lafayette.

As announced last month, James G. Cannon has again offered a prize of \$25 in gold for the best paper on a banking subject. The topic selected is "The Probable Effect of the Federal Reserve Act on New York City as a Banking Center," and the time limit for the papers to be turned in has been set at May 1st.

Our annual meeting will be held on May 13th, at which time an election will be held by the entire chapter for members of the Board of Governors to serve for three years, and an election by the Board of Consuls for officers for the ensuing year.

The Chapter orchestra, under the leadership of Charles Bleilevens, of Ladenburg, Thalman & Company, is making rapid progress, the first practice having been held in the Chapter rooms on March 4th with nine members present. J. Fetyk, of E. Naunburg & Company; M. M. Mischler, of the Citizens Central National Bank, and George W. Bigg, of the Mechanics and Metals National Bank, have been selected for the solo work. It is expected that the orchestra will play before the Chapter some time in the near future.

Plans have been completed for the cottage at the seashore for the benefit of New York Chapter men this summer. The place tentatively selected is New Dorp, Staten Island. New York Chapter men, by means of this, will be enabled to spend a pleasant Saturday afternoon or Sunday with their fellow bank men at a very moderate charge. The ladies and a limited number of guests can also be provided for, and a caretaker will furnish meals at a very reasonable price.

James Wohnsiedler and H. T. Johansen, of the National City Bank, have been made Assistant Cashiers of that institution. William F. Fitzsimmons, formerly of the Broadway Trust Company, is now Assistant Cashier of the Merchants Exchange National Bank. Francis Crave has been elected to the position of Cashier of the Broadway Central Bank.

MINNEAPOLIS.

BY S. J. FITZSIMMONS.

On Saturday evening, March 6th, the annual meet between the St. Paul and Minneapolis Chapters was held in Minneapolis at the Security National Bank. It was good to have been there. Despite the valiant efforts of our brethren from St. Paul, they succeeding in returning home with only a few prizes. This compensates us for the defeat suffered at their hands on the gridiron last Fall. The St. Paul men wore white carnations and the Minneapolis men red carnations. There were about 400 present, and those who were not interested in the sterner business of war sang and made merry, and some who had the foresight to bring ladies, danced to the music of a string orchestra. In the meantime the machines hummed, large piles of money were counted and stacked and long columns were added by lightning calculators. Following is a list of the winners:

Adding Machine, 250 Checks.—First, A. H. Johannsen, 3' 30 1/2"; second, H. McCraight, 3' 41"; third, A. R. Larson, 3' 57"; fourth, A. Harvey, 4' 8"; fifth, S. E. Cunningham, 4' 9 1/2".

Transit Machine, 75 Checks.—First, Arthur Hauge, 3' 47"; second, Dalbert Sussmilch, 3' 48".

Money Counting, \$750 Mixed.—First, I. E. Shattuck, 3' 40 1/2"; second, C. S. Deither, 3' 44 1/2"; third, E. J. Wagenhals, 4' 5 1/2".

Mental Addition, 50 Checks, List by Hand and Total.—First, R. M. Chapman, 2'; second, A. E. Wilson, 2' 19 1/4"; third, D. J. Confeld, 2' 25".

Statement Machine, 75 Debits and 75 Credits.—First, Wm. Johnson, 4' 26"; second, M. L. Foss, 4' 26 1/2".

The meet was very efficiently managed and everything went as smoothly as clock work. The committee in charge consisted of: L. V. Rose, chairman; R. M. Chapman, T. Oas, Scandinavian; Frank Stableski and Theodore Haas, assisted by M. E. Ellingsen, J. E. Holman, F. E. Gifford, H. R. Fairchild.

The time is close at hand for our annual banquet, to which all the members are looking forward eagerly. The date has not been decided upon yet. The committee reports that they are shaping their plans for the early part of May.

Even though Spring has come with its insistent call to the out-of-doors, the attendance at the study classes has been excellent.

The Institute Classes have been very popular, but classes in the Law of Real Property and in Accounting have also drawn quite a number. It is expected the final examinations will take place in the last week of May.

PHILADELPHIA.

BY DAVID CRAIG.

The high light in Chapter affairs during March was the fourteenth annual banquet given in the ball room of the Bellevue-Stratford Hotel, Saturday evening, March 6th. The actual number of covers was 785, the largest in the history of the Chapter and one of the largest, if not the largest, dinners ever given in the city. It was a distinct success from all viewpoints and fixes

a high standard for future celebrations. Aside from the diners there were nearly 200 of the wives, sweethearts and daughters of the men seated in the boxes in the balcony surrounding the ball room.

The dinner out of the way, President Frank C. Eves made a brief address recounting the Chapter activities during the past season, and presented the toastmaster, John H. Mason, vice-president of the Commercial Trust Company. Mr. Mason, in his remarks, made reference to "The Federal Reserve Act," giving special attention to the trust company features and the need for State legislation, permitting National banks in this Commonwealth to avail themselves of the trust functions. Contrary to the position taken by many trust company men, Mr. Mason urged the enactment of the needed laws, and expressed the hope that the Legislature would not delay giving the banks the privilege of making use of the trust company features of the Reserve Act.

Unexpectedly we were given the high honor of a visit from Governor Brumbaugh, chief executive of Pennsylvania. In a short but spirited address the Governor exhorted his hearers "to play the game fair."

"You have now at Harrisburg," he said, "and do not misunderstand me, an administration of your affairs that is going to play the game with the cards on the table. I don't know exactly what that means, but it sounds good, and I want you to play the game in the same open, honest way for the people of Pennsylvania.

"If you have laws that need to be enacted, to promote the stability of this Commonwealth, I want you to bring them to Harrisburg, and I will aid you. If you have selfish interests to foist upon the people of Pennsylvania you had better stay home—we don't want you.

"Consider another proposition with me. Never get on the wrong side of a moral problem in the public life of the people of Pennsylvania. Stand up for the thing that is eternally right and just and fair. Then we can all work together for this greatest of all Commonwealths.

"We, at Harrisburg, are about to appropriate about \$60,000,000 of your money. If you are not interested enough to tell the executive and Legislature how you think they ought to spend it, and they, in the absence of this advice, do the best they know and you subsequently criticize, you are not fit to be citizens of Pennsylvania."

Other addresses were made by Clarence W. Barron, manager of the Boston and Philadelphia News Bureaus; Prof. E. S. Rowe, president of the American Academy of Political and Social Science, and Elbert Hubbard. Mr. Barron, who recently returned from Europe, where he investigated the financial situation in each of the countries now at war, gave a very scholarly and interesting address on "The European War and Its Lessons in Finance." Discussing at length the various phases of the European situation and the conditions which led up to the terrible conflict, Mr. Barron drew from it three lessons for the American banker.

"The First Banking Lesson," he said, "arises from the immediate cause of the war—a lack of politeness or courtesy. The statesmen call it a lack of diplomacy.

"The Second Lesson is the importance of sound finance. Germany and England are fighting in lines of finance more than with armies by land or ships by sea.

"The Third Lesson for the bankers of this country to be learned from this war is that American finance must hereafter be of a broader character—less local and more international."

Prof. Rowe, who was the delegate of the United States to the Pan-American Conference at Rio Janeiro,

discussed "The Banker and Our Trade with South America." He said in part:

"What the country needs is the banker-statesman, under whose leadership the capital of the country will avail itself of the wonderful resources of the Argentine Republic, Brazil, Chili and Peru. The instruction of the American investing public must be undertaken by responsible banking houses. The work that is now being done by the National City Bank of New York, not only through the establishment of branches in South American countries, but also through the systematic enlightenment of the public opinion of the country, has set a standard which will doubtless be followed by other institutions.

"One of the most serious weaknesses in the campaign for South American trade has been the demand of the manufacturer for immediate returns, combined with an unwillingness to undertake a campaign extending over a series of years. In this respect the American manufacturer has shown himself the marked inferior of his German, British and French competitors in the development of foreign trade. It is a lack of patience, a failure to take a long-range view of the situation, an unwillingness to make temporary sacrifices in the interests of the larger ends to be attained, that has seriously handicapped the campaign for South American trade.

"The wider, deeper knowledge of the countries of South America, which we will acquire in the process of increasing American investment, will give us a more accurate, and therefore a higher, estimate of the present condition and possibilities of these countries; it will give to them a truer view of the intent and purposes of the American people, and thus will contribute indirectly to that feeling of continental solidarity, which means so much to the maintenance of the peace of this continent and to the future of western civilization."

Among the diners were the following guests of the Chapter: Rev. George D. Adams, Chestnut Street Baptist Church; George E. Allen, educational director A. I. B.; Richard L. Austin, Federal reserve agent, Philadelphia; Clarence W. Barron, publisher, Boston News Bureau; Robert H. Bean, chairman Executive Council, A. I. B.; W. A. Boyd, president Syracuse Chapter; H. G. Brengle, vice-president Philadelphia Trust, S. D. and Insurance Company; Frank H. Bryant, president Boston Chapter; E. J. Cattell, honorary member Philadelphia Chapter; Frederick A. Child, University of Pennsylvania; Rowland Comly, president Logan Trust Company; Thomas Conway, Jr., University of Pennsylvania; Frank B. Devereux, member Executive Council, A. I. B.; Harold J. Dreher, member Executive Council, A. I. B.; E. W. Evans, president American Institute of Banking; Frank C. Eves, president Philadelphia Chapter; Frederick E. Farnsworth, general secretary A. B. A.; Jay Gates, vice-president Pennsylvania Company for Insurance, etc.; Warren M. Goddard, president Richmond Chapter; Wm. M. Hardt, examiner Philadelphia Clearing House Association; Walter K. Hardt, assistant cashier Fourth Street National Bank; Elbert Hubbard, East Aurora, N. Y.; S. S. Huebner, University of Pennsylvania; E. W. Kemmerer, Board of Regents A. I. B.; D. S. Kloss, secretary Pennsylvania Bankers' Association; Wm. A. Law, president American Bankers' Association; J. A. McCarthy, trust officer Real Estate Trust Company; L. T. McFadden, president Pennsylvania Bankers' Association; John H. Mason, vice-president Commercial Trust Company; Joseph Moore, Jr., president Philadelphia Clearing House Association; Eugene J. Morris, member Executive Council, A. I. B.; W. A. Obdyke, vice-president Commercial Trust Com-

pany; Chas. Osborne, assistant trust officer Pennsylvania Company for Insurance, etc.; E. P. Passmore, vice-president Pennsylvania Bankers' Association; E. M. Patterson, University of Pennsylvania; Henry R. Robins, vice-president Real Estate Title Insurance and Trust Company; Emil Rosenberger, president Real Estate Title Insurance and Trust Company; Leo S. Rowe, president American Academy Political and Social Science; L. J. Rue, chairman Philadelphia Clearing House Committee; Claude A. Simpler, trust officer Land Title and Trust Company; Albert N. Smith, president Baltimore Chapter; W. W. Spaid, president Washington Chapter; A. H. Titus, assistant cashier National City Bank, New York.

PITTSBURGH.

BY W. A. KORB.



H. E. HEBRANK.

Pittsburgh Chapter celebrated "Old Home Night" on Tuesday evening, March 2d. It was one of the most enjoyable evenings in the history of our Chapter. Most of the past presidents and many of the "old" members of the Chapter were on hand to renew old acquaintances and make new ones. No set program had been arranged, it being the intention of the committee in charge to make the meeting as informal as possible. After a few vocal and instrumental selections by the Lindsay Colored Quartette, President Reed called on some of the past presidents of the Chapter for short speeches. Those who responded were E. E. Kehew, F. M. Polliard, Fred. Loeffler, E. S. Eggers, J. Howard Arthur and P. S. Space. None of these men knew that they were going to be called upon, but they were all ready with a few words of comment on the work and history of the Chapter.

The next address of the evening was made by D. C. Wills, of the Federal Reserve Bank of Cleveland, who

was the first president of our Chapter. His talk dealt almost entirely with the early history of the Chapter, the only reference to the new Federal Reserve System being his advice to the bankers of to-day to familiarize themselves with all phases of the Act.

Following Mr. Wills's address, Dr. J. T. Holdsworth, Dean of the School of Economics of the University of Pittsburgh, was asked to make a few remarks. Dr. Holdsworth is an old friend of the Chapter, one who always has its welfare at heart. He is always ready to help us with suggestions in connection with our educational work, and his talk at that time was mainly along those lines.

After Dr. Holdsworth's address a Dutch lunch was served, while the quartette kept things lively by playing popular airs. After the lunch the bunch all gathered around the quartette and began to sing. They sang almost all of the popular songs from "Good Old Summer Time" down to "Tipperary," and finally wound up with "Auld Lang Syne." This meeting had been arranged with the idea of fostering the good-fellowship which exists among the members of our Chapter, and from that standpoint, as well as every other, it was a complete success.

Pittsburgh Chapter presents Harry E. Hebrank, one of its former presidents and active Chapter worker, as a candidate for the Executive Council of the Institute, believing that in him the Institute will find those qualities of strong, able leadership which it needs in the engagemnt of its usefulness and continued advancement.

Interest in the educational classes has in no way decreased. In connection with the regular mid-winter examinations of the University of Pittsburgh an examination was given the class in commercial law, at which time a new record was established in our Chapter. Up until this time the largest number of men to take an examination was 15. Those who took this examination numbered 65. This proves conclusively that the method adopted this year of placing the classes in charge of the University of Pittsburgh was successful.

Another examination on the remaining portion of our Law Course will be held at the end of the season.

Since our last report the Committee on Public Affairs has conducted two Thrift Meetings. The first one at a weekly luncheon of the Pittsburgh Real Estate Board, concerning which the following item appeared in one of the local daily newspapers.

"THRIFT SUBJECT OF TALK.— "Popularizing Thrift" was the subject of a talk delivered before the members of the Pittsburgh Real Estate Board attending the weekly luncheon in the Fort Pitt Hotel yesterday. The speaker was P. S. Space, estate auditor of the Fidelity Title and Trust Company, speaking in the interest of the campaign in behalf of thrift being conducted by Pittsburgh Chapter, American Institute of Banking. He said that the American besetting sin was extravagance, and cited many illustrations of economic wastes. Nearly all capital comes from savings, he said, and he urged brokers to think along lines that will suggest means of making thrift more popular. He praised real estate men for having aided thrift by devising a means whereby homes may be paid for in installments. Among enemies of thrift he enumerated indolence, extravagance, improvidence, hoarding and the get-rich-quick spirit, the factors for thrift being industry, prudence and frugality."

The second meeting was that held by the Pittsburgh Credit Men's Association on March 18th, and was ad-

ressed by George Rankin, Jr., of the Central National Bank of Wilkinsburg. After the address the credit men decided to have Mr. Rankin's speech printed and mailed to every member of the association. From these two reports it is very evident that our Public Affairs Committee is accomplishing the purpose for which it was intended.

For some time past Pittsburgh Chapter has been greatly handicapped in its work by the lack of a proper meeting place. The present quarters are entirely too small, besides being poorly ventilated. This condition has brought about an earnest search on the part of the Board of Governors for a better hall. It is hoped that before long we will be able to announce that suitable quarters have been secured. Another step forward by the Board of Governors is the incorporation of the Chapter, which has just been completed.

It has just been announced that the speaker for our open meeting for April will be Clay Herrick, of Cleveland, Ohio, who will speak on the subject, "The Analysis of a Borrower's Statement." Our members are looking forward to this event with a great deal of satisfaction. We are assured beforehand of a talk well worth hearing.

At a special meeting of the Board of Directors of the Pittsburgh Chapter the following resolution was adopted:

Whereas, Death has removed from our midst our beloved past president, secretary and fellow director, Bertram O. Hill, and through his death our Chapter has lost one of its most loyal members. His wise counsel and untiring efforts were invaluable as a factor in the upbuilding of the Chapter's success. His sterling character and good fellowship will long be remembered by all those with whom he came in contact.

Therefore, Be it resolved that the Board of Directors now assembled extend the heartfelt sympathy of the Chapter members to the bereaved widow and parents and commend them, in their great sorrow, to the all-wise Providence, whose grace is sustaining in every hour of need.

And it is further resolved, That this resolution be spread on the minutes of the Chapter and copies be sent to the family and be published in Chapter Clearings and the Bulletin of the American Institute of Banking. H. E. REED, President.
P. F. TESSMER, Secretary.

RICHMOND.

BY JESSE F. WOOD.

The March meeting of Richmond Chapter was unusually interesting, and our Program Committee should be congratulated. Senator Buchanan, of the State Legislature, spoke on the very much agitated question in Virginia at this time, "Taxation." His address dwelt particularly on the two well-known methods, that is, Segregation and Commission forms of taxation. However, since this time, Virginia has adopted a new form of taxation, which is the happy medium between the two forms suggested. There is one particular feature that is very gratifying to bank men and their stockholders. The tax on bank stock was lowered, while not so much as desired by the banks, but it shows a step in the right direction.

W. M. Addison, cashier of the First National Bank, spoke on "The Trials and Tribulations of the Bank Man." This talk was very instructive and every man

was benefited from the remarks of Mr. Addison, who has proven time and time again to be a very dear friend of the Chapter.

The Chapter visited in a body the plant of the Purity Corporation and there witnessed the actual operations of a most modern bread, cake and ice cream plant. Yes, we were fed to our hearts content. These weekly tours are growing in popularity, and we are sure that all of those who attend feel that they have been amply paid for their time.

The Chapter has been very active this season in securing new members, our membership having grown from 180 to 215.

Richmond Chapter is now considering the feasibility of offering one or more prizes for the best papers by Chapter members on subjects relative to banking or Chapter work.

Richmond Chapter this year is decidedly in the ranks of those Chapters which pay principal attention to education, and, so far as the present indications can be taken as a guidance to the future, bids fair to remain in that class. We have probably experienced all of the difficulties of any Chapter in the Institute in getting our educational work on a fair basis, having had several classes in preceding years with only two holders of the Institute certificates.

In order to obtain the best results possible we came to the conclusion that it would be best to have the classes conducted in conjunction with an established educational institution, so we made an arrangement with Frank W. Duke, superintendent of the Mechanics Institute, a night school of the highest standing, whereby the American Institute of Banking courses were added to their curriculum, so as to give our members the advantage of their library and other facilities and, at the same time, preserving the identity of the American Institute of Banking. The results seem to be ample justification for this move.

Membership in these classes is open to students of the Mechanics Institute not engaged in banking business, and bank men only who are members of the Richmond Chapter. The class in Banking meets every Monday night from 8 to 10, and the Commercial Law class on Thursday during the same period.

Owing to the small number who have heretofore taken the examination in Part 1, the committee deemed it unwise to urge our members to enter both classes this year, and accordingly confined their main efforts to organizing a substantial class in Practical Banking and Finance, and carrying it to a successful conclusion, so that the graduates in Banking and Finance may be a nucleus for a successful class in Commercial Law next season. Hereafter it is planned that all new men shall start with the course in Banking and Finance. Our total enrollment of Chapter men in this class is 69 men, which is nearly 50 per cent. of the Chapter membership, and their average attendance at the class is about 75 per cent.

We aimed to secure as instructors men peculiarly qualified to handle the various divisions of the course in Banking and Finance, and we have every reason to believe that we have been particularly successful along this line. The following is a list of the instructors, showing the subjects handled by each:

Economics.—LeRoy Hodges, of the Bureau of Ap-

plied Economics, Southern Commercial Congress; Dr. Douglas S. Freeman, Ph.D., editor "News-Leader."

Federal Reserve Act.—George J. Seay, governor Federal Reserve Bank of Richmond.

Bank Accounting.—Chas. A. Peple, vice-president Central National Bank; W. P. Shelton, assistant cashier First National Bank; H. G. Proctor.

Loans and Investments.—John M. Miller, Jr., vice-president First National Bank.

Clearing Houses.—O. Howard Wolfe, secretary Clearing House Section A. B. A., assistant educational director A. I. B.; Thos. B. McAdams, vice-president and cashier Merchants National Bank.

Trust Companies.—Herbert W. Jackson, president Virginia Trust Company.

Savings Institutions.—W. H. Kniffin, Jr., formerly secretary Savings Bank Section, A. B. A.

We are very much gratified at the result shown by the intermediate examination on "Wealth and Banking" in the course on Banking and Finance, the results of which were announced at the regular meeting of the class on March 22d. This examination was conducted under the supervision of Dr. Douglas S. Freeman, Ph.D., who has taken an unusually active interest in the work. In his report he commended particularly the papers of W. F. Augustine, A. K. Parker and H. G. Proctor. Those who passed successfully constitute a little over 50 per cent. of the total membership of the class. Those who did not turn in any papers or failed to make the required percentage still take an active interest in the work, and it is understood that most of them expect to qualify themselves for an examination at some later date. The names of those who successfully passed the intermediate examination are as follows: B. M. Adams, A. L. Archer, H. H. Augustine, W. F. Augustine, J. M. Ball, Jr., C. S. Barnard, G. H. Bates, W. A. Brown, Jr., W. M. Brown, W. W. Dillard, M. M. Fitzgerald, W. H. Gilman, W. M. Goddard, G. B. Gregory, H. H. Harris, W. B. Jerman, R. P. Knightley, J. M. Miller, III., D. E. Mountcastle, R. I. Morton, A. K. Parker, J. G. Pennypacker, H. G. Proctor, W. S. Robertson, W. A. Roper, W. S. Ryland, R. J. Schutte, J. A. Shipley, F. W. Skinner, S. Y. Tyree, W. W. Walthall, P. B. Watt, J. C. Wheat, J. F. Wood and M. D. Walker.

ROCHESTER

BY HARRY L. EDGERTON.

Rochester Chapter to the number of 130 gathered for its second dinner meeting of the season at the Chamber of Commerce on Monday evening March 8th. During the dinner we were entertained by a trio of musicians, under the leadership of one of our men, which furnished the necessary touches to an evening of instruction and good fellowship.

The officers of the Chapter were very much gratified to see so many of the officers of the various banks in attendance. The committee in charge of the dinner and arrangements was composed of Frank L. Nied, Edwin C. Kaelber, Geo. Lennox and H. L. Edgerton.

After disposing of a satisfactory menu, our President, Mr. Whitney, took charge of the evening's program. In a forceful manner he showed why the "Banking and Finance Class" was necessary to a thorough knowledge of the business in which we are engaged. His remarks were

heartily applauded. He then introduced the speakers of the evening, who discoursed upon subjects of general interest. Lawrence B. Packard, Professor of History at the University of Rochester, spoke upon "The Importance of Constantinople," and Judge Lynn of Rochester, United States District Attorney of Western District of New York, took as his subject, "Legislative Enactment and the Work of the 63d Congress."

At the close of our Banking and Finance Class on Wednesday evening, March 10th, we were the guests of the Ward Baking Company. About forty of the fellows availed themselves of the opportunity to see scientific bread making on a large scale under cleanly conditions. The making of bread was followed from mixing to baking, and the tour of the company's plant was crammed with interest and information from start to finish.

At the close of the inspection we were addressed for a few minutes by Mr. Huston, the manager, and then treated to ice cream and cake, the latter a product of the firm's own making, which was relished greatly by the fellows. In passing out we were all presented with a package containing a sample of its product. The fellows all voted that the evening had been well spent.

Leon L. Benham has been appointed Assistant Cashier of the Alliance Bank. He has been for several years an active Chapter worker, and his deserved promotion is gratifying.

SACRAMENTO.

BY C. W. LAUPPE.

On March 12th E. A. Brown, Chairman of the Educational Committee, lectured before the study classes on the Federal Reserve Act. Besides giving a clear interpretation of the Act, Mr. Brown answered many questions from those present.

Our May meeting will be featured by the second adding machine contest in the Chapter. A. May, of the National Bank of D. O. Mills & Co., has been reappointed by President Holmes as Chairman of the committee. I. W. Post, of the California National Bank, must defend the silver cup won by him nine months ago.

The unusual enthusiasm which at first prevailed in the debating section has receded to such a point that this organization has no activity at this time. There is, however, strong hopes for its revival.

Keen interest in the study classes has been maintained and a majority of the members will be prepared for examinations, both in Banking and in Law, within three months' time. The class in law has an average attendance of eighteen.

SALT LAKE CITY.

BY J. A. MALIA.

Arrangements are already being made for the entertainment of delegates to the San Francisco convention who will pass through Salt Lake City this Summer. The city is particularly well prepared to take care of visitors this year. The splendid new Newhouse Hotel has thrown open its doors and is pronounced the finest hotel in the West. The Hotel Utah annex has been finished since the 1912 convention and has added a roof garden and other features. The Salt Lake Chapter will maintain

headquarters at one of the hotels and will be ready to extend a royal welcome to every visiting Chapter member. We invite correspondence from delegates and Chapters regarding their trip plans.

"The Intermountain Banker," the official organ of the Salt Lake Chapter, made its first appearance this month. The "Convention Number" of the paper will soon be on the press. It will contain many articles on banking subjects of interest to the business and banking public and will be generously distributed.

The committee from Walker Brothers, bankers, who had charge of the program for the open meeting in March, have the thanks of the Chapter for the splendid address of Dr. Elmer I. Goshen. Dr. Goshen's condemnation of the hysterical attempts of legislation to control business was timely and in accord with the views of the members present.

Interest in the Chapter class debates continues to grow, and this feature of the work has played a great part in the success of the Chapter this year. It is gratifying to note that every man assigned to a debate so far has accepted his assignment and the development has been marked. Many of the men had never been on the floor before. We are now interested in the decision of the National Debate Committee with regard to a series of debates at the San Francisco Convention, and Salt Lake City is anxious to enter a team.

Royal C. Barnes, past President and always one of the Chapter's strong supports, has been elected Assistant Cashier of the Deseret National Bank. The honor is well deserved, and we are glad to be able to record this recognition of one of our members by the oldest National bank in the Intermountain country.

SAN FRANCISCO.

BY W. F. GABRIEL.

On Wednesday evening, February 24th, Professor C. H. Parker delivered an address before the Chapter on the very interesting subject of "War Finance." Mr. Parker has done much research work on this topic and was able to present to our members many facts and figures of great importance regarding the tremendous cost of the European conflict. For instance, it has been estimated that last November the war was costing approximately \$45,000,000 per day, of which \$12,000,000 was for Russia, \$11,000,000 for Germany, \$8,500,000 for England and \$8,000,000 for France, with the rest chargeable to smaller countries. England started with 600,000 men, and in two months had voted funds enough to keep 2,000,000 men. Foodstuffs in England have risen from 18 per cent. to 69 per cent. since the outbreak of the war, England has annihilated Germany's trade. If the war were transferred to Germany's territory and her supplies cut off, she could only last about six months. The basic cause of the war can be directly traced to the migration of tribes of people from the East to the West. It is truly a predetermined folk war, fatalistic in time and the culmination of years of making. The effect of this war is unparalleled in history. During the last week in July preceding the war securities on the London exchange fell three billion in value. The rate of discount rose to 10 per cent. The war could be ended in three ways: England blockaded, Germany invaded or for Russia and Germany to make peace. The honor of

war was brought home to us recently by a message through relatives announcing the death in battle of Heinz L. Reuber, formerly of Wells Fargo Nevada National Bank. Mr. Reuber was a graduate in the division of Banking and Finance, and was on a visit to his home when war was declared.

Our first monthly meeting of the "Forum" was held on March 11th, when the subject of "Rural Credits" was up for debate. Fifteen-minute papers were read on the following subjects: "History of Rural Credits," by J. S. Curran; "Need of Rural Credits," by W. A. Day; "Proposed Legislation," by E. V. Krick, and "Lack of Demand for Rural Credits," by R. A. Newell. A general discussion by all the members followed, in which many interested points were brought to light. The attendance and spirit of the meeting fully warrants the success of the newest Chapter educational activity.

Attendance at the regular classes continues to hold up strong, and San Francisco Chapter has hopes of largely increasing her list of graduates this year.

A very successful adding machine contest was held Thursday evening, March 18th. One hundred and fifty checks were used, each contestant listing same twice. Nearly 30 entries were attracted by the high cash value of the first prize, \$25 was offered the winner by the Burroughs Adding Machine Company, \$10 by C. L. Philiber, special bank representative, in addition to the regular \$10 prize awarded by the Institute. Robert Schappi, of the Merchants National, proved to be the winner, by correctly listing the checks in the remarkably fast time of 2.10%. A. Massoni, of the Bank of Italy, came second with 2.34%. E. J. Creely, of Crocker National, took the third prize with the time of 2.48.

Our members are looking forward to a very interesting lecture in April, to be given by F. L. Lipman, vice-president of the Wells Fargo Nevada National Bank, on the "Workings of the Federal Reserve Act." A large attendance always gathers to hear Mr. Lipman.

The first month of the Panama-Pacific International Exposition has passed with a record attendance of 1,857,523. With the Eastern travel scarcely started as yet, the officials have high expectations that the daily attendance will increase in leaps and bounds as the season wears on toward Summer time. In the near future a successive chain of nearly 500 conventions will start from the East for the Golden Gate, bringing an aggregate of 1,000,000 visitors. It is expected, too, that the wonders of the exposition itself will bring many persons who had not contemplated making the trip until the glad tidings reached them that here, indeed, was a monumental work—an exposition that surpassed in beauty and scope anything of the sort ever attempted anywhere.

The various Convention Committees are busy and are well pleased with the outlook. The members of the Entertainment Committee are already maturing their plans and the only trouble they are experiencing is the lack of more hours in a day. They realize that most delegates must have at least three hours' sleep every night.

Chairman Newell, of the Hotel Reservation Committee, reports there are a few Chapters yet to be heard from, and requests that all delegates have their own Chapter officials make reservation for them as promptly as possible. Address all communications to R. A. Newell,

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Chairman, San Francisco Chapter A. I. B., fifth floor, 126 Post Street, San Francisco, Cal. It would be appreciated if delegates would make reservations through their own Chapter officials only, not individually, and in that way avoid duplications. All rooms allotted to us by the St. Francis Hotel have been taken, but at the present time any of the other hotels on the appended list can take care of a number of delegates. On an adjacent page is a group picture of these hotels, all of which are within two blocks of the St. Francis, where all sessions of the convention will be held. Rates and accommodations at several desirable hotels are as follows:

St. Francis.—Room on court, with bath, two people, \$7 per day; front outside room, with bath, two people, \$10 per day.

Plaza.—Post Street frontage, two rooms, one bath, four people, \$8 per day; Stockton Street frontage, two rooms, one bath, four people, \$7 per day; west court room, with bath, two people, \$6 per day; north or center court room, with bath, two people, \$5 per day; center court room, with detached bath, two people, \$4 per day; extra person, any room, \$1.50 per day. Deposit required with reservation.

Stewart.—Room on court, two people, with detached bath, \$4 per day; room on court, two people, with private bath, \$5 per day; outside room, two people, with detached bath, \$5 per day; outside room, two people, with private bath, \$6 per day; Geary Street front, two people, with private bath, \$7 per day; on court, four people, two rooms, one bath, \$8 per day; outside, four people, two rooms, one bath, \$10 per day; extra person, any room, \$1.50 per day. Deposit required with reservation.

Manx.—Room with bath, two people, \$5 per day; extra person, any room, \$1.50 per day.

Maryland.—Large room, with bath, two people, \$5 per day; small room, with bath, one person, \$2.50 per day.

Bellevue.—Room with bath, two people, \$6 per day.

Clift.—Room with bath, two people, \$5.50 per day.

Wiltshire.—Outside room, with bath, two people, \$4 per day; inside room, with bath, two people, \$3 per day.

Cartwright.—Room with bath, two people, \$6 per day.

SEATTLE.

BY LESTER R. MCASH.

The most successful year in the history of the Seattle Chapter is nearing a close. Only one more monthly meeting is to be held under the present administration, and the work will then be turned over to the new officers. Next year should be even more successful, if such a thing is possible. The members of the Institute are in a receptive frame of mind for better education, and that is the real object of the organization.

The Clearing House Association, recognizing the good work that the Chapter is doing along the educational lines, has secured new quarters in the old Elks' hall on the top floor of the Alaska building, for the joint use of the Chapter and the clearing house. With this increasing spirit of co-operation between the Clearing House Association and the Chapter, there is no reason why Seattle should not take one of the leading parts in the educational work of the Institute in the United States.

Starting three months ago, President Hayes Wilson

inaugurated a new system for the entertainment of the members at the monthly meetings, and judging by the increased attendance and the popularity of these meetings, the next administration will continue along the same lines. The scheme as outlined is to have some prominent man, an expert in his line, address the members on a topic of general interest.

The first meeting was a talk on South America and South American trade. A. H. Hankerson, a prominent exporter of this city, was the principal speaker. Mr. Hankerson had just returned from an extended trip through several Latin American countries, and the information he brought back regarding the wonderful countries of the South and the opportunities of the United States to secure their trade was a revelation to most of the audience. Judge Coleman, of Chicago, and W. B. Henderson, in charge of the Seattle office of the U. S. Bureau of Foreign and Domestic Commerce, followed Mr. Hankerson and urged the necessity of the shippers of this country conforming to the peculiar wishes of the South Americans in the way goods were to be packed for shipping, if we are to secure a monopoly of their trade.

At the February meeting George Watkin Evans talked on the question of Alaska Coal Fields Considered Commercially. Mr. Evans was the Government's expert in charge of the expedition for the Navy Department which examined and made tests of Alaska coal to determine its suitability for naval use. He has spent several years in the examination of the coal fields in Alaska and in the study of the geological and mining conditions in that country, and is considered the best authority in the world on those questions.

Points of especial interest that Mr. Evans made in his talk were: That the cost of mining and the additional cost of transportation would preclude introducing the coal of Alaska in the Seattle market in competition with local coal; that the greatest use for the coal would be in the territory itself, in developing mining properties, where the price of coal is now excessive, and thus assist in installing smelters for the reduction of Alaska ores; that the steamship companies would probably find it cheaper to use Alaska coal than to use California fuel oil for steamship purposes. Mr. Evans expressed his opinion that there was enough coal in Alaska and the Pacific Coast to last over 800 years.

At the close of his address, Mr. Evans exhibited a number of slides of the coal section of Alaska. These slides were loaned by the Government for this particular address, and it was the first time that the Government would grant permission to be made public the information contained in Mr. Evans' talk.

The annual money counting and adding machine contests were held at the March meeting. The primaries were also held on the same evening and only one ticket was named. Those nominated were: George Maine, Dexter Horton Trust & Savings Bank, president; Jas. Valentine, Scandinavian-American Bank, vice-president; Crawford Morrill, Metropolitan Bank, secretary, and R. J. McDonald, First National Bank, treasurer. Two committees have been named to nominate two tickets for the board of governors and the election will be held at the regular April meeting. The adding machine contest brought out quite a few contestants. The honors were as follows: B. Radford, National Bank of Commerce, first



HOTEL
PLAZA

HOTEL
BELLEVUE

OLIVE
HOTEL

HOTEL
ST. FRANCIS

WELSHIRE
HOTEL

MARYLAND
HOTEL

CARTWRIGHT
HOTEL

HOTEL
MANX

HOTEL
STEWART

GROUP OF SAN FRANCISCO HOTELS.

prize of \$15; W. C. Phillips, First National Bank, second, \$10; O. G. Lohman, Scandinavian-American Bank, third, \$5. Vern Miller, of the Scandinavian-American Bank, was chairman of the committee having this contest in hand. The winners of the money counting contest were: G. H. Brown, First National, first, \$10; T. A. Coulter, Dexter Horton National, second, \$5; O. G. Lohman, Scandinavian-American, third. Crawford Morrill, of the Metropolitan, had charge of this contest. The best time made in the adding machine contest was 3.45, and that in the money counting contest 5.12.

An important amendment to the constitution was passed making the retiring president an ex-officio member of the board of governors. By this arrangement the new board has the counsel and advice of the leader of the old administration, and this will often save delays in the handling of problems.

ST. LOUIS.

BY CHAS. A. SCHACHT.

Our law class continues to draw large audiences, so large, indeed, that for a time we were at a loss to find a hall large enough to accommodate the overflow. The class has an average attendance of well over 50. Bank men of to-day are beginning to realize that a practical knowledge of law is a very necessary adjunct to the banking business. Experience has shown us that much of the success of a law class lies with the teacher, and in order to obtain the best results the services of a trained authority on the subject matter is highly essential. This instructor must not only be a deep student of law, but he should possess the rare tact of being able to impart that knowledge to others in a clear and concise manner. St. Louis Chapter has such a teacher in the person of A. H. Roudebush, who has been at the helm of our law class for the past two years; the excellent results that have attended this class have been almost entirely due to the care and perseverance of Mr. Roudebush. While speaking of this class mention should be made of Frank N. Hall, who acts in the capacity of "Class Booster" and recruiting officer.

The practical banking class is in as good, if not better condition than the law class, which is saying considerable. This is J. E. Uhrig's maiden attempt in the official capacity of pedagogue, and the large attendance that this class has been drawing each Friday evening is ample proof as to Jack's proficiency as teacher. We expect quite a number of graduates from this class at the end of the term.

The friends of C. F. Herb will be pleased to learn that he has been promoted to the office of Assistant Secretary of the Mississippi Valley Trust Company. Mr. Herb is an Institute member and a regular attendant of the Forum meetings.

Oscar H. Wibbing, an old Institute man, has been made Secretary of the Altheimer Rawlings Investment Company. The Chapter feels very proud of Oscar's achievement with this firm. His advancement from salesman to cashier, and from cashier to the office of Secretary, covered a period of less than two years. Mr. Wibbing has just recently become a Benedict and is at present spending his honeymoon in the Far West.

ST. PAUL.

BY W. J. STUTZMAN.

With our annual banquet and election of officers April 21st, St. Paul Chapter's activities will ease up a bit. We expect to have as our guest on this occasion our genial friend, John W. Gorby, President of Chicago Chapter, who will tell us, perhaps, how he made that one hundred thousand dollar "touch."

Final examinations in the subjects covered by our study classes will close the regular course, and we expect a good average to graduate.

On March 6th our boys were royally entertained by our sister city Chapter in Minneapolis on the occasion of our annual inter-city contest. We walked off with a good share of the prizes, and are convinced that the Minneapolis boys are "some" entertainers.

UTICA.

BY F. P. M'GINTY.

As planned by our Educational Committee, our open meeting March 2d heard Utica Chapter's team debate with Syracuse Chapter's team the question: "Resolved, That New York State should enact a law compelling banks and trust companies to guarantee deposits." While we say "as planned" we had not planned to begin March, the last month of our Chapter year, with a defeat, but such was our fate in this debate. Syracuse won.

Expecting that our regular meeting room at the Utica Trust & Deposit Company would not be large enough to accommodate the crowd which would gather for this our first debate with Syracuse Chapter, our committee arranged to hold this event at the Utica Chamber of Commerce building on Elizabeth Street. When H. T. Owen, our President, called the meeting to order at 8 o'clock there were about 150 bank men present. The majority, of course, being Uticans; but Syracuse, Oneida, Clinton and Rome were all well represented. He announced the question, stating that Utica Chapter would argue in the affirmative, Syracuse in the negative.

The members of the Syracuse team were Arthur A. White, Millard R. Ames, Albert B. Merrill and Robert B. Power, alternate. The Utica team was composed of Grover C. Clarke, Carl H. Simon, Frank P. McGinty and James A. Smith, alternate.

Utica, in their argument in the affirmative, contended that a law requiring banks to guarantee their deposits is necessary in order to protect the interest of depositors. That the public are able to insure their health, business, life, homes and, in fact, nearly every asset they have and are not able to insure their deposits, one of their most tangible assets. Such a law they maintained would be fair and equitable, because it would be based on the insurance principle, and similar legislation has operated with good result in Kansas, Nebraska, Texas and also in Germany. It would have a tendency, they said, to draw out the money that is now hoarded and it would prevent panics caused by lack of confidence.

In meeting these arguments the Syracuse men contended that the State of New York has an ideal banking system and that the proposed law is unnecessary and that there is no demand for it. They claimed that the depositor is amply protected by the bank surplus and un-

divided profit, and that the system would be unduly expensive. It was pointed out that the number of bank failures is small and that the suggested act would be unfair and unequitable since it would compel the stronger banks to support the weaker ones.

The applause which followed as each of the speakers concluded his arguments indicated the lively interest of the subject, and while Syracuse was awarded the decision in this debate, Utica Chapter feels that this one defeat by no means forecasts the results of other debates, which we trust we will find it possible to hold with Syracuse Chapter.

Before the debate the visiting team was entertained at dinner at Hotel Utica by Utica Chapter.

On March 9th Professor Frank R. Walker delivered an excellent address to us on "Corporations." Our next meeting was March 16th. This was our annual meeting. The most important business transacted, of course, was the election of officers. Hugh T. Owen, who has served us so well as our President for the past three years, had declined to accept the nomination this year, and we felt that the choosing of his successor was no small task. However, we all agree, that the nominating committee in selecting Grover C. Clarke as candidate for that office done very well.

The following ticket was proposed: Mr. Clarke for President; Frank P. McGinty for Vice-President; D. M. Williams for Secretary; G. Lynn Marriott for Treasurer, and H. R. Gosling for Librarian. These gentlemen were all unanimously elected.

With passing of the month of March Utica Chapter ended their Chapter year of 1914-1915 as well as their third year of existence. It is extremely gratifying to us to be able to announce to the Institute that this our third year has been by far our most successful one, and we feel that considering the spirit exhibited by our members we can promise an even more successful year for 1915-1916.

WASHINGTON.

BY HARRY V. HAYNES.

One of the characteristics of a good bank man is his versatility. This is something which we cultivate with care in Washington and use unsparingly when there is a demand for it. Turning around like a well-oiled and dignified revolving door, if such a thing there is to be spoken of in language unmahoganized, the members of Washington Chapter removed their academic grimace gained from a Winter of study, put on their sunny smiles and advanced to meet the charge for which deep laid plans had been perfected by the brigade known as "Wolfe's Hustlers," commanded by Wolfe himself—the inimitable Edmund S. Wolfe—known the length and breadth of the land as a prince of good fellowship and a warrior who never knew defeat. The encounter took place on ground selected by Wolfe, with the advice and connivance of his swivel chair general and commander-in-chief, the one and only William W. Spaid. The Hustlers were outnumbered almost to the extent of 100 to 1, and the ratio would have been greater had it not been for the fact that the H's had with them the great 16 to 1 Hon. William Jennings Bryan. Immediate surrender was therefore inevitable, and what might have

been an affair of serious ending under a leadership less able resolved itself into a glorious jollification that stands in a class by itself.

Putting aside all disguise, the affair was the annual banquet of Washington Chapter at the New Willard Hotel. It was indeed the most successful event of the kind which the Chapter has given. The one great delight, from at least the Chapter standpoint, was the maiden speech of our president, Mr. Spaid. Arising amidst speakers of such great renown as the Secretary of State, the Chief Counsel of the Interstate Commerce Commission, the Senator from Oklahoma, who had charge of the currency legislation in the Senate, and the chairman of the Federal Reserve Bank of Richmond, not to speak of our own pal, the secretary of the Federal Reserve Board, he delivered his address in such a beautiful, masterful way that he evoked the plaudits of the assemblage in a truly genuine and hearty fashion. He is too modest to accept our verbal comments, as a consequence of which we beat him to it in this fashion.

SPAID'S SPEECH.

"There probably comes to every man an opportunity when he may unburden himself of the great ideas which have lain dormant in his system for years. These ideas may involve changes in all conditions, both physical and political; changes in the course of rivers, the building of cities, the establishment of governments, or even changes in the revolution of the solar system; in fact, for the improvement of every important thing except the particular business in which he himself is engaged.

"Some time ago when I learned that this would be my chance to give birth to a few ideas which would tend to revolutionize everything that is, I thought in the course of my remarks I would settle once and for all the great question of our national defense; I also contemplated taking you to the battlefields of Europe, and pointing out the strategic errors of Joffre and von Hindenberg; I wanted to induct you into the mysteries of twilight sleep, after which I would have named the Presidents of Mexico in order, and explained why Walter Johnson jumped back.

"In my delight at the realization of this great opportunity I communicated my thoughts to the gentleman in charge of these proceedings. Imagine my distress on being calmly though forcibly informed by the said gentleman that as he was the big he-Wolfe of the occasion and if any howling was to be done he would do it; and that the duties of a presiding officer at a banquet, as laid down by an illustrious member of the United States Senate, to introduce the toastmaster and sink into oblivion as quickly and painlessly as possible, would be strictly adhered to.

"Some one classified society into the under-dog, the middleman and the man higher up. I do not know in just what stratum the bank clerk belongs—but I do know what we are all striving to be—the man high up. Not necessarily for the increased remuneration, not necessarily for the power it gives us, but for the keen gratification which comes with every success honestly attained.

"In order to fit ourselves for the responsibilities we some day hope to assume, we have banded together in an organization called the American Institute of Banking, with Chapters in practically all the large cities in the United States and its possessions, primarily for the study of those great problems the knowledge of which must be possessed by every real banker. There are in all about 15,000 of us, and with our constant study of history and theory by night, and its practical application by day, can you doubt the great development of banking horse-power within the next decade?"

WHEELING.

BY WILLIAM W. ENGLAND.

When we say that the third annual banquet of Wheeling Chapter was the best we have ever had, we are expressing it mildly, for without a doubt it was the greatest event ever staged in our Chapter's career. The banquet was held at our new Hotel Windsor, and not only a large number of the Chapter members were present, but also the officials of the banks of Wheeling and vicinity were ably represented, which was very encouraging to the committee.

We had the pleasure of having as our guest and speaker of the evening Col. Frederick E. Farnsworth, General Secretary of the American Bankers Association, who, after speaking encouragingly to the Chapter, discussed the Federal Reserve Act. Mr. Farnsworth's visit to Wheeling will long be remembered by the banking fraternity as one of the crowning events of the season.

SPOKANE.

BY J. C. ALSTON.

A booster meeting of Spokane Chapter was held on March 22d. A large attendance of enthusiasts was present, and the meeting was voted by everyone a grand suc-

cess. Attorney Roy A. Redfield was the principal speaker. His slogan was "Make the Best Better." Mr. Redfield's address was so inspiring that at its close most of the older members were moved to speak in a similar strain. Short talks were made by E. R. Anderson, Joseph Baily, J. W. Bradley, A. B. Russell, F. B. Peach, W. E. Tollenaar, J. H. Tatsch and W. E. Kelley. The musical program was arranged by Otto Allgaier, whose selections added much to the pleasure of the evening.

The annual election and banquet will be held on April 21st. At the moment of writing only the following have so far been nominated. For president: Chas. A. Ham, of the Exchange National, and W. E. Tollenaar, of the Old National. Both are very popular, so that whichever candidate wins will have the full confidence and backing of the Chapter. Otto Allgaier, of the Exchange National, and H. W. Sanders, of the Fidelity National, are competing for treasurer, while Sidney Smith, of the Exchange National, is running for financial secretary. The candidates for the Executive Council are A. S. Blum, of the Union Trust & Savings Bank; J. H. Tatsch, of the Old National; F. J. Robinson, of the Fidelity National, and W. E. Kelley, of the Union Trust & Savings Bank. T. B. Hutcheck, of the Old National, is a candidate for delegate to the National Convention at San Francisco.

POST-GRADUATE THESES DUE JUNE FIRST

Reports contained in the monthly Chaptergrams and the correspondence which the Post-Graduate Committee has recently had with various Chapter leaders indicate clearly that during the current year the "Forum" work has been developed in all of the larger cities to a greater extent than ever before, and many individuals in the smaller Chapters seem to have taken up the work with considerable energy.

The advice of last year's committee that the "Federal Reserve Act" and "Foreign Exchange" be selected as special subjects for this season also seems to have been followed quite generally, and in view of the great importance which these two topics have assumed in the banking world within the last six months it is particularly gratifying to note that our members are devoting a great deal of their time to a searching study of these questions.

The Post-Graduate Committee believes, therefore, that there is every reason to hope that the season 1914-15 will be a successful one in "Forum" work generally, but it is desired to again call the attention of all individual Post-Graduate Students in large as well as in small cities to the fact that only about sixty days remain for the preparation of theses for the current year as *all manuscripts must be in the hands of the Educational Director not later than June 1st*. The subjects, as previously announced, are as follows:

1. The Discount Function under the Federal Reserve System; Its Development and Future.
2. The Development of a System of Commercial Acceptances by American Banks and Its Effect Upon Trade and Finance.
3. The Possibility of Credit and Note Inflation Under the Federal Reserve System.

4. Modern Methods of Settling International Trade Balances.

5. Financial Possibilities and Problems in Connection with the Development of Central and South American Trade.

Of course, each student is free to select whatever subject appeals to him the most, but the theses must be submitted according to the following rules:

1. Essays must be typewritten and four identical copies submitted to the Educational Director not later than June 1, 1915. They should approximate 5,000 words.
2. Essays must bear fictitious names that will conceal the identity of their authors. In a sealed envelope addressed to the Educational Director each author must give his real name in connection with the fictitious name signed to his essay.

Unsuccessful contestants may submit essays until they have either secured the Institute degree or have satisfied themselves that it is beyond attainment, but no contestant may submit more than one essay in any one year.

The Post-Graduate Committee hopes that a large number of theses will be in the hands of Mr. Allen by June 1st, and the committee will gladly answer any further questions which prospective contestants may wish to ask.

- R. S. HECHT, Chairman, Hibernia Bank & Trust Co., New Orleans, La.
 ROBERT H. BEAN, Boston.
 J. A. BRODERICK, Washington.
 JOSHUA EVANS, JR., Washington.
 JOSEPH J. SCHROEDER, Chicago.

Cotton as a Potent Factor In the World of Finance

Masterly Address by W. G. P. Harding, of the Federal Reserve Board, at the Annual Banquet of Baltimore Chapter of the American Institute of Banking—How a Condition of Threatened Bankruptcy Was Overcome by Financial Sagacity and Patriotism—The Problem of Cotton Acreage and Diversified Agriculture.

Events of the past seven months have demonstrated in a forcible way the importance of cotton as a factor in local, national and international trade and finance. The cotton belt of the United States extends across the continent from the Imperial Valley in California through parts of Arizona and New Mexico to Texas, Oklahoma and Arkansas, and thence eastward through the Gulf and South Atlantic States to the Southern tier of counties in Virginia. About one-fifth of the entire population of the country is resident in the cotton belt, and is either directly engaged or closely concerned in the production and marketing of the crop.

It may be interesting to consider some of the elements that enter into the production of cotton from planting time until the staple is ready for conversion into finished product. The preparation of the ground before planting stimulates raising of live stock, as the motive power drawing the plow is either a horse, or a mule, or an ox. Plow points, trace chains and cotton ties connect the farmer with the metal trades, while the plow handles, made of hardwood, are contributed by a branch of the lumber industry. Fertilizer, generally used throughout the belt east of Texas, is the product of a highly specialized manufacturing industry, which in assembling its raw material, and in marketing its output, employs thousands of men and furnishes a vast amount of tonnage for transportation lines. In most cases the food and clothing of the cotton farmer and his family, from the time his crop is planted until it is marketed, is bought on credit, as well as the fertilizer with which he enriches the soil.

The outbreak of the war in Europe occurred just as the Southern States were about to gather and market what has proved to be the largest cotton crop ever grown. Prices for several seasons immediately preceding the last had been high, and had stimulated the production of cotton, as shown both by increased acreage and larger use of fertilizer. Investigations made last Fall by chambers of commerce in several Southern cities indicated that the average of all advances made against the growing crop in several of the States was between 8 and 9 cents per pound, or about \$42.50 per bale. About 40 per cent. of our cotton crop is consumed in normal times by the mills of the United States and Canada, and the remaining 60 per cent. goes to foreign countries, principally to Great Britain, Germany, France, Russia, Italy, Japan, Austria-Hungary, Belgium and Spain. Cotton for domestic con-

sumption comes chiefly from the Carolinas, Georgia, Alabama and Mississippi, while the crop grown west of the Mississippi River is nearly all exported. Texas, with about 40 per cent. of the total crop, exports about 95 per cent. of her product.

On the first of last September, when the new cotton year began, it was evident that a crop of over 16,000,000 bales was about to come in sight, against which there were debts already incurred and charges pending for picking and baling of probably about \$560,000,000. Just before the outbreak of war the market price had been 12 cents per pound, or \$60 per bale. The closing of the exchanges, the derangement of shipping facilities, the panic which seized upon the commercial world, and the financial chaos that immediately followed the beginning of hostilities, destroyed the market for cotton, and reduced the demand for it to the daily needs of such mills as actually required it to supply their spindles. Every purchaser, actual and potential, was overwhelmed with offerings, and while the prices asked were admitted to be far below intrinsic value and cost of production, it was found by buyers that purchases on a given day were followed on the next day by offerings at lower figures. Each mill owner was afraid to buy freely, even where he was able to finance himself, lest his competitor could, by holding off, secure his supply of cotton on a much lower basis. Not only were the merchants and bankers of the cotton growing sections embarrassed by the inability of the farmers to convert their product into money, but the transportation lines, accustomed at that season to the heavy tonnage created by the movement of cotton to market, suffered so serious a loss of business and so great a reduction in earnings, that they were forced to adopt drastic economies, such as annulment of trains and abandonment of improvements and repairs, with consequent stoppage of purchases of supplies. This necessary action threw much of their own labor out of employment, besides demoralizing the market for coal, iron and steel products, and lumber. The entire suspension or curtailment of operations on the part of coal mines, furnaces, steel plants and saw mills greatly augmented the ranks of the unemployed and aggravated the general distress. Obligations to fertilizer companies, to jobbers and to banks, both in the South and North, were maturing, and bankruptcy seemed imminent throughout the cotton sections, although nature had been most bountiful and had rewarded the toil of the tillers of the soil with the largest crop ever produced. Exports fell to less than one-tenth of normal, and foreign countries, mostly belligerents, that held maturing obligations of American merchants and bankers for large sums, aggregating probably more than \$400,000,000, were calling for settlement. Our gold reserves were threatened, and the extremely sluggish movement of a great commodity that had been counted upon to produce \$500,000,000 of foreign exchange affected the finances of the world. The greatest financial leaders in this country were at a loss to find a remedy, although expedients of all sorts were proposed, among

them the "Buy-a-Bale" plan, which resulted in the sale of a limited amount of cotton at \$50 per bale by a comparatively small number of producers, which merely shifted the ownership of the cotton involved without increasing its consumption or adding to its market price, and which also tended to give holders wrong ideas as to actual values. Various other schemes were agitated, looking to the purchase of cotton at a fixed price by the National Government or by the States, but no legislative action resulted except the enactment of an excellent warehouse law in the State of South Carolina.

The city of St. Louis, the commercial gateway to the Southwest, and a great distributing center for the entire South, was perhaps more directly affected by the distress prevailing throughout the cotton States than any other financial center, and to a banker of that city, Festus J. Wade, is due the credit for the initiation of a relief measure whose evolution into a great cotton loan fund was undoubtedly instrumental in ending the cotton panic. Out of a total sum of \$101,036,100, subscribed by and through banks in the North, East and West, New York subscribed \$53,000,000, Chicago \$12,045,500, St. Louis \$12,004,600, Philadelphia \$5,170,000, Baltimore \$2,451,000, Boston \$2,085,000, Cincinnati \$2,000,000, Cleveland \$2,000,000, Pittsburgh \$2,000,000, and several other cities more than \$1,000,000 each. Altogether there were 689 subscribers in 64 cities situated in 19 States and the District of Columbia. While the funds provided were barely touched, the total loans having been only \$28,000, the plan was nevertheless effective in creating the mental attitude necessary as a foundation for the restoration of orderly methods and normal conditions; yet, while the fund was being subscribed, much opposition was manifested and the idea condemned in some quarters as illegal, economically unsound, dangerous and visionary. The essential feature of the plan adopted, however, was co-operation between banks in the South, who, as a rule, already had a large equity in the cotton crop by virtue of advances made while it was being grown, and banks in other sections whose interests were remote and whose participation was due to a patriotic public spirit. The members of the Federal Reserve Board, in their individual capacities, consented to act as a Central Committee in general charge of the management of the fund. A Loan Committee was appointed, composed of two members of the Federal Reserve Board and of six well known bankers representing the cash subscribers. The South was to subscribe, as needed, a total of \$35,000,000, and Southern banks were allowed to pay their subscriptions in notes secured by cotton collateral, and Loan Committees were appointed in each of the cotton-growing States, who in turn selected a large number of local committees throughout their respective States. The plan provided, in effect, for a moderate valorization of cotton, as loans were to be made upon the usual margin, on a basis of 6 cents per pound. The prominent part taken by the Secretary of the Treasury in the formation of the fund, to whose unflinching efforts its accomplishment was due, the attempts of its opponents to defeat the plan, the interest taken in the matter by the President, who requested the Attorney-General of the United States to give an opinion as to its legality, which opinion held that it was not in contravention of any of the anti-trust laws—all served to give this measure of relief the widest possible publicity, not only throughout the United States, but abroad as well. As

soon as spinners throughout the world were impressed with the fact that cotton, after all, had a tangible value, that holders could secure loans upon it on the basis of 6 cents per pound, they began to buy. Other circumstances about this time tended to broaden the demand, the Federal Reserve Banks were opened, money rates began to drop, Great Britain announced that cotton would not be regarded by her as contraband of war, a well-defined movement to Germany ensued, sales of cotton in the South liquidated pressing indebtedness, and in a short time the whole situation was sensibly relieved. Despite our limited shipping facilities, handicapped further by vessels having to pass through mine-infested seas, exports of cotton for the past two months have been without parallel. The war risk insurance provided by the Government last Fall has been most effective, and has facilitated a movement of cotton which otherwise would have been impossible.

History records no war conducted on a scale so gigantic as that which is now devastating Europe, and nowhere in the story of American finance can be found a commercial and banking situation so serious as that which developed almost over night during the closing days of last July, nor has there ever been a crisis throughout which a Secretary of the Treasury displayed better generalship, or handled matters more promptly, skillfully and fearlessly; and never before has there been so rapid a transition from an acute situation of the utmost gravity to one of comparative ease and assured safety.

In the Southern States, where cotton is king, his power and glory mean always prosperity to his subjects; and his weakness or dethronement is followed by their impoverishment. His influence extends far beyond his own domains to every section of this country and to the uttermost parts of the earth. His fall and partial restoration, however, convey a lesson that we should ponder over and take to heart, which is, that he should never again be permitted to become an absolute monarch, but that his sovereignty should be a limited one. It is probable that the present demand for cotton is due to an appreciation of the fact that it can be had for less than its average cost of production. Foreign and domestic spinners are laying in supplies, with an eye to the future, in excess of their immediate needs. At the close of the present year there will be probably a surplus of 5,000,000 bales. The war still rages with unabated violence, and the danger to shipping increases daily. Cotton may at any time be declared contraband, and an effort to produce another large crop this season would be supreme folly, and such a result might be attended with grave consequences. The mercantile and financial interests of the entire country and the farmers of the South should work together now as never before for the cause of crop diversification. Cotton acreage this Spring should be greatly reduced and every possible acre planted in foodstuffs for man or beast. The 11,000,000-bale crop of 1910 sold for more money than did the 16,000,000-bale crop of 1911, and not only is it certain that 10,000,000 bales produced in 1915 would bring a greater cash return than would 15,000,000 bales, but it is evident, also, that the larger yield may mean disaster, while the smaller, if the land released be properly utilized for food crops, would witness the restoration of King Cotton to his throne, and would permit his subjects once more to trip along the primrose paths of prosperity.

Prospective Change of Attitude Towards Banks That Rediscount

Operation of the Federal Reserve System from the Practical Point of View—Address Before Dayton Chapter by D. C. Wills, Chairman of the Federal Reserve Bank of Cleveland.

Since a member of the Federal Reserve Board (Mr. Warburg) has referred to the establishment of the Federal Reserve Banking System as "The Fourth of July in American Finance," it may not be out of the way to revert to the time in American history when the Fourth of July was in its infancy.

In 1787, during the interval between the drawing up of the Constitution and its ratification, there appeared in the Independent Journal of New York a series of articles under the general heading of "The Federalist." Most of these were written by Alexander Hamilton, and were a defense of the unified, centralized government rather than a confederation of States. In pleading his cause Hamilton appealed to the loftier motives of the people, and it is upon these same motives that we ask you to base your judgment and estimate of the new Federal Reserve Banking System. Hamilton said:

"So numerous indeed and so powerful are the causes which serve to give a false bias to the judgment, that we on many occasions see wise and good men on the wrong as well as on the right side of questions of the first magnitude to society. This circumstance, if duly attended to, would furnish a lesson in moderation to those who are ever so much persuaded of their always being in the right. Happy will it be if our decision should be directed by a judicious estimate of our interests, unperplexed and unbiased by consideration not connected with the public good."

CIRCULATION AND RESERVES UNDER THE OLD SYSTEM.

You are all doubtless familiar with the condition that required a new banking system. Until November 16, 1914, National banks of the country operated under a law enacted at the time of the civil war. The security for the circulation of these banks was government bonds, and primarily the organization of these banks was to furnish a fixed market for government securities. The result was that the circulation of the country had no flexibility, and was not based on the proper security.

In addition, the system of reserves under which these banks operated was of a pyramiding nature. There were three central reserve cities—Chicago, St. Louis and New York. These cities were required to keep a 25 per cent. reserve in their own vaults. There was also a list of reserve cities such as Cleveland, Columbus, Pittsburgh and Cincinnati. These cities kept a 25 per cent. reserve—12½ per cent. in their own vaults and 12½ per cent. on deposit with banks in central reserve

cities. The remainder of the National banks kept a 15 per cent. reserve—6 per cent. in their own vaults and 9 per cent. with banks either in reserve cities or in central reserve cities.

REDISCOUNTING.

In time of stress the strain on this system was great, and in 1907 it broke down entirely. In many instances banks were not only unable to rediscount at their correspondent banks with whom they carried balances in the expectation of help, but they were also unable to check out in cash the balances already to their credit. Were it not for the wonderful stamina and resources of this country, the results of 1907 would have no doubt been more far-reaching. Under this former system, too, rediscounting was usually looked upon as a reflection on the management or condition of a bank. Each of the 7,500 National banks outside of the deposit of reserve heretofore mentioned, was a separate unit. A bank was willing to lend in its community to the extent of its own loaning ability, but rarely was useful in taking care of its community's demands in case they did exceed the limited resources of the local banking power. Under the new Act National banks will be inclined and required to become strictly commercial banks. The bulk of the assets will consist of liquid commercial paper, based on the business of the country. This commercial paper the member banks can rediscount at the Federal Reserve Bank when the business demands of the country require it, and the business of the country will hereafter regulate the ebb and flow of funds. When business is active and requires large sums for its operation, these sums will be available though they be far in excess of the loaning powers of the banks themselves. It is then that the reservoir of the Federal Reserve Bank will be used. These facilities to the member banks are not subject to the whims or necessities of another bank, but constitute a right that belongs to the member bank.

IMPROVEMENT OF CREDITS.

Another advance that the establishment of this system will bring about is the improvement of credits. While the elasticity of the currency is important, it seems to me the question of the improvement of credits leads. By this improvement of credits I do not mean only that credit is to be more freely extended, although it is, of course, the hope that there will be no tightening of credits hereafter merely because of the shortage of the circulating medium. There will be under the new system, I hope, a tightening of credits to the man or the institution that is now getting a larger line of credit than he or it deserves.

INCREASED USE OF NEGOTIABLE PAPER.

In my judgment the first results of the system are going to be not so much making the extension of credits easier as making credits better, and I believe this is a

very-much-to-be-desired result. The Federal Reserve Banks can, and in my judgment should, exercise a very useful function in assisting member banks to improve the character of their loans. Ultimately, I believe, we will reach the point of identifying the obligation with the payment in every case. In other words, you will not be asked to sell on 30, 60 or 90-day terms, but when you deliver a bill of goods to the purchaser you will once more receive in exchange, as we used to do in this country, and as the merchant and manufacturer still does in Europe, a negotiable instrument. This means that you are going to rest a great deal easier with a smaller volume of accounts receivable and a larger volume of bills receivable on your books. It is going to take some time perhaps to bring this about, but in the meantime there will be a steady tendency toward better accounts and a more reasonable method of doing business.

CHANGES TO BE MADE SLOWLY.

However, it need not be felt by any of you that the Federal Reserve Banks are going to attempt to revolutionize the methods of doing business in this country all at once. In November the Federal Reserve Board set the date of January 15 as the time that member banks would be required to certify to the Federal Reserve Bank that they carried in their files a statement of the borrower whose paper was being offered for rediscount. Recently, however, the Federal Reserve Board has indefinitely deferred that date so that the banks would be given sufficient time to adopt a general policy of obtaining statements from all their commercial borrowers.

FEDERAL RESERVE BOARD A REPRESENTATIVE BODY.

Let me remind you that one of the noteworthy features of the new system is that member banks, the business men and the government are all recognized in the boards of directors of the Federal Reserve Banks, and I think I can assure you from our own experience that the business men who make up what are known as our "Class B Directors" are going to be not only very valuable members, but also most influential members of our boards. Furthermore, I think that every member of the Federal Reserve Board in Washington, and everyone connected with the system, realizes the desirability and even the necessity of making haste slowly and making changes in existing practices so gradually as not to do violence to any legitimate methods of doing business.

As you probably know, the Federal Reserve Act confers a number of direct powers on the Federal Reserve Board at Washington, with an even greater number of powers implied. This is a safety valve on the directors and management of the separate banks. For instance, it is not within the power of any Federal Reserve Bank without the approval of the Federal Reserve Board to fix the rate of discount, even though the statement has been publicly made that such a condition might occur. At present the influence of the Federal Reserve Board is intelligent, and it is in the opinion of the speaker that such a condition will permanently prevail. There is no reason why the appointments to the board and its ruling should not follow along the same lines as the judiciary.

NOTE ISSUE.

It is interesting to note the method by which the law makes satisfied exponents of both classes of note issue. There was one contingent of Congress that claimed the government was the only agency to issue money. Another class claimed that note-issuing was a banking function. Therefore under the Act the new Federal Reserve notes are government money and are lodged with the Federal Reserve Agent, and when the Federal Reserve Bank has need for this currency it hypothecates with the Federal Reserve Agent and the rediscount notes it holds of its member banks and receives currency in equal amount therefor, carrying this currency on its books in the same manner as National banks now do circulation, it being necessary to deposit with the Treasurer of the United States at least five per cent. fund for the redemption of these notes. The bank must also carry in its own vaults a 40 per cent. reserve against the note issue. On its deposits the Federal Reserve Bank must carry a reserve of 35 per cent.

REDISCOUNTING WILL BECOME POPULAR.

Money hereafter will be a commodity and a bank that rediscounts in order to take care of the community's needs will be no longer looked upon with suspicion, but will be regarded as a bank performing in full the functions of a public spirited institution.

A. I. B. AND A. B. A.

Arthur Reynolds, when President of the American Bankers Association, said: "The American Institute of Banking Section has long since come to be recognized as an important educational factor of the Association. The affairs of this Section have at all times been conscientiously and capably handled, and while the Association has been liberal in its aid, I feel that the results accomplished have been most gratifying and that the work of this Section is entitled to the sympathy and co-operation of our membership. This Section has adhered strictly to its constitutional purpose of 'instructing bankers in banking and maintaining a recognized standard of education by means of official examinations and the issuance of certificates of graduation.' Social features seem to have been generally subordinated to systematic study and the Institute has grown to mean something more than personal association—however pleasant and profitable—in chapters and conventions. This policy insures quality rather than quantity of membership, in which there has, nevertheless, been a substantial increase, especially among country bank officers and employes. The Correspondence Chapter is doing superior educational work. This method of instruction is, in the judgment of practical educators, as efficient as the work of resident schools. The standard study course in which Institute activity is centered consists of serial text books and collateral examinations covering the theory and practice of banking, and such principles of law and economics as pertain to the banking business, and requires about two years of class or correspondence work. Institute graduates are becoming recognized as possessing not only superior knowledge of banking methods, but likewise the qualities of persistence and thoroughness that come only from systematic training."

Rights of Member Banks in the Federal Reserve System

Local Self-Government Essential to Successful Operation and the Best Public Service—Synopsis of an Address by John F. Bruton at the Annual Banquet of Washington Chapter of the American Institute of Banking.

The deliberation, patience and slowness, if you please, of the Federal Reserve Board in issuing its opinions, rules and regulations, have done more to educate the bankers, to dignify, to make sure and effective the operations of the new banking system, than even their most vitalizing deliverances in advance of the opening of the banks. This delay has afforded time to those in immediate connection with the Federal Reserve Banks to prove themselves on the firing lines. They have had time to deal with the elementaries of the system while answering letters, talking at prayer meetings, rubbing sheets a-nights thinking up simple methods and simpler words of common parlance with which to unteach the people who have been erroneously led to believe that the Federal Reserve Banks are the absolute properties of the people, and that whosoever will may come and partake of their benefits without let or hindrance, and at nominal prices. In a qualified sense these banks are set up for the use and promotion of all worthy business and productive enterprises; but, for one, I insist that the member banks having furnished the necessary capital for these institutions are always to be recognized as the legitimate channels through which, directly or indirectly, the benefits are to be administered; save, possibly, when these banks, overburdened with a plethora of money, with no legitimate discount demands in sight, are forced into the open market for paper, in order to make something with which to meet current expenses.

It will be a sad day, if it should ever come, when the Federal Bank exists as an institution severly apart from its members. Our sense of fairness should never countenance the tendency to such a condition. That these district banks are in existence under the new law is the final proof of an intimate relationship not only between the member banks, but between the district banks and the member banks—all vital and interdependent parts of the one system. It would be a misfortune—I first had the word "crime" there, but struck it out—it would be a misfortune to begin competition between the district banks and their members. Hold in mind, please, that one of the prime purposes of the new system is to make credit sure, but not necessarily cheap. The member bank which acts without conscience or which is devoid of a consciousness of its sacred responsibilities to its clients should not be counted as a fair example of the membership in general. Such a bank will sooner or later prove itself derelict to its clientele as well as to the public, thus sparing the necessity of a ban or penalty being laid upon all of its associates.

Begging that you forget for the moment that I am a director, I make bold to declare my firm belief that liberty of action on the part of the boards of directors in the management of the district banks is a prime requisite to their success. And I use the word "success" in its best sense. Men of straw may be found to fill these boards, but that type of board would destroy the confidence of the Federal Reserve Board and would abuse the confidence of the business public. Political encroachments would undermine the system, and the system, within a short time, would fail; and those chargeable with the failure would be known either on account of their overt acts, or on account of their silence in this formative period of the system's development.

I would not have you accept this as any new proposition. The thought of autonomy in connection with the district banks was of the warp and woof of the legislative mind which developed the new system. The President of the United States is reputed to have made prominent in one or more of his public utterances the thought of autonomy, claiming that by virtue thereof the business interests of each district would best be known and could best be conserved. We find this idea emphasized by the fact that one of the governing principles in the location of the district banks was that the trend of trade should be considered.

One of the issues pending for a long time before the country and Congress was, "Shall there be established under the new monetary system one central Government bank or autonomous district banks?" and the verdict rendered is too clear to be questioned. It is fortunate that an interrelationship was made sure through the creation of the Federal Reserve Board, with powers to supervise, and, among other things, to permit one district to contribute aid to another district on fair terms.

If Congress erred in this or in any other provision of the act, then the surest method to prove the error is by actual demonstration. To attempt to cure a supposed error without complete proof thereof by experience is like picking a pimple to prevent its becoming a boil. It is bad, even, to pick a boil before it is ripe. The sore is made worse, and the cure is postponed.

May I talk shop for a minute? Even before the banks were opened it was claimed by some that there would be so much red tape in connection with doing business with the district banks that only the member banks compelled to do so would submit paper for discount. Such has not been the experience of the Fifth District. Your bank has discounted over four thousand notes, aggregating millions of dollars. In every case where paper has been refused, some substantial reason has been given therefor. One or more church notes presented as commercial paper were returned. A number of notes bearing the names of corporations, without the signature of the official signing the name of the corpo-

ration, quite a number having more than ninety days to run, and some real estate paper, were also refused.

I desire to leave a problem with the young men here. Of the papers tendered was a note, proven to be, admitted to be, a genuine agricultural paper, but which was secured by certificates of stock of a certain corporation. What did the bank do with it?

In proof of the extreme liberality of your bank it has accepted paper executed by lawyers—apostles and producers of peace; also the notes of physicians whose labors in their day have, no doubt, unintentionally promoted a few funerals helpful to their communities. In every instance your district bank officials have striven most diligently to meet the demands made on the bank, and much to their gratification the member banks that have learned how are now the most enthusiastic supporters and champions of the new system.

There are still those, however, who are not pleased, although they have not tried out the thing. You have heard of the gentleman from Boston who died, and in due course presented himself at the gates of heaven. A New York man happened to be near and, ascertaining where he hailed from, introduced him to Saint Peter with the statement, "I hope you will let him in, but I know he won't be satisfied."

I bring you greetings from the officers and directors of your bank in the village of Richmond. It ought to make you proud to know that it promises to be the biggest thing in Richmond, and is even now so regarded by some. Has it occurred to you that, according to Baltimore's brief, our bank is relatively five times larger, located in Richmond, than it would have been had it been located in Baltimore?

I do not think the stockholders need worry about their dividends, and much beyond that I shall not worry about the earning capacity of the bank. There is no honest reason, is there, why the member banks should furnish capital by which any appreciable extra special tax may be raised for the support of the general Government? The member banks are already taxed, directly and indirectly, more than good conscience can approve. Down in North Carolina large bank taxes are now justified, only on the ground that the taxes are so easy to collect.

If the Federal Reserve Bank of Richmond should make more under its present board of directors than a six per cent. dividend and a limited amount of surplus, it will be an illegitimate act, and excusable only on account of the innocence of its board. I know of no cleaner term than the word "innocency," and I know of no better realm in which to find its true meaning than in the domain of childhood.

A dear old lady, now of sainted memory, told me this little story which, I think, illustrates what I mean by the "innocency" of our board. The children of a neighborhood got up some little tableaux and plays, and invited their parents and friends to come in to see them. One particular play represented a hero returning from a ten year's war in the name of his king. Upon the stage sat a dear little miss, awaiting the arrival of her lord and master. In he stalked, clad in the paraphernalia of a general. Bowing to the little miss, his wife, he said, "I have been absent from thee, lo! these many

years. Ten long years have I been in the service of our king. I have lost a few battles, I have been victorious in a great war. I return to-day with the trophies of victories in my charge, and the enemies of our king chained to my chariot wheels. He has placed his hand upon my head and declared that my name shall go down to posterity with his. He has conferred great honors upon me, and my name shall be immortal. Now I have come to thee to learn what thou hast been doing in my behalf during these long ten years?" The little miss, rising, curtsied low in so beautiful a manner that I imagine Dolly Madison would have turned green with envy had she seen it. Said the little girl, "My lord, I would not have thee think that I have been idle during these long, tedious, lonesome years. I have been faithful to thee and by industry have assured the preservation of thy honorable name, even hadst thou fallen in battle." And, reaching back, she drew aside a curtain, exposing to view her eight little baby dolls. (Laughter.) If the Federal Reserve Bank of Richmond shows too much profits, it will be an act of innocency on the part of its directors.

I am appreciative of the honor you have conferred upon me in inviting me here this evening. I have a thought that I want to leave with the young men, and it is this: The old Bank Act is responsible more than anything else for the provincialism of New York City and other cities dominated by the banks. The apparently reckless indifference to all else save ourselves when trouble comes may be laid at the door of the old Bank Act. When the new Bank Act went into effect and the banks were opened, some one said the Fourth of July had struck. I prefer to think of it as the year of jubilee, no, not the year of jubilee, but the age of jubilee to the young men who may choose banking as their profession. The old bankers will never see much of good in the new law. They are very much like the old lawyers who, familiar with the old equity practice, resented the innovations of the Code of Civil Procedure. They never had much patience with it, and I fear the old bankers, some "mossy back" in their habits of thought and action, will cherish a feeling of hostility to this new law for some time to come. So that the hope is not alone in the new Bank Act, but in we young men who will take hold of it and, realizing our opportunities, will make the best of it in the service of our country. Dr. Jowett is probably the greatest Presbyterian preacher in this country. Some time ago he told his people this little story of his early boyhood days: Sitting at the fireside with his mother one evening, counting the births and deaths of sparks and embers, and occasionally glancing at the dear mother who loved him and whom he loved so devotedly, he caught her sometimes dropping her work in her lap, and looking out of the window. He said, "Mother, I have noticed several times you have dropped your work in your lap, and raised your eyes and looked out into the light outside. Tell me why you do it." At this point in the story his great congregation were hanging to the edge of the pews, awaiting for the answer. Her reply was, "Son, I lift my eyes that I may rest them and catch a broader vision." Young men, lift your eyes from the musty ledgers over which you toil, and look out and catch the broader vision before you, promising opportunities of service to your country.

Domestic and Foreign Acceptances and the Dollar Credit System

An Interesting Exposition of a Timely Subject
by Romaine A. Philpot, of Lazard Freres, of
New York—A Paper Presented in the Forum
Work of New York Chapter of the American
Institute of Banking.

Regarding the subject of acceptances, sections 13 and 14 of the Federal Reserve Act in substance give to the Federal Reserve Banks permission to discount acceptances based on importations and exportations, and to purchase and sell bankers' acceptances and bills of exchange eligible for rediscount; and to member banks the privilege of accepting drafts and bills of exchange issued for transactions involving importations and exportations under certain restrictions, the rediscount of which shall be governed by such restrictions, limitations and regulations as may be imposed by the Federal Reserve Board. In support of these provisions section 25 of the Act provides that member banks possessing a capital and surplus of \$1,000,000 or more may, under certain regulations, receive authority to establish branches in foreign countries, for the furtherance of the foreign commerce of the United States.

On the other hand, State laws give authority to State banks since April 16th of last year to accept, without limitation as to amount, paper arising out of domestic commercial transactions, the life of which must not exceed the time limit of one year (see New York State bank law, section 106, paragraphs 1 and 2, and section 185, paragraph 2), for which accommodation the State banks are requiring security from the merchants as warrantee against possible loss.

All of the measures thus specified will not only act in support of both domestic and international commerce, but create an acceptance market in this country as well as an open discount market for all classes of commercial paper, enabling our banks to employ their loanable funds in the purchasing and discounting of merchants and bankers' acceptances and rediscounting of the same at any time when cash funds may be required, similar to those which exist and constitute some of the most important branches of banking throughout Europe.

In London there are many discount houses whose specialty it is to discount paper, and many acceptance houses and institutions that by virtue of their high credit rating and international reputation, specialize in the granting of acceptances for the purpose of financing in consideration of a commission the commercial operations of merchants, principally on the strength of letters of credit issued by them on terms providing for certain security, and which acceptances are subsequently bought by discount houses and banks. Such acceptance accounts, which have been the source of considerable revenue to foreign financial institutions, have until recently been entirely foreign to American banks. The commission charged for the giving of acceptances of this kind

depends upon the terms under which the accommodations are granted, involving the life of the acceptance, the financial responsibility of the respective merchant, and the security, if any, underlying the transaction. While the merchant's responsibility and possible collateral security may be a reasonable protective measure, there are some vulnerable points against which the accepting bank must safeguard itself, when documentary bills are involved. In such cases care must be exercised in the examination of the documents to determine as to whether they correspond with the terms of the letter of credit under which the bills were drawn, and whether they are correct, complete and clean, taking into consideration the different requirements of the countries to which the respective shipments may be consigned. This also applies to any other banks, in whatever country they may be, who may negotiate such documentary bills on the strength of the accompanying letter of credit, or handle them as agent or otherwise.

After the acceptance of a bill has been given, the accepting European bank or its financial correspondent in this country, in the event that the transaction was based upon a commercial letter of credit issued here and domiciled abroad, delivers the documents to the importer on terms previously agreed upon, usually against trust receipt. Funds in payment of the draft plus the accepting bank's commission must be provided for by the importer as agreed but before maturity. If the credit accommodation calls for clean bills the transaction naturally becomes much more simple. If the Federal Reserve Act and the New York State Bank Law jointly have accomplished the establishment of similar desirable and safe paper in this country, it will not only denote a stimulus to legitimate trade, but the displacement of certain obstructions from the financial horizon in favor of a probably permanent entrance of a new banking era, in which the "dollar" stands paramount.

While this progression toward creating and maintaining dollar acceptances has received the enthusiastic moral support of many, it has also met with criticism equally strong, the same as every radical movement whose object is a departure from long-established lines of operation; but conceding arguments presented in opposition, admission must follow that such a system not only embraces many conspicuous advantages, but that owing to the intervention of favoring conditions, the dollar does stand paramount, at least for the present. Will our spirit of progress and the moment peculiarly opportune succeed in maintaining it so permanently? Can we bring about a departure from long-established lines of operation and induce our merchants to follow a new system?

While the unfamiliar elements surrounding foreign acceptances have never been agreeable to them they have nevertheless insisted on drafts being domiciled abroad, thereby placing a premium on foreign exchange, because of more advantageous deals they could consummate with

the exporters by reason of a readier discount market abroad for the negotiation of such acceptances.

And our banks, maintaining branches in foreign countries, striving to compete with foreign banks by accepting drafts in foreign exchange, domiciled abroad, will stand in readiness to meet all want. It is, however, a reasonable anticipation that the creation here of a liberal supply of acceptances and other paper available for discount will bring about a lowering of discount rates to a favorable competition with Europe and in support of the dollar acceptance. Dollar acceptances domiciled in New York naturally evoke the patriotic support of our financial life, but our banks also conceived the expectation of diverting to themselves the same commission heretofore paid by merchants for foreign credit accommodation, a portion of which they have been accustomed to pay to their European correspondents for the use of the latter's name, although they themselves assumed all the risk involved in the transaction. As a matter of fact, however, developments have proven the fallacy of this expectation, as the commissions for dollar acceptances have been considerably lessened. The lower cost for this credit service to merchants, aside from a possible saving to them in exchange, should again stand in support of the principle of dollar acceptances. Bearing in mind a possible favorable comparison of the commission rates existing under normal conditions in European centers for financing imports and exports from and to foreign countries, will it be possible for us to attract and retain the acceptance business so remunerative, involving a minimum risk and no cost to the banker, which Europe up to the beginning of hostilities monopolized? There is no doubt but that supreme efforts, sacrifice of commission and actual expense will be resorted to in order to effect this result. During the recent few months, and for the first time in banking history, nearly all importations from China, Japan, South America, etc., by American merchants have been domiciled in the United States, which formerly were centered in London, as were also the exportations from Europe to the aforementioned countries, which, on account of recent disorganization owing to the war have been discontinued. These movements of financial and commercial expansion, furthered in our favor by foreign political conditions, should have the support of all possible encouragement compatible with sound judgment for the development of the permanent dollar basis.

The foreign economic condition has already been reflected by the general dollar credit system which, since the beginning of the war, has been established here by European countries to finance their purchases, which formerly were sold in the exchange of the respective countries, payable abroad, and it might be well to point out in this connection that the precautions recommended to be exercised in the buying of documentary bills, as already described, should also be observed in the handling of documentary bills under these credits or the purchases of same on the strength of the underlying security as represented by the respective documents, a need which American banks, broadly speaking, do not seem to realize.

What ultimate effect the re-establishment of tranquillities will have upon the dollar credit basis is problematical. It is certain that economic exhaustion will be succeeded abroad by a period of excessively high rates of interest and a great demand for capital for

reconstruction purposes, and that Europe will find difficulty in competing with the United States for some time to come. Germany will no doubt transfer to the United States her trade preference over England, provided the commercial spirit so characteristic of the German people and consistency are not inimical. She will not be in a position to continue the granting of long credit terms to South American and other countries as in the past, and these countries will divert their trade to the United States, for the present at least, as offering the best accommodation at lowest cost, and there is every probability that a long duration of the war, and a succeeding lengthy economic exhaustion, combined with an abnormal demand for American products by these countries and a possible resultant refining of exchange, not omitting the effect of the Panama canal, may permanently secure to us a great portion of this trade on a dollar acceptance basis. At the same time, England must always be reckoned with as a great and constant competitor, for from an economic point of view she is much stronger than Germany and able to meet emergencies more readily, accentuated by United States friendly recognition of British efforts in behalf of world interests. Having lost Germany as a customer she will endeavor to capture some of the customers which Germany has lost throughout the world.

To sum up, the elastic dollar provided by our new banking system, combined with United States progress and energy and the opportune moment, will bring the permanent establishment of the dollar credit not only within the scope of probabilities but of actual realization. To be sure, New York will not become the one great monetary world center. However, she will replace London to some extent, and from now on the world will not recognize one monetary center as in the past, but two great financial world poles, New York in the new world, London in the old, both active in behalf of the common purpose—the furtherance of international commerce.

WISHING.

Wishing, if it is for something that can be got by effort, is superfluous; if it is for something that is beyond reach, it is useless.—Albany Journal.

COUNTRY BANKERS AND THE INSTITUTE.

C. L. Ellers, Cashier of the First State Bank of Idabel, Okla., and member of the Board of Directors of the Correspondence Chapter, writes as follows: "I am certainly proud of the fact that I am a graduate of your Correspondence Course. The course of study has impressed me in several ways. I know that it makes a man more thorough, more proficient in the essentials of bank knowledge, and that it will enable that man to render more efficient and capable service to those who have every reason to expect it from those whom they employ. I feel that to be a member of so distinguished a body of young bankers, who to-day are the hired men and tomorrow will occupy the seats of the mighty, is something that I have every reason to feel proud of. I feel that if they will put the love of God Almighty into their hearts, and the knowledge that they gain through the American Institute of Banking in their heads, every one of them may be a success."

PROTECTIVE DEPARTMENT

L. W. GAMMON, MANAGER

OFFICES OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

ALABAMA, BIRMINGHAM.—Brown-Marx Building.
CALIFORNIA, LOS ANGELES.—Walter P. Story Building.
CALIFORNIA, SAN FRANCISCO.—First National Bank Building.
COLORADO, DENVER.—First National Bank Building.
ILLINOIS, CHICAGO.—Transportation Building.
LOUISIANA, NEW ORLEANS.—Whitney Central Building.
MARYLAND, BALTIMORE.—Munsey Building.
MASSACHUSETTS, BOSTON.—201 Devonshire Street.
MICHIGAN, DETROIT.—Dime Savings Bank Building.
MINNESOTA, MINNEAPOLIS.—McKnight Building.
MINNESOTA, ST. PAUL.—New York Life Building.
MISSOURI, KANSAS CITY.—Midland Building.
MISSOURI, ST. LOUIS.—704 Title Guaranty Building.
NEW YORK, BUFFALO.—White Building.
NEW YORK, NEW YORK CITY.—Woolworth Building.

OHIO, CLEVELAND.—Swetland Building.
OREGON, PORTLAND.—Yeon Building.
PENNSYLVANIA, PHILADELPHIA.—New Stock Exchange Building.
PENNSYLVANIA, PITTSBURGH.—Commonwealth Building.
TEXAS, HOUSTON.—Union National Bank Building.
WASHINGTON, SEATTLE.—Hinckley Block.

FOREIGN OFFICES OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.

CANADA, MONTREAL.—501 Transportation Building.
ENGLAND, LONDON, W.—Crown Chambers, 5 Regent St.
FRANCE, PARIS.—16-17 Rue Auber.
BELGIUM, BRUSSELS.—4 Passage des Postes, No. 6 Boulevard Anspach.
CORRESPONDENT OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.
IOWA, DES MOINES.—The Gus J. Patek Detective Agency, 515 Mulberry Street.

March Was a Disastrous Month for Bank Criminals

Nine Notorious Operators Arrested and Facing Long Terms of Imprisonment—Successful Work of the Protective Department of the American Bankers Association.

SAFE BLOWING IN TENNESSEE. DARING ATTEMPT TO BURGLARIZE A BANK IN SEWANEE.

About 2.40 a. m. on the morning of February 17, 1915, a blast echoed and re-echoed through the town of Sewanee, Tenn. Instantly residents of the town were from their beds to hastily learn that an attempt had just been made to blow the safe of the Bank of Sewanee. At this moment three men, aware that they had been discovered, bolted from the interior of the bank and ran with all haste into the darkness.



Wires were resorted to in an endeavor to head the burglars off and bloodhounds brought in to be put on their trial. But it was then determined that the wires were previously cut. Shortly thereafter the dogs lost the trail of the men at a point on the railroad where the trains are forced to slacken their speed in passing through Sewanee. It was evident that the burglars had at this place taken to the trains.

At the bank's call for assistance one of our detective

representatives hastened to the scene of the burglary. The wires again in order, warnings to every surrounding town were issued. All were requested to be on the strictest lookout for any strangers who might come their way. At Decatur, Ala., this warning first took fruit in the arrest of a stranger who had aroused the suspicions of its authorities. Sewanee wired back to hold the man by all means.



Handicapped as he was by the good lead that the burglars had obtained, our representative nevertheless steadily kept to the investigation, tracing his men from town to town and drawing closer and still closer upon them. Finally on February 21, 1915, four days after the crime's committal, he followed his leads into the town of Nashville, Tenn. Here he hastened to Police Headquarters and sought the assistance of its officers, explaining that he had under surveillance the two men who had blown the safe in the Sewanee Bank. Officers were speedily dispatched to aid him and all plans were laid to capture two men who had taken rooms in one of the town's boarding houses. This house was constantly watched and when at 1.15 p. m. on this date the two men stepped from the house they were immediately taken into custody and carried off to headquarters. Then their rooms were thoroughly searched and fuse, nitroglycerine

and, in short, a complete outfit of burglars' tools were found.

The pair was taken to Winchester, where was also the man arrested at Decatur. Citizens of Sewanee were later called into the matter and they positively identified the three men as the strangers whom they had seen in town previous to the attempted burglary.

It is realized that in the arrest of these men three of the country's most notorious bank burglars have been placed into the hands of justice. They gave their names as FRANK SOMMERS, JOE PFEFFER and F. A. JOHNSON. Their photographs are reproduced in connection with this article, and below we publish the record of Somers and Pfeffer as known to us. From the evidence that our representative has gathered against these



men we are indeed confident that they will be convicted of this attempted burglary and that long terms will be netted to each as a result of his implicacy.

RECORD OF FRANK SOMMERS: Arrested in 1892 as Frank Smith, served three years in the Illinois State Penitentiary for burglary. Arrested in Chicago some time later under the name of Frank Steele. Arrested in 1897 in Chicago under the name of Frank Stallings, served six months in the Cook County jail on a charge of burglary. Arrested in 1899 at Havana, Ill., under the name of George Jones on a charge of bank robbery, served three years in the Wisconsin State Penitentiary for burglary, under name of J. S. Berry. Sentenced under the name of Frank Spaulding to the Illinois State Prison some time later for one to 14 years. He was discharged after being paroled in 1914.

RECORD OF JOE PFEFFER: Arrested at Houston, Tex., in 1912 for carrying deadly weapons. Placed in jail at Dallas some time later for burglary. Escaped and was not recaptured. Is married and has a beautiful French wife whose relatives live in Texas. He formerly owned a ranch at Sulphur, Okla. Pfeffer travels a great part of the time in natural disguises, such as wearing his hair very long, side burns and moustache.

NO RECORD OF F. A. JOHNSON OBTAINED TO DATE.

TWO MEN CONFESS TO NEWBURG BANK BURGLARY.

ROB SAFE OF \$357.98—OVER \$350 FOUND IN THEIR POSSESSION AND RETURNED TO BANK.

As the Assistant Cashier of the Newburg State Bank,

Newburg, Mo., stepped into his bank on the morning of February 28, 1915, unusual disorder seemed everywhere to meet his glances. Above his head the transom was shattered and hung out of place. Further on a double edged axe, an iron bar, a cap and a hat were strangely distributed in view. Next the vault was found broken open, the dial to the combination cut off and the combination driven inward. The handle bar of the door had been turned and the party or parties responsible for this work had then gained entrance to the vault proper by forcing one of the smaller doors. At the back of the bank an open window told the story of the getaway. Later it was established that \$357.98 of the bank's money was missing. The bank officials immediately advised our Detective Representatives at St. Louis, and in short order an investigator was on the ground and the case put under way.

Two men known to the town as notorious characters were suspected of having perpetrated this burglary. Our representative in running out this lead found that there was good ground for the suspicion being thus placed. Trainmen were immediately interviewed and advised that two men answering the description of the suspects had just passed over their lines from Newburg. Further on two farmers living twelve miles from Rolla, Mo., on the Edgar Springs Road, were met and these men advised that the suspects had passed them not many hours before on the road, and that they were headed for Edgar Springs. This town was communicated with, and one of the hotels answered that these men were at that very moment at the hotel and in their rooms. Urged to do so, the hotel people called in a constable and the men were taken into custody. Back to Newburg the prisoners were brought and in their possession was found a revolver which was identified as being the personal property of one of the bank's officials, also a supply of money in the denominations reported by the bank to have been stolen. These men were identified as LAWRENCE BLACKWELL and ROY TOWELL, whom the bank men had cast suspicion upon when the crime was first brought to light. Three hundred and fifty dollars and fifteen cents was returned to the bank's hands. In completion, our representative secured confessions from both Blackwell and Towell in which they plainly stated that they were entirely guilty of the burglary charge upon which they were being held. We cannot at this time advise what disposition was made of the case against these men, but we hope to be able to do so in the next issue of the BULLETIN. The Maryland Casualty Company of New York City co-operated with this Association in the endeavor to bring about the arrest of the parties responsible for this burglary.

FOUR THOUSAND DOLLARS SECURED IN HOLDUP.

ONE OF THE PARTICIPANTS ARRESTED—OTHER TWO FIND REFUGE IN FLORIDA'S EVERGLADES.

The Bank of Stuart, Stuart, Fla., on February 23, 1915, at 10 a. m. was suddenly entered by three men who shouted their demand for everyone to hold up their hands. To enforce this order they threateningly raised their loaded weapons and covered the cashier and two assistants, the only ones in the bank at that time. The

demand complied with, one of the holdup men, still facing the bank men with arms held above their heads, passed behind the bank's railing and pushing a jute bag toward the cashier indicated that that official should fill it at once with all the money on hand. Under the mouths of this robber's pistols \$4,000 was emptied into the open bag. Then step by step, and with the stolen money in their possession, the three robbers backed out of the bank and took to an auto which stood near by. A second later they were speeding southward, while their cracking pistols spoke a warning to those who might pursue.

When the town folk were sufficiently quieted a posse was organized and the work of taking after these men and bringing them to answer for their crime was begun in earnest. For two days this heavily armed posse traced the robbers through dense woods. On the third day they came in sight of a tent stretched in a thicket and in a moment's time they had surrounded it and covered its two occupants with a dozen rifles. One of the men was immediately recognized as JOHN ASHLEY, one of the holdup men and a man feared from Florida's coast to coast.

When questioned, Ashley admitted his implicacy in the attack, even going so far as to state that he alone had planned it. When asked where the other two men who had assisted him were he unhesitatingly answered that they had left his camp the night before and had taken refuge in one of Florida's everglades, where "all the authorities in the country could not get them." Back through the woods the posse, with Ashley in its midst, wended its way till Stuart was reached and their captive lodged behind the bars. CLYDE CALDWELL and BOB ASHLEY, the other holdup men, are still uncaptured, though every known means has been employed to take them from their stronghold. Until the security that Florida's treacherous everglades supplies them in their hiding is overcome, these men will remain free from the hand of the law.

FACE PRISON TERM FOR THE HOLDUP OF HOUSTON BANK.

THREE WELL-KNOWN CRIMINALS TAKEN INTO CUSTODY AND LODGED IN HOUSTON JAIL.

In connection with this article we are publishing the photographs of two men arrested for the holdup of the Guaranty State Bank (NM) Houston, Tex., on January 26, 1915, last. We herewith give an account of the daring manner in which one of their number robbed the

bank and the artful manner in which his companions had planned to cover his retreat.

At 1.30 p. m. on the afternoon of January 26th John Bowman rushed into the bank with drawn revolver and quickly forced the two clerks on duty to back into the open vault. It was well that they obeyed, for Bowman without the slightest doubt would have taken their lives had they shown the least sign of resistance. Into the vault they went, and as they did so its lock snapped and they realized that they were prisoners and that the outer bank and its properties lay to the mercy of the holdup man. Losing not a moment's time, Bowman



gathered all the money that he could lay his hands upon and then retreated from the bank.

Immediately city detectives were on the trail of his retreat. In short order the pursuers and pursued Bowman and the two men who had joined him to cover came within firing distance of each other and a furious pistol duel broke forth. For long moments the battle lasted. But numbers told, and at last the firing dwindled down, then ceased, for Bowman had become totally disabled and his companions were rendered helpless by the wounds they had received. The detectives closed upon them and carried the three off to headquarters as their captives. With the exception of \$200 the stolen money was recovered. Bowman is undoubtedly maimed for life and will perhaps never again have the use of his right leg. His companions are known as FLOYD NOLAN and ART AUSTIN, two of the country's most noted criminals. Bowman himself bears a long criminal record, and it is understood that this is the first time that the law has laid its hands upon him. Some years ago he robbed a bank at Charlton, Tex., securing \$15,000, after which all trace of him was lost. Floyd Nolan is known to the police in every State of the Union as a shrewd and dangerous criminal. Art Austin, a pal of Nolan's, is also known under the names "Kid Austin" and "Slick Austin," and has been arrested numerous times for the committal of serious crimes. It is hoped that long prison terms will be given these men, for the community in general is in danger while they are at liberty to go and come as they please.

FLOYD NOLAN is 26 years of age, 5 feet 6 3/4 inches in height, 120 pounds in weight, medium small build, dark chestnut hair, blue gray eyes, fair complexion, salesman by occupation. Bertillon measurements: 68.5, 74.0, 86.5, 19.0x, 14.1, 12.5, 6.1, 24.4, 11.4, 9.0, 45.7. Finger prints: 32 over 24-1 over II.



ART AUSTIN is 23 years of age, 5 feet 6½ inches in height, 128 pounds in weight, medium build, dark chestnut hair, blue gray eyes, fair complexion, born at Joplin, Miss., plumber by occupation. Bertillon measurements: 68.9, 69.0, 92.0, 19.0, 15.0, 13.4, 6.1, 24.1, 10.9, 8.2, 45.2. Finger prints: 10 over 16-U O. Marks and scars: part of lower border of left ear bitten off, hairy mole right chin, shot wound through right side lower front.

DANGEROUS CHECK FRAUD.

AN OPERATOR WHO IS BADLY WANTED.

There is an operator traveling about the country who has in his possession a good supply of checks on the following order:

W. Biggs, for the apprehension of JOHN PENNY, also known as Jack Cramer, who participated in the murder of Chief of Police John J. Finnell and Sergeant Detective Charles F. Gradwell at Elmira, N. Y., March 23, 1915. Height, about 5 feet 7 inches; gray eyes; hair, medium chestnut; weight, about 160 pounds; long legs; nose, concave; smooth shaven; complexion, medium florid; hard features; face rough as though badly chapped; muscular build; quick in his movements; peculiar accent in sounding his "r's" when talking; wrinkles in forehead when talking; right hand, two scars side index finger; scar back forearm. Front teeth bad and decayed. Small scar inside of wrist; scar on muscle of thumb between thumb and hand; scar top of little finger;



(SCRUTINIZE THIS CHECK CAREFULLY, for this man has a full supply of them in his possession and he may at any moment visit your institution and endeavor to pass one upon you!) He recently operated in the South under the name Charles M. Henderson. We also know him by the names F. HOLTZ, O. B. Brooks, A. Neis, J. D. Tate, E. O. Backer, Sam Franco, F. M. Clark, J. N. Weiss, R. A. Bender and T. E. Montrief. He is about 35 to 40 years of age, 5 feet 6 inches in height, 150 to 160 pounds in weight, good stout build, medium dark florid complexion, medium chestnut hair, eyes are blue and gray in color, goes smooth shaven and is extremely near-sighted, wearing heavy glasses, and is believed to be blind in one eye. He has a strong Roman nose, talks with German accent and has the general appearance of an ordinary business man. DO ALL IN YOUR POWER TO CAUSE THIS MAN'S ARREST. Should he appear at your bank, advise your police officials without a moment's delay, or the nearest office of our Detective Agents by wire collect. This man has defrauded banks, merchants and bank depositors all over the country, and there are numerous warrants held for his arrest. See JOURNAL-BULLETIN, August, 1914, page 113; September, 1914, pages 172 and 174; October, 1914, page 229; November, 1914, page 309; January, 1915, page 511.

scar between ring and little finger; two scars inside of index finger; long scar between middle and ring finger at hand. Broad jaw bones; nose, sharp and pointed at end; slight scar on left eyebrow; scar right side of head toward the back. Wore when left dark blue suit, soft brown hat,



JOHN PENNY, ALIAS JACK CRAMER.

WANTED FOR MURDER.

A member bank in Elmira, N. Y., calls attention to a reward of \$1,000 offered by Mayor Harry N. Hoffman, and another reward of \$1,000 offered by Sheriff Charles

tan shoes, checked shirt, white collar. The Bertillon measurements of Penny are: Height, 1 M. 69-5/; O. arms, 1 M. 65-; trunk, 94-6; head length, 19-2; head width, 15-0; cheek width, 13-8; right ear length, 6-4/; left foot, 25-8; middle finger, 11-3; little finger, 8-7; forearm, 44-7; convicted in Paterson, N. J., and sentenced to Trenton State prison.

WARNINGS.

Members in the South are cautioned to be on the lookout for JOHN WILLIAMS, alias G. W. Williams, alias J. C. Adams, who is drawing bogus checks on the Commercial National Bank of New Orleans, signed by Mary Williams or Mary Adams. The best description that we can give of this man at the present time is that he is 35 years of age, 5 feet 8 or 9 inches in height, 150 pounds in weight and a neat dresser. Our Detective Agents recently forwarded warning circulars to member banks in the South calling their attention to the operations of this man. In this circular a description was given of John Williams which we now know is not a true description of him. The most complete and accurate description that we can give of Williams is given in the above. We are reproducing herewith a specimen of this man's handwriting.

Certificate No. 6255, for 16 shares of Manhattan Company stock, registered in the name of Mrs. Frances Little, has been lost. All persons are warned against negotiating same. If found, please return to Bank of the Manhattan Company, 40 Wall Street, New York City.

Bank members are warned to be on the lookout for checks drawn upon the Montreal branch of the Royal Bank of Canada by the Dominion Bank & Trust Company, printed on buff safety paper and signed "C. W. Anderson, Manager," and "Geo. W. Gordon, Accountant." Some of these checks have been made payable to CHARLES B. GRAHAM. There is no such an institution as the "Dominion Bank & Trust Company," and there is therefore no such an account with the Montreal Branch of the Royal Bank of Canada.

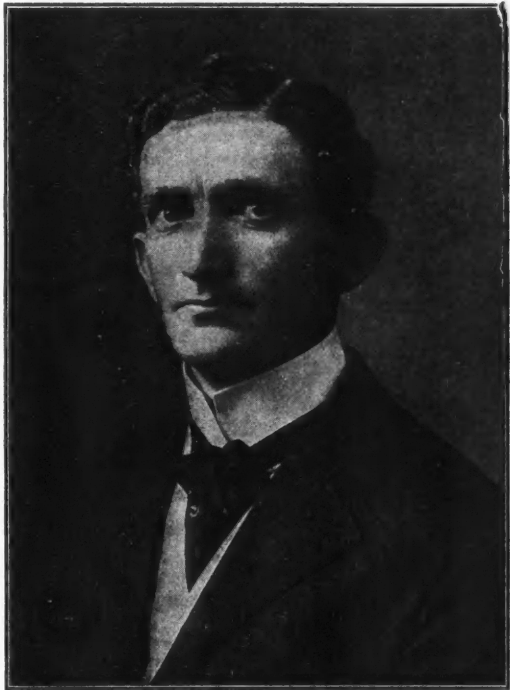
Forging his brother-in-law's name to several checks and passing these checks at the banks where the account was kept recently netted IRA AVENT, a negro, a large sum of money. Avent is 21 years of age, 5 feet 4 or 5 inches tall, 135 or 140 pounds in weight, dark eyes, sharp features and is a porter by occupation. Avent is now being searched for by our Detective Agents.

On February 24, 1915, a member bank of Portland, Ore., informed the Portland Office of our Detective Agents that a man using the names WALTER M. BECK and J. J. McCALL was drawing checks on their bank without having funds deposited there. The name of the American Automobile Purchasing Association was signed to these checks, and in most cases they were filled in on the typewriter. Walter M. Beck, alias J. J. McCall, is described as follows: Age, unknown; height, 5 feet 10 inches; weight, 160 pounds; eyes, gray or blue; hair, medium. Peculiarities: High, full forehead; looks one squarely in the eye when talking; claims to be a member of the B. P. O. E. in Texarkana; thoroughly familiar with the selling end of the automobile business.

Posing as an expert and all-around automobile mechanic, THOMAS W. CARROLL called at the establishment of a large Birmingham automobile concern in an endeavor to secure employment. Work was refused him, but in some manner or form Carroll managed to procure a sample of the manager's signature. Then he set about to forge this signature on checks, which he passed out. Later he proceeded to Mobile, Ala., where he also applied for work at a taxicab company. Again he secured a sample of the manager's signature and went forth in Mobile to pass his checks. A member in the city was among those defrauded. Carroll is about 30

years of age, 5 feet 10 or 11 inches in height, 195 to 204 pounds in weight, smooth shaven, straight, sandy hair, combed back. Has rather prominent cheek bones, large features and round face; wore gray suit and woolly cloth chauffeur's cap with light-colored Balmacaan overcoat. He may refer to the St. Louis Taxicab Company, whom he states he was employed for about six years.

A member in the city of Chicago, Ill., is desirous of apprehending one C. F. CHRISTIAN. They state that this man defrauded their institution by having them accept a worthless check. Christian is 40 years of age, 8 feet 10 inches in height, 200 pounds in weight, heavy build, sandy hair, light eyes, smooth shaven.



C. K. DAVIS.

Using the name A. H. CURRY, a party whose description the paying teller of a Birmingham, Ala., membership bank does not recollect, on March 15, 1915, succeeded in cashing a forged check for \$180, using for his purpose one of a half dozen unnumbered checks from the back of a real estate dealer's check book, a number being supplied by means of a rubber stamp. The forgery was not discovered until the presentation of a genuine check showed overdraft. Our Detective Agents have, however, been furnished the description of a suspect, from another member, from whom he failed to secure \$270, and who made use of the same real estate dealer's name about the same date, and hope to soon report his apprehension.

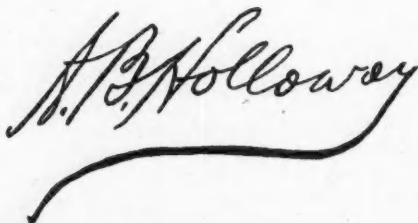
Reproduced above is the photograph of C. K. DAVIS, who is wanted by a member at Bottineau, N. D., for the passing of a forged check. Davis is 40 years of age, 6 feet 11 inches in height, 175 pounds in weight, red wavy

hair, smooth shaven, insurance agent by occupation. Is a good conversationalist and pleasant disposition. March, 1915, JOURNAL BULLETIN, page 730.

A member bank at Little Rock, Ark., reports having been defrauded by means of two forged checks drawn on their bank, on the printed checks of a depositor of theirs, a prominent physician. The checks were made out on a typewriter in the sum of \$35, made payable to T. M. GATES, which is the name the operator is known to have used. On January 14, 1915, this man entered the office of a physician at Fort Smith, Ark., and presented a typewritten letter purporting to be from the physician at Little Rock, in which it was requested that the Fort Smith doctor do what he could for T. M. GATES, who was in need of attention, and should also assist him in the cashing of two \$35 checks which the Little Rock physician had advanced him, as Gates was badly in need of funds. This man is in such condition that he will soon have to seek relief from other physicians. He is 45 years of age, 5 feet 7 inches in height, medium build, sallow complexion, thin sandy hair, mixed with gray, eyes are gray, light eyebrows, heavy sandy moustache, mixed with gray, poor teeth, wore unclean clothes, well worn gray suit, rather large mouth and heavy under jaw.

M. G. GULICK, who has also given his name as J. L. Porter and H. C. Small, recently secured a book of checks drawn on the Northern New Jersey Trust Company, Edgewater, N. J., after he had deposited a draft in that institution which was later found to be bogus. The above named bank has since had to return as bogus many checks upon which Gulick has obtained funds from unsuspecting merchants. He is 60 to 65 years of age, 5 feet 5 inches in height, 170 pounds in weight, gray hair, short beard and moustache, wore large spectacles, general appearance of a responsible business man.

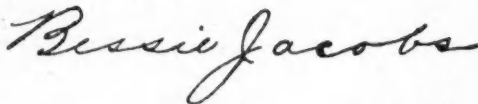
A. B. HOLLOWAY, alias F. M. Holloway, recently succeeded in swindling a membership bank in Kansas City, Mo., in the sum of \$90. This party was a depositor of the bank for several months and on February 15th he came into the bank with a check drawn on a membership bank in Harrisonville, Mo., which he cashed at the bank, his deposit at this time being sufficient to cover this amount. Before the check was returned, however, he had checked out all of his account and left the city. This matter was immediately turned over to our Detective Agents, who are at the present time trying to locate this party. Specimen of his handwriting appears below.



S. C. HOOD, O. H. Brown and S. L. Dawson are the names used by a worthless check operator, who is traveling in the South and defrauding merchants or individuals who accept his checks. These checks have the appearance of being issued to the payee for his commis-

sion on the sale of a carload of lumber, with which business this operator is thoroughly familiar.

Checks stolen from the Tucson Undertaking Company of Tucson, Ariz., are being used by BESSIE JACOBS, who has forged the signature of E. A. Jacobs, of this company, thereto. It is believed that this woman is now in the vicinity of San Jose, Cal. The checks that she has passed also bear the forged signature of W. H. Culligan, a Catholic Priest of San Jose. A specimen of her handwriting is shown below. We have no description to give at this time.



A member of Kingman, Ariz., recently found itself the loser in the sum of \$31 when the account of one of the bank's depositors was balanced and a check for this amount, made payable to JACK LANE and cashed for a party of that name, was found to be a forgery. This check was supposedly signed by Charles Furrell as one of the members of the Miller Construction Company, whose check blank was used. It is also stated that other of these check blanks have been stolen and undoubtedly this man will endeavor to put another one in for cash. No description of him is available at this time.

A report from a member at Evanston, Ill., informs that CHARLES M'COULLOUGH recently defrauded their bank in the sum of \$125 by forging the name of one of their depositors. This check was cashed at Bayonne, N. J., on January 27, 1915, and the forgery was not discovered until the early days of March, so McCoullough was given considerable time to cover his tracks before an investigation was under way. He is 42 years of age, 5 feet 10 inches in height, 170 pounds in weight, medium complexion, dark hair, smooth shaven, wears thick glasses or spectacles.

By giving cash on bogus checks bearing forged certifications, C. S. MARTIN recently succeeded in defrauding two bank members in Lexington, N. C., out of \$169.12 respectively. Martin is 25 years of age, 5 feet 5 inches in height, dark hair, florid complexion, well dressed. He presents himself as a seller of lightning rods. He formerly lived near Lexington.

A member in Seattle, Wash., was recently defrauded in the amount of \$295, by one THOMAS L. MASSEY. This man and his mother opened a joint account at the bank wherein both names were to appear upon all checks issued against the account. Massey later resorted to passing check upon which but his own name was signed. Then he went still further and passed checks to which he had forged his mother's name. Our Detective Agents were called into the matter and requested to locate Massey. On February 19, 1915, at Tacoma, Wash., they succeeded in finding Massey, who confessed to the forgeries and stated that he would willingly return to Seattle with our Detective Representative. The circumstances of the case were then gone into and it was agreed by all parties concerned to free Massey from prosecution. The checks which he had passed were taken up by his mother and the matter was dropped. Massey is 30 years of age, 5 feet 3 inches in height, light blue eyes, light brown hair, smooth shaven, is very bright but talks considerably when not under the influence of drugs.

Secretary P. W. Hall, of the Iowa Bankers' Association, advises that a young man using the names FRED MILLER and WILLIE SMITH succeeded in defrauding a bank member of both the American and the Iowa Bankers' Association at Rudd, Ia., during the past month by forging the name of his employer to several small checks. Miller is described as follows: Age, 20, 1914; height, 5 feet 6 inches; weight, 140 pounds; build medium; complexion, medium; hair, dark brown; eyes, blue; occupation, farm hand. The Iowa Bankers' Association is interested with this Association in securing the apprehension of this young man.

Members in New York State are warned not to accept any checks which one FREDERICK F. MOULTON may endeavor to pass. His checks are drawn on the First National Bank, Whitney Point, N. Y. He carries no account in this Institution.

A member at Grand Rapids, Mich., reports that during February, 1915, FRANK NEVINS, who is also known under the name, Ralph W. Mack, obtained a pass-book of one of their customers and called at the bank and secured \$203 on a forged counter check. Nevins was formerly employed as a brakeman in the Pere Marquette Railroad, and is 27 years of age. This matter is now under investigation and an endeavor is being made to bring about Nevins' apprehension. It is believed that he is in or near Cincinnati, O., or St. Louis, Mo., where he may be possibly employed as a brakeman. A warrant for his arrest is in the hands of Police Superintendent A. A. Carroll, Grand Rapids, Mich.

All membership banks are warned to be on the lookout for one EDWARD ROSE, who has made numerous attempts to defraud membership banks by means of forged and bogus checks. Rose secured a position as solicitor for an advertising concern in St. Louis on March 1st, and through them introduced himself to prominent citizens. Finally, he was introduced at a membership bank in St. Louis, where he opened up an account by depositing a check for \$250, drawn on a New York bank. After making this deposit he attempted to draw a check for \$50 against the account, but was refused, pending the return of the check deposited. The bank's assistant secretary became suspicious of the transaction, wired the bank on whom the \$250 check was drawn, and received a reply that the check was a forgery. Rose was not located in St. Louis, and since then checks drawn on the member bank at St. Louis have been received from Louisville, Ky., Cincinnati, O., and New York City. The checks cashed at Louisville and Cincinnati were cashed by hotels and one of those cashed at New York City was paid by a merchant, while the other was deposited at a member bank. This operator, as far as known, carried only a black grip, which was left at the hotel in Louisville. Among the articles contained therein were found shirts with the laundry mark "Ruse," which may be his correct name. Rose is described as follows: About 38 or 40 year old, 5 feet 8 inches tall; weight, 175 pounds; ruddy complexion, dark hair, piercing eyes, one or two gold teeth, neatly dressed in dark clothes, black fedora hat, very quick and energetic in his manner, has habit of wrinkling his forehead when talking.

A member bank of Maysville, Ky., reported early in February, 1915, that one of their depositors had been defrauded by a man representing himself to be N. M. SCHUSTER. The latter presented a bank draft for \$50,

issued by a member bank of Artesia, N. M., and drawn on a New York City member bank. This bank draft was pronounced a forgery. Similar bank drafts have been cashed for a man using the aliases of G. F. Hess, H. B. Morgan and H. A. Langley, an account of whose operations appears in the JOURNAL-BULLETIN for October, 1914, page 231. Bank members are cautioned to be on the lookout for bank drafts issued by an Artesia, N. M., bank, and if one is presented the person should be kept under surveillance until it is determined whether or not the bank draft is valid.

R. E. SHAW, colored, is wanted on the charge of having defrauded a member at Shreveport, La., by means of a forged check. Shaw is a bright-colored mulatto, 35 to 40 years of age, 6 feet high, 200 pounds in weight, very intelligent. He is a native of Iowa and has a sister living in San Francisco, Cal.

GENERAL INFORMATION.

A member at Logansport, Ind., recently had one of their depositors come into the bank with a young man who was introduced as JACK PHIL ASBURY. Asbury desired to cash a check drawn on the Huntington National Bank of Cleveland, O., in the sum of \$300. This depositor readily agreed to endorse the check and, after



JACK PHIL ASBURY.

this was done, Asbury was given the money. Later the check was returned marked "worthless." It appears that Asbury then went to Wabash, Ind., where he secured \$230 on a check purporting to be from the Indiana Motor Car Company, Indianapolis, Ind., and drawn against the Fletcher-American Bank of Indianapolis. There is a reward of \$25, offered by the Chief of Police of Wabash, Ind., for information leading to the arrest and conviction of Asbury. Asbury is 30 years of age, 130 to 135 pounds in weight, 5 feet 8 inches in height, slender build, smooth face, black hair, parted in center, combed back and cut short. A specimen of his handwriting is shown herewith.

E. J. Barber
Indiana Motor Car Co.

Bogus checks are being drawn against the Mohawk National Bank, Schenectady, N. Y., signed O. C. Barber,

Jr., payable to the order of Capt. A. B. Barber, U.S.A., in sums of \$300 each. These checks bear a forged cergiven him by his father. The cashier agreed to take the check for collection, whereupon Burnham asked to be given a checkbook, which he promised not to use until tification stamp on this bank. The party passing these checks has also given his name as A. B. Weaver, stationed at the fort at New London. He is 30 to 35 years of age, 5 feet 8 inches in height and weighs 150 pounds, has small sandy moustache, thin face, light complexion, prominent cheek bones, dresses well and wore a silk muffler. See Lieut. P. B. Fleming article.

Bank members are warned against the acceptance of checks presented by WALLACE BRADFORD on the printed form of the Bradford Hardware Company, Boston, Mass., drawn on the National Bank of Commerce, also of that city, and signed Louis D. Bradford. There is no such concern as the above in Boston, neither is the National Bank of Commerce in existence at the present time. This individual has operated extensively in Ohio and Michigan.

Presenting a check drawn upon the Connecticut River Banking Company, Hartford, Conn., to the cashier of a member bank in New York City, one C. J. BURNHAM confidentially explained how he was going into the insurance business in the city and would like to open an account with this check, which check he remarked was his check had been heard from. This the cashier refused to do and Burnham left the bank. When his check was returned from Hartford it proclaimed itself to be entirely bogus. We have at the present time no description of Burnham to publish with this article.

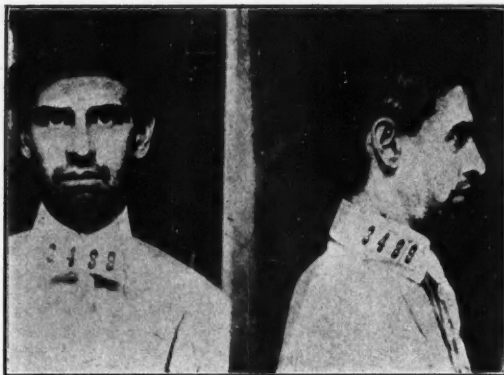
HARRY D. COTTON, formerly loan inspector of a reputable life insurance company of Topeka, recently defrauded a non-member bank in Elk Falls, Kan., in the sum of \$150. This man secured a loan from the bank on an application for a life insurance policy on the redemption bond plan. It later developed that the application was worthless, and the bank is loser in the amount of the loan. Cotton is about 35 years of age, 5 feet 10 inches tall, weight about 165 pounds, very dark eyes and hair, hair slightly gray, well dressed and is a clever-appearing fellow, also a very heavy smoker.

S. D. CROISANT, also known as A. M. Williams, claiming to be the representative of an electric company of Cincinnati, Ohio, has been passing out worthless checks throughout Oklahoma and Kansas, which checks are drawn on a bank at Cincinnati, Ohio. He solicits an order for his house and then has his checks cashed. He is 30 or 35 years of age, 5 feet 10 inches in height, 150 to 160 pounds in weight, smooth shaven, medium build, medium complexion, dark hair and very neat dresser.

CURTIS M. DAYTON, also known as Charles H. Davis, who represented himself as being a wealthy Alaskan widower and who is about 5 feet 6 inches tall, 200 pounds in weight, white, thin hair, gray mustache and one glass eye, recently passed a number of worthless checks in Kansas City, Mo.

JOE DOLMAN recently passed a number of forged checks in Kansas City, Miss., which checks were drawn on a member of that city. These checks purported to be drawn by different reputable business houses. Later it was learned that Dolman stole these checks from a printing house. He is also known to have used the names G.

H. Maple, G. W. Stewart and J. W. Stewart. He is 30 years of age, 5 feet 8 inches tall, 140 pounds in weight, medium slim build, hazel eyes, dark complexion, dark



JOE DOLMAN.

brown hair, occupation that of a nurse. He has served a term in the Kansas State Penitentiary for forgery. His photograph is above reproduced.

Ten dollars will be paid for the arrest and detention of one J. B. DOUGLAS by the New Market Banking Company, New Market, Ala. This man is about 37 years of age, 5 feet 8 inches in height, 140 pounds in weight, wore dark suit, cap and occasionally a ladies' rain coat. is an organ and piano tuner, claims to have been married at Williamsport, Pa. Has a woman with him who he claims is his wife. He is lean of face, not of neat appearance and has a recommendation from J. M. Payne, New Market, Ala. Wire New Market Banking Company, New Market, Ala.

Member banks are warned to be on the lookout for one R. FENNELL, who succeeded in defrauding several merchants in Denver, Colo., by means of bogus checks. These checks are drawn on the Federal National Bank of Denver, Colo., purported to be drawn by the Kelly Transfer Company. R. Fennell is: Age, 35; height, 5 feet 10 inches; weight, 185 pounds; build, well; hair, light brown; smooth shaven; occupation, teamster; poorly dressed.

LIEUTENANT P. B. FLEMING, who claims to be of the United States Army, and of whom mention is made in the March, 1915, JOURNAL, page 729, has lately been heard from as operating at Syracuse, N. Y., and Columbus, O., and is still using the same method of tendering bogus certified checks in return for purchases made. We would request all members to continue to be on the lookout for this man and should any information be secured, to notify the nearest office of our Detective Agents immediately. See Capt. A. B. Barber article.

DAVID W. GERHARDT, 45 years of age, was arrested in Baltimore, Md., on March 19, 1915, charged with attempting to obtain \$7,000 worth of merchandise from Baltimore clothing manufacturers. After his arrest it was learned that Gerhardt, who has also used the name J. R. Joyce, was wanted in Chicago on the charge of defrauding a large wholesale firm there of \$100, by means of a bogus draft given on a bank member in Roswell, N.

Mex. At the present time Gerhardt is being held for the Chicago Police Department. It is believed that Gerhardt was accompanied prior to his arrest by one Harry Carlton, who is wanted by a bank member in Roswell, N. Mex., on the charge of perpetrating a swindle.

LEO GERSON defrauded a member at Chattanooga, Tenn., recently by means of forged drafts. This man operates as follows: He visits a city, gains the acquaintanceship and confidence of one of its bankers, preferably a banker of the Jewish race, obtains apartments at this banker's house, if possible, and then opens an account at his bank. In due time he presents forged checks for collection and has only to refer to his "good friend," the banker, to secure substantial sums pending the return of the collections. He then leaves the town before the character of his checks is made known. He is 30 years of age, 5 feet 6 or 7 inches in height, 130 pounds in weight, neat dress, Russian Jew. He claims to represent the Brewer's Cocoa Manufacturing Company of Jersey City, N. J.

Bogus checks drawn on the Third National Bank of Buffalo, N. Y., have been the medium through which EDWARD W. HARRISON has secured many ill-gotten dollars. Numerous merchants of Buffalo were forced to suffer as a result of accepting Harrison's checks until they placed the matter in the hands of the authorities. On March 15, 1915, an investigator of the Buffalo office of our Detective Representatives, with the assistance of the Buffalo Police, succeeded in locating Harrison and causing his arrest. This man is also known to have used the names H. G. Dowling, H. M. Dixon and Henderson. He is 36 years of age, 5 feet 8 inches in height, 160 pounds in weight, medium build, dark complexion, brown eyes, black hair, railroad man by occupation.



JOSEPH W. KIRBY.

JOSEPH W. KIRBY, whose photograph appears above, and of whom mention is made through the columns of the JOURNAL-BULLETIN for March, 1915, page 731, was arrested at Baltimore, Md., February 13, 1915, and has been positively identified by depositors of member banks as being an operator who has defrauded numerous individuals throughout the country by the use of fraudulent checks. This man at one time served in Battery "C," Sixth U. S. Field Artillery, El Paso, Tex., as a veterinarian and from this service he was honorably discharged. Our Detective Agents identified him as being

responsible for the defrauding of a bank member's customer at Wabash, Ind. On March 12, 1914, he was sentenced to serve one year in jail. He is 29 years of age, 5 feet 10¼ inches in height, 158 pounds in weight, slender build, chestnut hair, chestnut eyes, medium fair complexion; nativity, Tennessee; veterinarian surgeon by occupation. Bertillon measurements are: Ht., 78.2; O.A., 82; Tr., 91.0; H.L., 19.0; H.W., 15.4; C.W., 13.4; R.E.L., 5.2; L.F., 25.8x; M.F., 11.4; L.L.F., 8.6; F.A., 48.0.

A. SCRIBER MACGILL, also known as John Rohn, K. B. Schreich, James Walton, William Gould, R. S. Baker, R. S. Morris, James Walsh and G. B. Ham, reported through the columns of the JOURNAL-BULLETIN for March, 1913, page 603, was arrested in Detroit, Mich., February 2, 1915, and on March 17, 1915, was sentenced to the Michigan State Prison at Marquette, Mich., for a term of seven years.

THOMAS BULLITT McCONN was arrested on March 17, 1915, at Ann Arbor, Mich., charged with having obtained money under false pretenses by means of worthless checks, drawn on the State Savings Bank of Ann Arbor. Several local merchants filed charges against McConn. He was finally fined \$20 and costs. At one time this man was a student at the Washington-Lee University. His home is in Frankfort, Ky.

Worthless checks are being passed by JOHN H. McCORMICK, drawn on the Edgerton State Bank, Edgerton, Kan. This man forged a letter of recommendation of a mercantile house in Edgerton and tried to secure goods on same. No description or handwriting has been secured to-date.

A customer of a member at Baton Rouge, La., was recently defrauded by accepting a bogus draft for \$30.50, tendered by one W. E. MECHEM, also known as Willie Mechem. The following description is given of Mechem: Height, 5 feet 6 inches; 140 pounds in weight, smooth shaven, has one gold tooth in front of mouth, carries a small handbag.

A membership bank at Dexter, Mo., advises that one C. H. MILLS, formerly of Dexter, and who claimed to be an electrician, has defrauded numerous people by means of bogus checks drawn on that bank. The last check received was from Texas. As far as is known Mills has not defrauded any membership bank, his operations being against private individuals. Mills is described as follows: 35 years old, 5 feet 9 inches tall, weight about 145 or 150 pounds, dark complexion, black hair, short black moustache, sharp nose.

Recently one of the depositors of a bank member of Ford City, Pa., cashed a check for \$27 for a man representing himself as MARTIN MORAVIK, and which was later found to be a bogus check. This check was drawn upon the Franklin Trust Company of New York City, and it has been established that Moravik has cashed similar checks, having used the names Abraham Nelson and Franklin Simon. When cashing the check in Ford City, Pa., this operator showed a bank book of a savings bank in Marietta, Ohio. Bank members are cautioned to be on the lookout for this man.

H. E. PIERCE succeeded in defrauding a member at Chestertown, Md., of \$24.50 through a forged check on which he obtained cash. He is 26 years of age, 5 feet 7 inches in height, slight build, 150 pounds, light com-

plexion, gold filling right side of mouth in teeth, dark eyes.

LOUIS M. PINKS, mentioned in the March, 1915, JOURNAL-BULLETIN, page 732, recently made a complete confession to our Detective Agents at Boston, Mass., of his fraudulent transactions whereby individuals were defrauded in that city and New York by the means of bogus checks drawn on bank members in Massachusetts and Wisconsin. As the defrauded individuals did not care to prosecute, no action was taken.

C. W. PRESTON recently passed worthless checks in Hiawatha and Atchison, Kan., drawn on a bank in Springfield by an automobile company which he claimed to represent. Preston is about 40 years of age, 5 feet 6 inches in height, 190 pounds in weight, sandy complexion, slightly gray hair, brown eyes, smooth shaven and a good conversationalist.

GEORGE ROBINSON, an oil man who lives in Independence, Kan., recently passed a number of worthless drafts in and around Kansas City, drawn on a membership bank in Independence, Kan. These drafts he cashed at different hotels and saloons, who are now endeavoring to collect the amount of the losses from him. He is about 38 years of age, 5 feet 10 inches tall, weight, 230 to 250 pounds; hair, dark brown; complexion, red; has a typical Irish face, smooth shaven; a good dresser and heavy boozier.

M. SCHOENBERGER, mentioned in the March, 1915, JOURNAL-BULLETIN, page 733, is still engaged in drawing checks on the New England Trust Company of Boston, Mass., where he formerly had an account. Schoenberger has confined his transactions to individuals, defrauding a large number throughout the Middle West. Latest reports indicate that this individual has changed the scenes of his activity to points in the East.



CHARLES SHEEDY.

Members are warned to be on their guard against CHARLES SHEEDY, also known as Charles Schlager, whose photograph is above reproduced and who is described as 36 years of age, 5 feet 8 inches in height, 137 pounds in weight, brown hair, medium complexion, blue eyes, brown moustache. This man was recently arrested in Ogden, Utah, for defrauding merchants of that town.

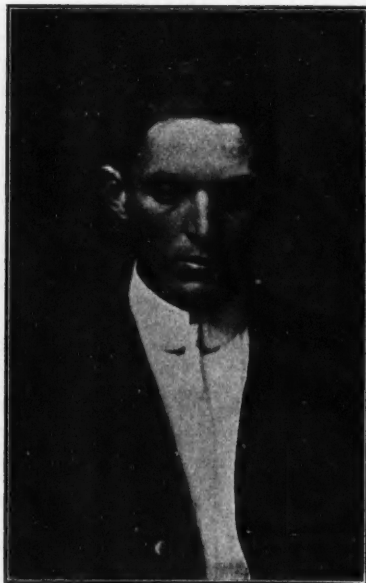
His wife came to his aid and succeeded in having all charges dropped against her husband, reimbursing the merchants for the amount they were defrauded.

LOUIS STORNELL, who secured \$700 from a member in Rochester, N. Y., was apprehended in Towanda, Pa., by an officer from Rochester, N. Y., on March 18th last. He is now awaiting extradition in the sum of \$1,500 bond. We have no description of Stornell at this time.

CHARLES T. VAN NOORDEN was recently introduced to a membership bank in Kansas City, Mo., by one of their depositors, and after securing the indorsement of this depositor to a draft for \$35 cashed same at this bank. This draft was drawn on a business house in Bismarck, N. D., and was later returned protested. Neither the depositor nor Van Norden could be found, and the bank now stands to lose this amount. Van Norden is about 35 years of age; height, 5 feet 7 inches; weight, 180 pounds; build, good; eyes, blue, gray; complexion, medium; hair, brown, sprinkled with gray. He has the back upper teeth on the right side missing, and is a good dresser. He speaks with a slight German accent and claims to belong to the Elks Lodge. Specimen of his handwriting appears below.

Charles T van Norden

On March 9, 1915, HARRY WILLIS and BYRON LUMBY, whose photographs are reproduced herewith, were arrested at Saginaw, Mich., by the local police on charges of forgery. These men were in the employ of



the Michigan State Telephone Company at Saginaw as linemen, and had several copies of that company's pay



checks printed, on which they forged the name of the paymaster and succeeded in cashing several of the checks in the vicinity of Saginaw.

A very clever woman operator recently succeeded in defrauding several banks, hotels and stores in the city of Milwaukee, Wis., by having them cash worthless checks for her in the amounts of \$75 and \$125. This woman confidentially stated that she was MRS. DAVID WARFIELD, wife of the noted actor of that name, who was playing in Milwaukee at that time. She traveled about the city in a taxicab, driving up to the place she hoped to victimize, and, after stating who she was, she remarked that she intended to make several purchases. Her checks were readily accepted, and "Mrs. Warfield" thereby became the richer to the extent of hundreds of dollars which was given her in change.

ARRESTED.

JOHN ASHLEY was arrested on February 26, 1915, about fifteen miles south of Stuart, Fla., by a posse in which our Detective Agents were represented. Ashley was charged with having held up the Bank of Stuart, Stuart, Fla., three days previous. He was returned to Stuart to await trial. Under the title "Four Thousand Dollars Secured in Hold-up" there is a detailed account of the arrest of this man.

HOOD BALDWIN and JAMES BALDWIN are now being held by Sheriff Tom Edwards, of DeQueen, Ark., on the charge of having held up the officials of the Bank of Gillham, Gillham, Ark., on March 3d of this year. These two men were identified by those present in the bank at the time of the hold up. Preliminary hearings are set for March 31st, bail of \$10,000 being held over each man.

Arrest and confinement has for a time brought about

the discontinuance of the bogus check operations of R. BENSON. On February 4, 1915, the police authorities at El Paso, Texas, effected his apprehension after he had defrauded a member of that place by means of passing a bogus check upon them. Benson is 32 years of age, 5 feet 4 inches in height, 160 pounds in weight, blue eyes, dark hair, clean shaven, wears very heavy lensed glasses, bites his finger nails continually, has poor teeth.

LAWRENCE BLACKWELL and ROY TOWELL were arrested in connection with the burglary of a member at Newburg, Mo., on March 1, 1915, at Edgar Springs, Mo. This arrest was brought about by a constable of Edgar Springs at the direction of our Detective Agents. There is an article of detailed information concerning the arrest of these men in the first columns of this issue under the title "Two Men Confess to Newburg Bank Burglary."

Two thousand dollars in forged checks have been passed by WALTER C. BLOUNT, whose photograph is reproduced below. In his operations this man covered New Orleans, La.; Little Rock, Ark.; Holdenville, Okla., and countless other cities, particularly in the South. A



WALTER C. BLOUNT.

member in Holdenville lost \$500 through his operations. On March 16, 1915, he was arrested by the police of Kansas City, Mo. He is 38 to 40 years of age, 5 feet 9 inches tall, 170 pounds in weight, smooth shaven, dark hair, dark complexion, dark eyes, good dresser. On March 19th he was returned to Little Rock, Ark., for trial. A specimen of his handwriting appears below.

W. C. Blount

February 17, 1915, at Redondo Beach, Cal., the arrest of G. CHARLES BULLEN was brought about. This man recently succeeded in defrauding a member at Los Angeles, Cal., by means of a worthless check. At the time of his arrest he was endeavoring to pass another of his checks upon a hotel proprietor. This proprietor, becoming suspicious, quietly notified the police and had Bullen taken into custody. It has since been learned that he has passed out quite a number of worthless checks and that he has also served time in San Diego as well as having other police records.

H. P. CIPPERLY, an insurance agent of Pittsburgh, Pa., was taken in custody by a representative of the Pittsburgh Office of our Detective Agents on March 11, 1915. Cipperly is charged with defrauding a member bank at Beaver Falls, Pa., with a worthless check for \$37.50. He was returned to Beaver Falls for a hearing.

H. C. COLLMAN went into the town of Santa Clara, Cal., on February 6, 1915, and rented a house. He then requested the landlord to introduce him at the bank, which the landlord did, and Collman then extended to the cashier a check for \$40 drawn on the Marine County National Bank of San Rafael, Cal. A few days later his check was returned proclaiming itself entirely worthless. The constable of Santa Clara traced Collman to San Mateo, Cal., where it was determined that the pursued had left hurriedly for Vallejo, Cal. The authorities at this latter mentioned place were immediately communicated with and the arrest of Collman was brought about. He was returned to Santa Clara to stand trial for his offense. This operator is also known under the name Otto Kruger.

On February 25, 1915, word was received by Sheriff William Esch, of Salem, Ore., that A. B. COOK, alias A. B. Cunningham, had been arrested in Brooklyn, N. Y., by the police of that city on information obtained by Sheriff Esch. This man will be returned to Salem, Ore., to stand trial on a charge of having defrauded two member banks of that city.

DR. RAY EASTERDAY, with a score of alias names, who operated against a member bank at Billings, Mont., was on March 15, 1915, arrested in Chicago. He had sent a telephone order to a florist shop for \$3 worth of flowers, requesting that \$17 in change be sent with the boy delivering the flowers, as he intended to pay for same with a \$20 check. The clerk became suspicious and notified the Police Department, sent the flowers and \$17, but the messenger boy was accompanied by detectives, who waited until the transaction was completed and arrested Easterday, who was posing under the name of Dr. Ray Bardeman, Jr. Immediately following his arrest he was identified by a score of persons whom he had victimized. He is shown through the columns of the JOURNAL, June, 1914, page 826; September, 1914, page 171; January, 1915, page 498. He has used the following alias names: Dr. M. S. Hardy, Joseph N. Hardy, Dr. William C. Hardy, C. Schaffer, Paul C. Holly, Paul C. Halley, Joseph W. Hardy, Robert M. Gilbert, Dr. Ray C. Hardie, Samuel LeRoy Hamilton, R. E. Steadman, Jr., Dr. R. C. Wood, Earl LeRoy, Earl R. Harper, George M. Boreus, Sam Holloway, Ralph Morrison, Dr. Ray C. Boyd, Dr. Roy C. Hamilton, Dr. Ray E. Bardeman, Jr., Ray Hamilton. He was brought before the Municipal Court and held for trial March 26, 1915, under \$7,000 bond.

On February 13, 1915, a man representing himself

as A. J. FOX succeeded in defrauding a member of Denver, Col., in the amount of \$30. He also defrauded several merchants in Denver, Col. On February 20, 1915, he was arrested in Oklahoma City, Okla., while he was endeavoring to cash his forged checks at merchants' places of business. He is known to have used the names Frank Lockhardt, F. F. Kennedy, George W. Rogers and W. W. Beeman.

A bank member at Haverhill, Mass., was recently defrauded through the cashing of forged checks, and so notified our Detective Agents at Boston, Mass., on March 17, 1915. Investigation developed that one JOHN FREEMAN, alias Lewis, had stolen a number of blank checks from a customer of above bank member while on a visit to Boston, Mass., whose name he forged to same and which were paid by the bank. While endeavoring to pass similar checks at department stores in Boston he was arrested by the police on March 11, 1915. Freeman appeared before the lower Criminal Court in Boston, Mass., on March 19, 1915, at which time he was given one year's suspended sentence and held to await warrant from Haverhill. Later in the day Freeman was returned to Haverhill, where, on March 20, 1915, he appeared in the Police Court and was held for the Grand Jury in the sum of \$1,000. He is described as follows: Age, 18 years; height, 5 feet 5 inches; weight, 128 pounds; complexion, negro, medium dark; nativity, Chicago, Ill.

CZESLOW GACZEWSKI, a young man, of Batavia, N. Y., was recently arrested in connection with the hold-up of a bank member at Lima, N. Y., by an order from the District Attorney of Genesee County. He was released in the sum of \$20,000 bail, which was furnished by his parents, and will be tried in Genesee, N. Y., on the 23d instant.

PETER W. GUSTAVUS, also known as P. Gosnell, was arrested in Sacramento, Cal., on information furnished by our Detective Agents, where he had gone after defrauding a member bank and also a hotel in Fresno, Cal. Gustavus opened a small account with the bank and later on two occasions deposited Baltimore drafts which proved to be genuine. He then presented the bank with a check drawn on a bank of Berkeley, Cal., for \$100, placing \$40 to his account and drawing \$60 in cash. Previous to leaving the city he drew \$25 more in cash, leaving a balance of \$15. A telephone message was received from the Berkeley bank that no such party had an account at that bank, and furthermore that they had another check cashed at a hotel in Fresno, signed P. Gosnell, which was not genuine, and the handwriting on both checks was very similar. Upon investigation it was ascertained that Gustavus went to Stockton, Cal. When arrested Gustavus admitted he had given the drafts under the name of P. Gosnell for collection, but would not admit the cashing of the \$100 check. He was returned to Fresno, Cal., where he is awaiting trial. Gustavus is described as follows: Age, 35 to 38 years; height, 6 feet to 6 feet 3 inches; weight, 165 pounds; complexion, light; hair, light; eyes, blue; neat dresser.

GEORGE HANNAY, also known as George Veillier and George Reed, of whom mention is made in the columns of the February, 1915, JOURNAL-BULLETIN, page 591, was arrested on February 18, 1915, by Sheriff Esch at Detroit, Ore., through the efforts of Sheriff McAuley of Placer County, Cal., and returned to Auburn,

Cal., where he is now awaiting trial. At the time of his arrest he was accompanied by a woman named Kate Dailey, who poses as his wife.

During January, 1915, a check, drawn upon a member bank in Salem, W. Va., was stolen from the person to whom it was addressed and the endorsement was forged and the check was cashed at the Salem, W. Va. bank. The matter was reported to this department on March 13, 1915, and the Pittsburgh Office of our Detective Agents conducted an investigation and within two days time located and arrested OLIN HARMAN, a sixteen-year-old boy, who confessed to having the check cashed at the Salem, W. Va. bank. Harman also implicated FRANK KING, a fourteen-year-old boy, and it was learned that King stole the check from the addressee. Frank King was sentenced early in March to the Reformatory at Pruntytown, W. Va., for theft and incorrigibility. Olin Harman was taken to the County Jail at Clarksburg, W. Va., and is confined there awaiting a hearing.

On March 13, 1915, Sheriff McAfee, of Greely, Colo., arrested one J. R. HULSE, on information furnished him by our Detective Agents, who advised Sheriff McAfee that Hulse was badly wanted on the charge of passing bogus checks in the city of Denver, Colo. On March 15, 1915, at Kansas City, Mo., E. B. ROGERS, an accomplice of Hulse, was taken into custody. These men had letter heads, envelopes and cards printed which proclaimed that they were the representatives of the Imperial Tire Company, of Oakland, Cal. There is no such firm in existence. They succeeded in defrauding two members in Denver, Colo., by means of lithographed checks drawn on the First National Bank of Oakland, purporting to be signed by the above mentioned fictitious concern. Hulse is 40 to 42 years of age, 6 feet 1 inch in height, 200 pounds in weight, dark complexion, dark eyes, dark hair, thin on top, good build, smooth shaven. Rogers is 37 to 40 years of age, 5 feet 8 inches in height, 170 pounds in weight, good build, dark complexion, dark eyes, dark hair. Rogers, as before stated, was arrested in Kansas City and readily agreed to return to Denver without extradition.

On February 23, 1915, a member of Fresno, Cal., was defrauded by LEON KOVOIAN, an Armenian, who posed as his brother on this occasion, the brother having an account at the member bank. This case was at once taken up for the member and with the assistance of a deputy from Fresno, Kovoian was apprehended by our representatives. When taken into custody on February 28, 1915, Kovoian admitted his guilt and returned to Fresno, where he is now awaiting trial. He is 21 years of age, 5 feet 8 inches in height, 140 pounds in weight, dark complexion, gray eyes, dark brown hair, slender build, good teeth, waiter by occupation, large scar under right ear. The California Bankers' Association co-operated with this Association in the efforts to bring about the apprehension of this man.

On March 1, 1915, at Omaha, Nebr., JIM A. LEONARD was arrested by the police authorities on the charge of defrauding a member at Lewellen, Nebr. He entered a plea of guilty to the charge brought against him and was held in \$1,000 bond. Later on he changed his plea to that of "not guilty."

On March 8, 1915, our Detective Agents, assisted by a deputy sheriff, arrested one W. B. MASSEY at Atoka,

Tenn., charged with forging the name of his cousin to a check for \$50, drawn on a membership bank at Blytheville, Ark. Massey is described as follows: 33 years old, 5 feet 9 inches tall, weighs 180 pounds, good build, light complexion, brown eyes, dark brown hair, smooth shaven, very thick lips, very large white teeth, stutters when in long conversation.

FRANK R. NOLAN, also known under the name "Rhea," wanted in connection with the forging of checks through which a member in Atlanta, Ga., was defrauded, was arrested recently in Charleston, S. C. The disposition of the case brought against him is shown in another column of this issue.

FRANK E. POWELL, alias Harold E. Wentworth, mentioned on page 732, March, 1915, JOURNAL-BULLETIN, recently defrauded bank members at Laconia, N. H., and Worcester, Mass., through the medium of forged checks. He was arrested at Leominster, Mass., on March 3, 1915, and on March 9, 1915, was arraigned before the District Court of that town, at which time he was held for the May term of the Grand Jury to sit at Worcester, Mass.

On February 25, 1915, a member at Corvallis, Ore., advised our Detective Representatives that they had been defrauded by one C. S. PRATHER, through the acceptance of worthless checks. Investigation was immediately made and into Seattle, Wash., Prather was traced. On March 6, 1915, he was located in this city and at the request of our Detective Representatives he was placed under arrest by the police of Seattle. Prather is 26 years of age, 5 feet 10 inches in height, 165 pounds in weight, auburn hair, carpenter by occupation. The Oregon Bankers' Association co-operated with this Association in the endeavor to bring about this man's apprehension.

On the charge of forging an endorsement to a check for \$128.35 and cashing and obtaining the money for his own use on same, HARRY RECHNITZER was, on March 4, 1915, taken into custody at Chicago, Ill. A member bank of this city reported this case and our Detective Representative immediately set about to locate Rechnitzer. This was accomplished and the Chicago police were requested to make the arrest. Rechnitzer represented himself to be a collector for an Aurora, Ill. concern. He is now held awaiting trial.

FRED W. REID, JR., mentioned in the August, 1914, JOURNAL-BULLETIN, page 110, as having defrauded bank members at Portland, Me., through the medium of forged checks, was arrested at Toronto, Ont., Can., on February 27, 1915. His sentence is reported in the convicted column of this issue.

GEORGE P. ROSSMAN must now stand trial for having passed a worthless check upon a member at Portland, Ore. This member advised of their being defrauded and the matter was immediately investigated with the result that on February 17, 1915, Rossman was arrested by our Detective Agents, assisted by the Portland police. The Oregon Bankers' Association co-operated with this Association in the endeavor to cause this operator's apprehension. He is 48 years of age, 5 feet 10 inches in height, 175 pounds in weight, medium build, ruddy complexion, dark brown hair, smooth shaven, real estate dealer by occupation and has the appearance of a responsible business man.

L. J. SMITH, who was arrested at Billings, Mont., by Chief of Police Bert Talgo, on February 28, 1915, was

identified by our Detective Representatives as being R. BELL, who was wanted for swindling a bank member at Laramie, Wyo. Arrangements have been made to have Bell returned to Laramie for trial on charges preferred against him there.

On February 21, 1915, the arrest of FRANK SOMERS and JOE PFEFFER was brought about at Nashville, Tenn., by our Detective Representatives and the police officials of that city. These men are charged with having blown the safe in the Sewanee Bank, Sewanee, Tenn., on February 17, 1915. On February 18, 1915, another member of the gang was taken into custody. He gave his name as F. A. JOHNSON and is being held with Pfeffer and Somers. There is an article of some length relative to the arrest of these men in another column of this issue under the title, "Three Yeggs Arrested for Sewanee Bank Job."



JOSEPH CLIFFORD WEBSTER.

The photograph above reproduced is that of JOSEPH CLIFFORD WEBSTER, who passed a forged check at a member bank in Kansas City, Mo., on March 1st, this year. Our Detective Representatives on March 3d brought about his arrest with the assistance of the Kansas City police. At the present time he is out on bond awaiting his trial, which is set for March 24, 1915. This man has previously served a term in the Missouri State Penitentiary at Jefferson City, Mo., for forgery. He is also known under the name H. C. Wright. Below is reproduced a specimen of his handwriting.

H C Wright

CONVICTED.

R. BENSON, arrest reported elsewhere in this issue, pleaded guilty to defrauding a member at El Paso, Tex., and was sentenced to serve sixty days on the County Roads.

ROBERT BOBNICH, who was arrested on October 10, 1914, in Great Falls, Mont., for forgery, pleaded guilty and received a sentence of five years in the Montana State Penitentiary.

FRANK L. CHAPIN, alias Charles Moffatt, mentioned in the July, 1911, and January, 1915, numbers of the JOURNAL-BULLETIN, pages 36 and 505 respectively, appeared before the Superior Court, New London County, at Norwich, Conn., on January 5, 1915, at which time he was sentenced to the Connecticut State

Prison for a term of not less than two nor more than five years.

H. C. COLLMAN, arrest reported elsewhere in this issue, was sentenced to six years on the charge of passing a bogus check.

A. J. FOX, alias W. W. Beeman, who is mentioned in this number under the title of "Arrested," received a sentence of one year in Oklahoma City, Okla.

G. C. GOEITZ, alias Walter R. Wilbur, arrested in Pittsburgh during September, 1914, charged with forgery, was sentenced on September 27, 1914, to serve nine months in the Allegheny County Jail. A detainer from the Chicago, Ill., authorities has been placed against him and he will be taken to Chicago upon his release to answer several charges of forgery.

RAY GUY, arrested on September 10, 1914, at Oxnard, Cal., charged with forgery perpetrated against a member of that place, pleaded guilty on September 21, 1914, and was sentenced to serve three years' time for his offense. He was, however, immediately placed on probation and returned to Los Angeles, Cal.

GEORGE KLARCH, who was arrested on October 10, 1914, in Great Falls, Mont., for forgery, pleaded guilty and received a sentence of five years in the Montana State Penitentiary.

LOUIS KONVALINKA pleaded guilty to the charge of forgery brought against him by a member at Brooklyn, N. Y., and on February 5, 1915, Judge Crane, of Brooklyn, suspended sentence in his case.

ROWE FRED LOUNSBERRY, who was arrested on December 4, 1914, was on March 15, 1915, sentenced from Denver, Col., to serve one year and a day in the Federal Penitentiary at Leavenworth, Kan.

HUGO NATHAN pleaded guilty to the charge of defrauding a member at St. Louis, Mo., by means of a forged check and was sentenced to serve two years.

FRANK R. NOLAN, alias Rhea, arrested for forgery perpetrated against a member at Atlanta, Ga., was convicted and on February 9, 1915, sentenced to two years in the State Penitentiary at Columbia, S. C. The arrest of this man is reported in another column of this issue.

HARRY RECHNITZER, mentioned elsewhere in this issue, pleaded guilty to a charge of obtaining money under false pretense, was convicted and immediately released on a suspended sentence and paroled to the Rev. Louis P. Caine.

FRED WALDO REID, JR., arrest reported elsewhere in this issue, was on March 8, 1915, sentenced to serve six months in the Ontario Reformatory, Toronto. At the conclusion of this term he will be held to answer the Portland charges.

JOSE VAGRAS RIVERA, alias Louis Cot, arrested December 7, 1914, was on February 5, 1915, sentenced to Elmira Reformatory by Judge Rosalsky in the New York Criminal Courts.

JOHN N. TODD, a locksmith of Montgomery, Ala., who was arrested on February 25, 1915, in Montgomery, on the charge of having stolen \$1,527 from the safe of a member while employed on its time lock, was recently sentenced to serve four years. The jury's verdict was that Todd was entirely guilty.

DOYLEA WHITE, mentioned on page 737, March, 1915, JOURNAL-BULLETIN, entered a plea of guilty to forgery and was sentenced by Judge Latshaw to serve

two years in the State Penitentiary at Jefferson City, Mo., on March 1, 1915.

DISCHARGED OR ACQUITTED.

CHARLES BAZZELL, arrested, during February, 1914, for a member at Pryor, Okla., was released from custody.

JAMES CANNON, whose arrest was reported in the JOURNAL-BULLETIN for March, 1915, page 734, was released from custody by the Philadelphia authorities, owing to the fact that the Pittsburgh City and County authorities refused to have him returned to Pittsburgh, as there is no available fund for having criminals brought back for trial.

ABE FISCH, arrested in Houston, Tex., on Decem-

ber 12, 1914, for defrauding a member of that city was released from custody. His acquittal was according to the instructions of the trial Judge, based on the grounds that the evidence proved that the act was done with no purpose to defraud or commit crime.

DILL LOCKRIDGE, mentioned on page 735 of the JOURNAL-BULLETIN for March, 1915, on February 17th, was acquitted by a jury in Lavaca, Ark.

JOE MOYCENOVEC, of whom mention is made on page 735, March, 1915, issue of the JOURNAL-BULLETIN, was released from custody as the Grand Jury returned a "No true bill."

The charges against L. M. RICH, arrested on a forgery charge in Topeka, Kan., were dismissed by the Prosecuting Attorney at Topeka. See JOURNAL-BULLETIN, November, 1914, page 310, December, 1914, page 403.

AWAITING TRIAL, EXTRADITION OR SENTENCE, APRIL 1, 1915.

ALLEGED FORGERS, ETC.

Andrews, Bob, December 12, 1914, arrested; swindle Ramseur, N. C.

Bach, Edward, November 17, 1914, arrested; forgery New York, N. Y.

Berry, Aurelia Mildred, July 7, 1914, arrested; forgery New Orleans, La.

Bingemer, C. T., November, 1914, arrested; forgery Tulsa, Okla.

Blass, Aline Davis, September 25, 1914, arrested; forgery New York, N. Y.

Blount, Walter C., March 16, 1915, arrested; forgery Holdenville, Okla.

Boisbert, Arthur, January 15, 1915, arrested; forgery Pittsburgh, Pa.

Bonchea, Benjamin, July 30, 1914, arrested; swindle Philadelphia, Pa.

Braun, F. A., July, 1914, arrested; forgery San Antonio, Tex.

Bremer, Robert L., December 22, 1914, arrested; forgery Birmingham, Ala.

Bullen, G. Charles, February 17, 1915, arrested; Los Angeles, Cal.

Bundy, H. C., August 7, 1914, arrested; forgery San Francisco, Cal.

Bush, J. A., May 29, 1913, arrested; forgery Wenatchee, Wash.

Campbell, H. E., February 3, 1915, arrested; forgery Sunbury, Pa.

Camus, William L., January 11, 1915, arrested; forgery New Orleans, La.

Catherman, Laura, December 19, 1914, arrested; forgery Rosedale, Kan.

Cipperly, H. P., March 11, 1915, arrested; Beaver Falls, Pa.

Clark, E. G., February 8, 1915, arrested; swindle Biddeford, Me.

Cook, A. B., March, 1915, arrested; swindle Salem, Ore.

Cooper, C. S., March 7, 1914, arrested; swindle Cordell, Okla.

Cox, Charles, September 23, 1914, arrested; forgery Bellhaven, N. C.

Curtis, Edwin A., December, 1913, arrested; forgery Stryker, Ohio.

Cuyle, W. G., October, 1914, arrested; forgery Chillicothe, Mo.

Daniels, J. A., January 20, 1915, arrested; forgery Stuart, Fla.

Early, Milton, January 16, 1915, arrested; swindle Clairon, Pa.

Easterday, Dr. Ray, March 15, 1915, arrested; swindle Billings, Mont.

Farlow, A. P., April 1, 1914, arrested; forgery Columbia, S. C.

Freeman, John, March 11, 1915, arrested; forgery Haverhill, Mass.

Frich, Tona, October 10, 1914, arrested; forgery Choteau, Mont.

Fuentes, Frank San Elmo, July 30, 1914, arrested; forgery Philadelphia, Pa.

Geyer, Henry, January 9, 1915, arrested; forgery Mount Vernon, Iowa.

Green, Raymond, January 23, 1915, arrested; swindle St. Paul, Minn.

Gustavus, Peter W., March, 1915, arrested; swindle Fresno, Cal.

Hannay, George, February 18, 1915, arrested; forgery San Francisco, Cal.

Hardman, Carl, September 2, 1914, arrested; swindle Vincennes, Ind.

Harman, Olin, March 15, 1915, arrested; forgery Salem, W. Va.

Hartley, Louis W., January 5, 1915, arrested; forgery Stevens Point, Wis.

Heild, Jessie, September 25, 1914, arrested; swindle New York, N. Y.

Hicks, Robert, February 2, 1915, arrested; forgery Kansas City, Mo.

Howard, John A., January 6, 1915, arrested; forgery Burlington, Vt.

Hulse, J. R., March 13, 1915, arrested; swindle Denver, Col.

Johnson, C. H., December 17, 1914, arrested; forgery Albuquerque, N. M.

Kelly, Robert M., June 8, 1913, arrested; swindle Bishopville, S. C.

Kirlin, Loretta, August 15, 1914, arrested; forgery Annapolis, Md.

Kovoian, Leon, February 28, 1915, arrested; forgery Fresno, Cal.

Larson, John B., October 27, 1914, arrested; forgery Juneau, Alaska.

Leigh, Howard, February 10, 1915, arrested; forgery Independence, Mo.

Leonard, Jim A., March 1, 1915, arrested; swindle Lewellen, Neb.

Lucas, R. Emmet, January 29, 1915, arrested; swindle San Pedro, Cal.

McDuffy, John, December, 1914, arrested; forgery Twinsburg, Ohio.

McKellop, Tom, March 20, 1914, arrested; swindle Holdenville, Okla.

McKellop, William, March 20, 1914, arrested; swindle Holdenville, Okla.

McKinley, Maynard, March 10, 1914, arrested; forgery Idabel, Okla.

Massey, W. B., March 8, 1915, arrested; forgery Blytheville, Ark.

Moycenovec, Steve, February 4, 1915, arrested; swindle Cleveland, Ohio.

Norwood, H. W., December 4, 1914, arrested; forgery Cumberland, Md.

Parmeter, Oren, September 15, 1914, arrested; swindle Albion, Ind.

Posselt, Charles A., July, 1914, arrested; forgery Worcester, Mass.

Powell, Frank E., March 3, 1915, arrested; forgery Laconia, N. H.

Prather, C. S., March 6, 1915, arrested; swindle Corvallis, Ore.

Quigley, Quentin, January 2, 1915, arrested; forgery Watertown, S. D.

Richason, M., January 1, 1913, arrested; swindle Kansas City, Mo.

Riche, A. L., October 16, 1914, arrested; swindle Boston, Mass.

Riley, James, January 23, 1915, arrested; swindle East St. Louis, Ill.

Rogers, C. R., August, 1912, arrested; forgery Cordele, Ga.

Rogers, E. B., March 15, 1915, arrested; swindle Denver, Col.

Rossman, George P., February 17, 1915, arrested; swindle Portland, Ore.

Rowland, William, May, 1914, arrested; forgery Hartman, Ark.

Schmidt, Adolph, February 13, 1915, arrested; forgery Chicago, Ill.

Scott, Harold, February 20, 1915, arrested; forgery Washington, D. C.

Smith, Clarence Clark, November, 1914, arrested; forgery Tulsa, Okla.

Smith, D. K., September 22, 1914, arrested; swindle Huntsville, Ala.

Smith, J. T., February, 1914, arrested; swindle Purcell, Okla.

Smith, L. J., February 28, 1915, arrested; swindle Laramie, Wyo.

Smith, R. P., January, 1915, arrested; forgery Flat River, Mo.

Spencer, H. E., January, 1914, arrested; forgery San Francisco, Cal.

Stevens, E. M., March 10, 1914, arrested; swindle Millertown, Pa.

Stone, George, December, 1913, arrested; forgery Lindsay, Cal.

Stone, Harry, December 29, 1914, arrested; forgery Boston, Mass.

Stuart, Clarence B., November 25, 1914, arrested; forgery Houston, Tex.

Sturgis, R. E., July 3, 1913, arrested; swindle Jennings, La.

Sullivan, C. E., August 15, 1914, arrested; forgery Ensley, Ala.

Villanueva, Ramon, January 11, 1915, arrested; forgery Sausalito, Cal.

Vojvodic, Kajo, October 10, 1914, arrested; forgery Choteau, Mont.

Walsh, Joseph, January 19, 1915, arrested; forgery Stamford, Conn.

Webster, Joseph Clifford, March 3, 1915, arrested; forgery Kansas City, Mo.

Wheeler, Charles, January 22, 1915, arrested; forgery Lockport, N. Y.

Wheeler, Nellie, January 22, 1915, arrested; forgery Lockport, N. Y.

White, Della, November, 1914, arrested; forgery Kansas City, Mo.

Wills, Joseph A., November 29, 1914, arrested; forgery Atlantic City, N. J.

Wise, Tessie, January 7, 1914, arrested; forgery San Francisco, Cal.

BURGLARS AND HOLD-UP ROBBERS.

Ashley, John, February 26, 1915, arrested; hold-up Stuart, Florida.

Baldwin, Hood, March, 1915, arrested; hold-up Gillham, Ark.

Baldwin, James, March, 1915, arrested; hold-up Gillham, Ark.

Blackwell, Lawrence, March 1, 1915, arrested; burglary Newburg, Mo.

Clark, Alonzo, January 14, 1915, arrested; hold-up Terilton, Okla.

Draper, John, January 16, 1915, arrested; hold-up Cincinnati, Ohio.

Dropp, B. W., February, 1914, arrested; attempted hold-up Tacoma, Wash.

Edwards, Leo, January, 1915, arrested; hold-up Salt Lake City, Utah.

Gaczewski, Czeslow, March, 1915, arrested; hold-up Lima, N. Y.

Hanson, Magnus, February 11, 1915, arrested; hold-up Medicine Lake, Mont.

Heaton, Bert, December 28, 1914, arrested; hold-up Bingham, Utah.

Hembree, Fred, January 16, 1915, arrested; burglary Andale, Kan.

Howard, George F., January 16, 1915, arrested; burglary Andale, Kan.

Johnson, F. A., February 18, 1915, arrested; burglary Sewanee, Tenn.

King, Alex, September 18, 1914, arrested; burglary Lincoln, Ala.

Pfeffer, Joe, February 21, 1915, arrested; burglary Sewanee, Tenn.

Powells, John, September 28, 1914, arrested; burglary Lincoln, Ala.
 Schapper, Peyton, January 16, 1915, arrested; burglary Andale, Kan.
 Somers, Frank, February 21, 1915, arrested; burglary Sewanee, Tenn.

Spess, James, January 12, 1915, arrested; hold-up Teriton, Okla.
 Stanfield, Thomas, January 16, 1915, arrested; burglary Andale, Kan.
 Towell, Roy, March 1, 1915, arrested; burglary Newburg, Mo.

STATISTICS OF THE WORK OF THE PROTECTIVE DEPARTMENT.

AS REPORTED TO THE PROTECTIVE COMMITTEE.

From September 1, 1914, to March 31, 1915.

	Awaiting Trial, etc., September 1, 1914.	Arrested since September 1, 1914.	Arrests in March, 1915.	Total.	Convicted.	Discharged or Acquitted.	Escaped, Fugitive, Dead, or Insane.	Awaiting Trial.
Forgers.....	92	149	25	174	126	45	5	90
Burglars.....	..	12	5	17	4	1	..	12
Hold-up Robbers.....	3	14	4	18	6	2	2	11
Sneak Thieves.....	..	1	..	1	..	1	..	..
	95	176	34	210	136	49	7	113

RULES OF THE PROTECTIVE COMMITTEE

1. Upon receipt of notification by the General Secretary, Five Nassau Street, New York City, or the nearest office or correspondent of the William J. Burns International Detective Agency, Inc., of an attempted or successful perpetration of fraud or crime upon a member of this Association in its banking rooms, or in the rooms of such branches as are members, either by forgery, check-raising, worthless or bogus checks, swindle, sneak theft, robbery, hold-up, or burglary therein, the Committee will at once use its best efforts to apprehend the criminal. No action, however, will be taken unless immediate notice is given, and a case once committed to the Association cannot be taken out of its hands nor the offense condoned or compromised. If for any reason whatsoever no prosecution takes place when the member is in a legal position to aid in the prosecution, and fails to do so, such member shall reimburse the Association for all expenses incurred in connection with the case reported.

2. In reporting cases the member agrees to swear out a warrant for the criminal concerned when his identity has been determined; or a John Doe warrant at once in states where permitted. The Committee relentlessly pursues both amateur and professional criminals in cases of attempted or successful fraud or crime upon members of the Association but cannot take cognizance of such offenses where perpetrated upon other than members, or of so-called "inside jobs" where the offender is an officer or employe of a member. The Committee relies upon the state, county or local authorities to arrange for the extradition and the payment of expense incident to the return of a prisoner. The Committee will not pay witness fees, and will not be responsible for any expense incurred for protective work, which has not been previously authorized.



OFFICIAL NOTICE.

Statement of the ownership, management, etc., of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, published monthly at New York, N. Y., required by the Act of August 24, 1912:

Editor, Arthur D. Welton, 5 Nassau Street, New York, N. Y.

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Owners, the American Bankers Association, 5 Nassau Street, New York, N. Y.

(A voluntary, unincorporated association of 14,500 bankers; Wm. A. Law, First National Bank, Philadelphia, Pa., President, and Fred. E. Farnsworth, 5 Nassau Street, New York, General Secretary.)

Known bondholders, mortgagees, and other security holders, holding one per cent. or more of total bonds,

mortgages, or other securities: (If there are none, so state.) NONE.

(Signed) FRED. E. FARNSWORTH.

Sworn to and subscribed before me this 10th day of March, 1915.

(Signed) H. H. APPLGATE,
 Notary Public, Kings County, New York.

Certificate filed in New York County, New York.
 (My commission expires March 30, 1915.)

KNOWLEDGE.

"There are colleges and colleges," says Woodrow Wilson. "I have spent the greater part of my life doing what is called teaching, but most of the pupils of most of our universities systematically resist being taught. I remember being somewhat comforted and reassured some years ago, after I had taught ten or fifteen years, by being told by a friend of mine, who had taught for twenty years, that he had found that the human mind had infinite resources for resisting the introduction of knowledge."

BANK ACCEPTANCES AND DOCUMENTARY BILLS.

More information than now exists is needed on methods of handling bank acceptances and documentary bills.

During the discussion of the Federal Reserve Act a pamphlet by Paul M. Warburg on "Circulating Credits and Bank Acceptances," and one by L. M. Jacobs on "Bank Acceptances," with an article or two by O. M. W. Sprague, were the Library's most frequently consulted sources of information as to the general nature of acceptances and their relation to the discount market.

A detailed description of "Commercial Letters of Credit" by John E. Gardin, and a pamphlet on "Acceptances" by H. R. Eldridge have more recently been issued by the National City Bank, while the Guaranty Trust Company has supplied the Library with distribution copies of its pamphlet on "Bank Acceptances." The book on "Money Changing" by Hartley Withers and Franklin Escher's "Foreign Exchange" contain clear and detailed descriptions of such bill of exchange practise, while Margraff's "International Exchange" describes foreign exchange department methods in American banks, and in various books on foreign exchange are to be found general accounts of documentary bills, bills of lading, insurance certificates, shippers' invoices, inspection, weight and consular certificates and similar bills.

But it would seem that practical foreign exchange men must themselves supply the need of detailed explanations of departmental methods of examining and approving acceptances and their underlying securities. In a recent address before New York Chapter of the American Institute of Banking, Romaine A. Philpot, of Lazard Freres, warned that "there are some vulnerable

points against which an accepting bank must safeguard itself. Care must be exercised in the examination of the documents to determine whether they correspond with the terms of the letter of credit under which they were drawn, and whether they are complete, correct and clean."

These terms, "complete, correct and clean," sound simple enough, but the Library finds only occasional references to all the details which must be taken into consideration in their interpretation by the student of bill of exchange practice. Many of the Library's articles on Bills of Lading, some of those on Cotton Financing, on Bills of Exchange, Commercial Paper, Discount and Rediscount, and a few like that of August Ulrich, on The Responsibility of Acceptors of Merchandise Bills, in the Journal of Commerce of December 24, 1913, cover some of the danger points and point out a few of the opportunities for fraud in connection with the issuance of such instruments.

But more information is in demand and it is hoped that foreign exchange men familiar with the daily details of acceptance transactions will find time to cover, in printed articles, the points which may seem trite and obvious to them from long experience, but which are unfamiliar to others who want to train themselves for such work. Articles which contain concrete examples illustrating the necessity of care in observing incidental phrases on some part of a bill, misdating or later-dating of an insurance certificate, provisions for the transfer of goods from railroad to docks, for instance, and similar points of caution will probably be more widely read than those of a more general nature.



AGRICULTURAL CREDIT IN IRELAND.

Agitation of the subject of agricultural credit is not confined to the United States, as is evidenced by the following statement in the "Journal of the Institute of Bankers in Ireland": "The report of the Departmental Commission upon this subject, which has at last appeared, seems to be more valuable as a collection of evidence and opinions than as a useful guide toward healthful action. In this respect, however, it probably does not differ from the majority of the reports delivered by Governmental Commissioners. Whatever importance may eventually be assigned to it, whatever influence—if any—it may have in moulding future legislative enactments, it is satisfactory to find that the Commissioners are unanimous in stating that the Irish Joint Stock Banks had done their share in the work of supplying agricultural credit. 'They have undoubtedly done much to adapt their methods as far as possible to the credit requirements of small farmers.' But it is recognized that this class of business is not of a nature with which the banks can deal on commercial lines. The smaller farmers demand small long-term loans; such transactions, save in strictly limited numbers, are contrary to the theories

of sound banking principles. All banks have moneys out upon loans which are virtually 'lock-ups,' in the sense that their repayment is probably a matter of years to come. But at the time these advances were granted they did not present themselves in such a questionable shape. If the Irish banks were to engage in this class of business more actively they would have to disregard the oft-quoted definition of sound banking—that it lies in realizing the difference between a bill of exchange and a mortgage. Neglect of this fundamental principle would be good neither for the farmers nor for the banks.

STUDIES IN ENGLISH.

"English Grammar" is a thirty-two page text-book in which correct expression is taught without dry rules or barren definitions.

"English Rhetoric" is a thirty-two-page text-book—clear, forceful and magnetic—on correspondence, speech-making and writing for publication.

The cost of each of the books thus described is fifty cents, payable in silver or postage stamps. Correspondence Chapter, A. I. B., 5 Nassau Street, New York City.

MEMBERSHIP CHANGES

The membership of the Association is now over 14,500. There are frequent changes which come about through consolidations, mergers, liquidations, etc. The General Secretary of the Association would appreciate receiving from our members notice of any changes which occur, for the purpose of keeping our membership list correct and giving publicity through the columns of the JOURNAL-BULLETIN.

California	..... Newport Beach	..... State Bank of Newport succeeded by First National Bank.
Canada	..... Vancouver, B. C.	..... Dow, Fraser & Company changed to Dow Fraser Trust Company.
Connecticut	..... Hartford	..... Charter Oak National Bank in voluntary liquidation.
Florida	..... Carrabelle	..... Carrabelle State Bank out of business.
Idaho	..... Nampa	..... Citizens State Bank converted to Citizens National Bank.
Illinois	..... Chicago	..... Mastrogiovanni Savings Bank closed.
	..... "	..... Western Savings Bank closed.
	..... Rock Island	..... Rock Island National Bank consolidated with Central Trust and Savings Bank.
Iowa	..... Carroll	..... German American Bank succeeded by German Savings Bank.
Kentucky	..... Central City	..... Central City Deposit Bank closed.
Louisiana	..... Crowley	..... First National Bank changed to First National Bank of Acadia Parish.
Michigan	..... Howell	..... Alex. McPherson & Company changed to McPherson State Bank.
Minnesota	..... Baudette	..... First State Bank succeeded by First National Bank.
	..... Minneapolis	..... Security National Bank consolidated with First National Bank as the First and Security National Bank.
Mississippi	..... Summit	..... Progressive National Bank succeeded by the Progressive Bank.
Montana	..... Hobson	..... First State bank converted to First National Bank.
	..... Medicine Lake	..... Farmers State Bank of Valley County changed to Farmers State Bank.
Nebraska	..... Orleans	..... Citizens National Bank changed to State Bank of Orleans.
New York	..... Rome	..... Rome City Bank changed to Rome Trust Company.
Oklahoma	..... Teriton	..... First National Bank succeeded by First State Bank.
Oregon	..... North Bend	..... Bank of Oregon consolidated with First National Bank.
	..... Yoncalla	..... Yoncalla State Bank in hands of Receiver.
Pennsylvania	..... Pittsburgh	..... German National Bank in hands of Receiver.
Republic of Panama	..... Panama	..... Commercial National Bank, Balboa, Canal Zone, transferred to Commercial National Bank.
South Dakota	..... Lake Norden	..... Farmers State Bank succeeded by First National Bank.
	..... Vale	..... Belle Fourche Valley Bank in liquidation.
Texas	..... Waelder	..... Waelder State Bank in voluntary liquidation.
Wyoming	..... Green River	..... Green River State Bank succeeded by First National Bank.

NEW AND REGAINED MEMBERS FROM MARCH 1 TO 31, 1915, INCLUSIVE.

Alabama	..... Atmore	..... First National Bank.
	..... Headland	..... Farmers & Merchants Bank.
	..... Marbury	..... Farmers Savings Bank.
	..... New Market	..... New Market Banking Co.
Arkansas	..... Glenwood	..... Bank of Glenwood.
	..... Harrison	..... Farmers Bank.
	..... Havana	..... Bank of Havana (Regained).
California	..... Alhambra	..... Alhambra Savings Bank.
	..... Coronado	..... Bank of Commerce & Trust Co.
	..... Fort Jones	..... Mount Shasta Banking Co. (Regained).
	..... Inglewood	..... Citizens Savings Bank.
 Santa Ana Citizens Commercial & Savings Bank.
 Saticoy Farmers & Merchants Bank.

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Colorado	Bayfield	Farmers & Merchants Bank.
	De Beque	Bank of De Beque.
	Victor	The Citizens Bank.
Florida	Punta Gorda	Punta Gorda Bank.
	Zephyrhills	American State Bank.
Georgia	Atlanta	Federal Reserve Bank of Atlanta.
	Dearing	Bank of Dearing.
	Fairburn	Bank of Campbell County.
	Fort Valley	The Exchange Bank.
	Social Circle	Walton County Bank.
	Summit	Bank of Summit (Regained).
	Warthen	Farmers & Merchants Bank.
Idaho	Arco	Bank of Commerce.
	Buhl	Citizens State Bank.
	Rupert	First National Bank.
	Wardner	The Weber Bank.
Illinois	Annapolis	First National Bank.
	Bluford	The Bluford Bank.
	Chicago	City State Bank.
	Chicago	Federal Reserve Bank of Chicago.
	Chicago	Kimbark State Bank.
	Marion	Marion State & Savings Bank.
Indiana	West Liberty	Bank of West Liberty.
	Frankton	Frankton Bank (Regained).
	Rosedale	Rosedale National Bank.
Iowa	Winslow	First National Bank.
	Ames	Ames National Bank.
Iowa	Iowa City	Johnson County Savings Bank.
	Royal	Farmers Savings Bank.
	Thornton	Farmers Savings Bank.
	Wyman	Wyman Savings Bank.
	Atlanta	Citizens State Bank.
Kansas	Canton	Farmers State Bank.
	Clay Center	Union State Bank.
	Downs	State Bank of Downs.
	Ensign	Ensign State Bank.
	Girard	Crawford County State Bank.
	Greensburg	Farmers National Bank.
	Haviland	Haviland State Bank.
	Iola	Allen County State Bank.
	Ionia	Ionia State Bank.
	Kensington	Citizens State Bank.
	Labette	Labette State Bank.
	McCune	McCune State Bank.
	Murdock	Murdock State Bank.
	Ness City	National Bank of Ness City.
	Norway	Norway State Bank.
	Otego	Otego State Bank.
	Radium	Radium State Bank.
	Robinson	Bank of Robinson.
	Rock	Rock State Bank.
	Strawn	Strawn State Bank.
Vermillion	State Bank of Vermillion.	
West Mineral	Mineral Kansas State Bank.	
Wichita	First Trust Co.	
Yates Center	Commercial State Bank.	
Kentucky	Brooksville	Farmers Equity Bank.
	Covington	Covington Savings Bank & Trust Co.
	Hazard	First National Bank.
	Madisonville	Farmers National Bank.
Louisiana	Franklinton	Washington Bank & Trust Co.
	Opelousas	Planters National Bank.
Massachusetts	Aburndale	Newton Trust Company.
	Boston	Federal Reserve Bank of Boston.
	Boston	Union Institution for Savings.
	Fall River	Citizens Savings Bank.
	Lowell	Middlesex Safe Deposit & Trust Co.
	Newton Centre	Newton Trust Company.
	Newtonville	Newton Trust Company.
Michigan	Hillsdale	First National Bank (Regained).
	Nunica	Farmers & Merchants Bank.
	Ontonagon	Citizens State Bank.
	Sebewaing	Killmanagh Bank of Frank W. Hubbard & Co.

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Minnesota	Gonvick	Farmers State Bank.
	Laporte	First State Bank
	Marietta	Farmers & Merchants State Bank.
	Minneapolis	East Side State Bank.
	Minneapolis	Minneapolis State Bank.
	Piers	German State Bank.
Red Lake Falls	Farmers National Bank.	
	Taopi	First State Bank.
Mississippi	Baldwyn	Peoples Bank.
	Belzoni	Citizens Bank & Trust Co.
	Benoit	Bank of Benoit.
	Gloster	Amite County Bank.
	Natchez	Bank of Commerce.
	Rolling Fork	Bank of Rolling Fork.
Missouri	Butler	Peoples Bank.
	Chillicothe	First National Bank.
	Crocker	Crocker State Bank.
	De Soto	Peoples Bank (Regained).
	Dixon	Bank of Dixon.
	Forest City	Home Bank.
	Garden City	Bank of Garden City.
	Kansas City	Park National Bank.
	La Plata	Farmers & Merchants Bank.
	Norwood	Ryan Banking Co.
St. Louis	Wellston Trust Company.	
Montana	Geraldine	Farmers State Bank.
Nebraska	Arapahoe	Citizens State Bank.
	Carroll	Citizens State Bank.
	Harrison	First National Bank.
	Winslow	Winslow State Bank.
New Hampshire	Concord	Union Trust Company.
New Jersey	Newark, 210 Ferry St.	Branch, Ironbound Trust Company.
New Mexico	Columbus	Columbus State Bank.
	Tucumcari	American National Bank.
	Wagon Mound	Wagon Mound Trust & Savings Bank.
New York	Monroe	Citizens Bank of Monroe.
	New York	Alfred M. Barrett.
	New York	Schafer Brothers (Regained).
	Plattsburgh	Merchants National Bank.
North Carolina	Colerain	Bank of Coleraine.
	Fair Bluff	Farmers & Merchants Bank.
	Morehead City	Bank of Morehead City.
	North Wilkesboro	Deposit & Savings Bank.
	Southport	Bank of Southport.
North Dakota	Barton	Farmers & Merchants Bank.
	Cavalier	First National Bank.
	Crosby	Security State Bank.
	Devil's Lake	First National Bank.
	Douglas	Douglas State Bank.
	Hankinson	Citizens National Bank.
	Linton	First National Bank.
	Lisbon	Citizens Bank.
	Michigan	Nelson County State Bank.
	Rhame	First State Bank.
Ohio	Continental	Farmers State & Savings Bank.
	Lancaster	Lancaster National Bank.
	Middletown	American Savings Bank.
	Niles	Niles Trust Company.
	Sherwood	Sherwood Savings Bank Co.
Oklahoma	Amorita	Bank of Amorita.
	Ardmore	Ardmore National Bank.
	Cameron	Bank of Cameron (Regained).
	Chickasha	Chickasha National Bank.
	Elk City	German State Bank.
	Kinta	Kinta State Bank.
	Kiowa	Peoples National Bank.
	Konawa	First National Bank.
	Ramona	Citizens State Bank.
	Snyder	First National Bank.
	Verden	First National Bank.
Vici	Bank of Vici.	
Oregon	Canby	First National Bank.

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Pennsylvania	Beaver Falls	First National Bank.
	Butler	Guaranty Safe Deposit & Trust Co. (Re-gained).
	Dalmatia	Farmers State Bank.
	Grantham	Grantham National Bank.
	Lititz	Lititz Springs National Bank.
	Mountville	Mountville National Bank.
	Oxford	Peoples Bank of Oxford.
	Philadelphia	Fox Chase Bank.
	Philadelphia	National Security Bank.
	Pittsburgh	First National Bank of Aspinwall.
	Scranton	Lincoln Trust Co.
Waynesburg	Peoples National Bank.	
South Carolina	Conway	Peoples National Bank.
	Fairfax	Citizens Bank.
	Greenville	Piedmont Savings & Investment Co.
South Dakota	Sioux Falls	Dakota Trust & Savings Bank.
	Tea	Farmers Savings Bank.
Tennessee	Bell Buckle	Peoples Bank & Trust Co.
	Rutledge	The Peoples Bank.
	Savannah	First National Bank.
	Troy	Bank of Troy.
Texas	Aransas Pass	First State Bank.
	Buena Vista	Farmers State Bank.
	Dallas	Central State Bank & Trust Co.
	Fort Stockton	First State Bank.
	Hamlin	First State Bank.
	Henderson	Farmers & Merchants National Bank.
	McLean	Citizens State Bank.
	Moulton	First State Bank.
	Munday	First National Bank.
	Post City	First National Bank.
	Rockdale	Citizens State Bank.
	Rosebud	First National Bank.
	Saint Jo	First National Bank.
	Sterling City	First State Bank.
	Texas City	Guaranty State Bank.
	Tomball	First State Bank.
Utah	Huntington	Castle Valley Banking Co.
	Spanish Fork	Commercial Bank.
Virginia	Front Royal	Front Royal National Bank.
	Gate City	Peoples National Bank (Regained).
Washington	Battle Ground	State Bank of Battle Ground.
	Kirkland	Kirkland State Bank.
	Redmond	Redmond State Bank.
	Vancouver	Washington Exchange Bank.
	Walla Walla	Farmers Savings Bank.
West Virginia	Blacksville	Dunkard Valley Bank.
	Charleston	Central Trust Company.
	Grantsville	Bank of Grantsville.
	Mill Creek	Bank of Mill Creek.
	Moundsville	Mercantile Banking & Trust Co.
	Summersville	Farmers & Merchants Bank.
Wisconsin	Beloit	Beloit Savings Bank.
	Eland	Eland State Bank (Regained).
	Elmwood	First State Bank.
	Juneau	Citizens Bank of Juneau.
	Kewaunee	Farmers & Merchants State Bank.
	Kiel	Citizens State Bank.
	La Crosse	La Crosse Trust Company.
	Marshfield	Marshfield State Bank.
	Oshkosh	Commercial National Bank.
	Platteville	Mound City Bank.
	Prescott	First National Bank.
	Superior	United States National Bank.
Waterloo	Farmers & Merchants State Bank.	
Wyoming	Jackson	Jackson State Bank.
	Lusk	Wyoming State Bank.
	Riverton	First State Bank.
	Sundance	The Citizens Bank.
	Worland	First National Bank.



AMERICAN INSTITUTE OF BANKING

THE AMERICAN INSTITUTE OF BANKING Section of the American Bankers Association is devoted to the education of bankers in banking and the establishment and maintenance of a recognized standard of education by means of official examinations and the issuance of certificates of graduation. To qualify students for official examinations for Institute certificates, which are termed final examinations, the Institute provides a standard course of study in the form of serial text-books and collateral exercises. No additional text-literature is required. Such study course is divided into two parts. Part I is entitled "Banking and Finance." Part II is entitled "Commercial and Banking Law." The fact is recognized that average students get little benefit from text-books or lectures without collateral examinations. Text-literature and lectures are educational food. Examinations are the process of digestion. The mind as well as the body requires exercise, and the student who ducks or dodges examination is like the dyspeptic who bolts his food or the athlete who side-steps his training. The fact should be appreciated that examination is something more than measurement and certification. Students who realize that they are to be examined pay closer attention to their lessons. The process of examination also corrects omissions and misconceptions otherwise inevitable in any system of study. Examination is a fundamental necessity in practical education and not a scholastic superfluity, as some persons suppose or pretend to suppose. In suitable cities bank employees are organized in chapters for educational work in accordance with the class method of instruction. Students outside of city chapters are associated in the Correspondence Chapter and provided with instruction by mail. Chapter organization and education are thus made uniform and universal.

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