

JOURNAL

OF THE

AMERICAN BANKERS ASSOCIATION

The Chicago Convention

THE forty-fourth annual convention of the American Bankers Association, held at Chicago the week of September 23, 1918, was more than a war convention. In a broad, national sense, it was just such a gathering as might be expected to result from bringing together a great number of representative bankers during the progress of the most stupendous war in the history of mankind. Patriotic demonstrations occurred at each session, and those who heard or took part in the proceedings could have had no illusions as to where the American Bankers Association stands in the matter of loyal support of the government and a vigorous prosecution of the war to a successful conclusion.

On the other hand, in matters relating purely to the business of the Association, there was a very significant and important change. By amending the constitution so as to give representation to the Administrative Committee to the National Bank, State Bank, Trust Company and Savings Bank Sections, the convention made it possible to create a harmony of interests where previously there had been lack of harmony; and by further changing the constitution so as to provide for two vice-presidents and then choosing a state banker for one of these offices, the last touch was given to the sinking of all partisan feeling between national and state bankers. If anything more were needed to cement the union, it was provided by amendments ironing out difficulties heretofore existing in

matters of legislation and by agreement to give the state banking interests equal representation with the national bankers in the personnel of the legislative committees.

All the changes effected by constitutional enactment are given in the complete text of the amendments passed, which will be found on another page. In addition, the convention adopted the following recommendations by the Committee on Co-ordination of Association Activities:

Location of Headquarters: In regard to the question of moving the headquarters of the Association to either Washington or Chicago, the committee believed that such a move was not advisable or practicable at this time, but they recommended instead that an office should be opened as soon as practicable in Washington, in charge of a competent resident representative as assistant to the General Counsel and with such other duties as may be assigned by the Administrative Committee.

Cabinet Conference: Conferences of the heads of the several departments in the general offices of the Association, held from time to time, were recommended to be held at fre-

quent intervals, not less than every two weeks.

State Committee on American Bankers Association Membership: It was recommended that a committee to work for an increase in the membership of the Association be formed in each state by the Administrative Committee of the Association, consisting of the secre-

President Wilson's Message to the Convention

CHARLES A. HINSCH,
President American Bankers Association,
Chicago, Ill.

Please present my cordial greetings to the bankers and express to them the gratification which I have felt in common with the whole country at the splendid spirit and efficiency with which the bankers of the country have assisted the government in the all-important matter of the loans.

WOODROW WILSON,

The Reply

HON. WOODROW WILSON,
President of the United States,
Washington, D. C.

The delegates representing the membership of the American Bankers Association in convention assembled at Chicago September 26, receive with deep appreciation your inspiring message of September 25. Every ounce of energy and every resource at the command of the bankers of the nation are pledged to the cause of human freedom and independence. We will loyally support and follow your lead as our Commander-in-Chief in the mobilization of every effort and every resource of America to the end that all the power and strength of this great land shall be made available for war on the common enemy until victory for the Allied arms shall have been attained and the world made safe for democracy.

CHARLES A. HINSCH,
President American Bankers Association.

tary of the state association as chairman, the State Vice-Chairman, the local vice-presidents of sections and local members of the Executive Council; and that such committee be under the supervision of the Field Committee provided for in the next recommendation.

Field Committee: That the Administrative Committee create within the general offices a Field Committee of which the General Secretary shall be chairman; such committee to superintend the work of the various membership committees provided for, and to arrange with some competent representative of the Association to be present at the various state conventions—any speeches of such representative to be under the supervision of the Field Committee and of the President of the Association. This plan to be tried for one year.

Statistical Bureau: That a statistical and general information bureau in the library, showing various statistics of all trust company, state bank and savings bank matters, as well as those of national banks and a report of the activities of state associations, with other useful information, would be of practical value; and that such bureau be established as soon as finances justify.

INSURANCE REFERENDUM

The organization of a bankers' insurance company was recommended by the Insurance Referendum Committee, which urged all Association members to subscribe for stock in such company. After a long discussion, it was voted that the report of the committee be received and filed without recommendation, and the committee discharged "with the sincere thanks of this organization for their splendid service."

Officers, 1918-1919

President

ROBERT F. MADDOX
President Atlanta National Bank, Atlanta, Ga.

First Vice-President

RICHARD S. HAWES
Vice-President Third National Bank, St. Louis, Mo.

Second Vice-President

JOHN S. DRUM
President Savings Union Bank & Trust Co.,
San Francisco, Cal.

General Secretary

FRED. E. FARNSWORTH
New York.

Treasurer

JAMES D. HOGE
President Union Savings & Trust Co., Seattle, Wash.

General Counsel

THOMAS B. PATON
New York

Assistant Secretary

WILLIAM G. FITZWILSON
New York

TEMPER OF THE CONVENTION

Throughout the sessions, the convention was on edge and always ready for a demonstration. Through the courtesy of Captain W. A. Moffet, Commandant of the Great Lakes Naval Training Station, a band from the station was present and enlivened the commencement of each session with patriotic music. And when, after a particularly warm battle over the adoption of the amendment to the constitution providing for two vice-presidents, President Hinsch announced the latest cabled news of allied victory, the band assisted in the greatest demonstrations of enthusiasm that the Association has ever

seen at any convention since its organization.

Frequent outbursts of applause and cheering were evoked by the speakers. Judge Ben B. Lindsey of Denver, just returned from "over there," held the audience with thrilling stories of the experiences of the American army at the Marne. Secretary of the Navy Daniels spoke to the most crowded session of the convention on the accomplishments of the navy in the winning of the war. Inspiring addresses were given by Governor Frank O. Lowden of Illinois and W. T. Fenton of Chicago in welcoming the bankers, and by Vice-President Robert F. Maddox in replying to the addresses of welcome. Respectful attention was given to three splendid addresses along constructive economic lines: "Relations between Employer and Employee," by W. H. Vandervoort, of Vandervoort, Root & Barney Engineering Co. and H. & V. Wagner Ordnance Co., East Moline, Ill.; "The Merchant Marine and the Railroads," by Harry A. Wheeler, president of the Chamber

Secretary McAdoo to the Convention

CHARLES A. HINSCH,
President American Bankers Association,
Chicago, Ill.

Will you please convey my cordial greetings to the members of the American Bankers Association now in session at Chicago and assure them of my warm appreciation of their co-operation in carrying forward successfully the great financial operations of the Government? They have done splendid work for Liberty Loans in the past, and I know that they will, with even greater patriotism and enthusiasm, help make the Fourth Liberty Loan a success. Hearty good wishes for a successful meeting and for a fruitful outcome of your deliberations.

WM. G. McADOO.

The Convention to Secretary McAdoo

HON. WM. G. McADOO,
Secretary of the Treasury,
Washington, D. C.

The members of the American Bankers Association, assembled in convention at Chicago, have received your greetings, and they instruct me to tender you, the courageous leader of the financial forces of our country, their great appreciation for the message; and they at the same time reaffirm their determination to use every means at their command to make the Fourth Liberty Loan the most forceful of all expressions from a free people, to furnish all credits and material necessary to the Government for a speedy and complete victory.

CHARLES A. HINSCH,
President American Bankers Association.

of Commerce of the United States; and "The Menace of Paternalism and Bureaucracy," by Otto H. Kahn of Kuhn, Loeb & Co., New York. Governor W. P. G. Harding of the Federal Reserve Board spoke briefly in place of George E. Chamberlain, chairman of the Senate Committee on Military Affairs, who was unable to be present because of pressing legislative duties at Washington.

ENTERTAINMENT

In deference to war sentiment, the entertainment was subdued. There were automobile rides and a luncheon for the ladies, and theater parties on two evenings of the convention week. The arrangements for these features were perfect, as indeed were the arrangements for the entire machinery of the convention, in which respect the Chicago bankers set a standard that will be hard to equal. A great many delegates remained for the trip on Saturday to the Great Lakes Naval Training Station, where a special drill and review were given.

RESOLUTIONS

Following is the complete text of the resolutions adopted by the convention:

THE WAR

Whereas, The United States of America and her Allies are engaged in a great war, having for its object the permanent security of the world; and

Whereas, The American Bankers Association, in annual convention assembled, realizing the righteousness of the cause, the tasks laid upon our government officials, the burdens laid upon our army and our navy, the patriotic and able efforts of American business men, the loyal sacrifices freely made by all the men and women of the land, wishes to renew its assurances of unqualified co-operation to the end of securing a victorious and permanent peace. Furthermore, the Association commends the spirit of the American people which has evidenced its intent to support the policies of the government in the prosecution of the war until such time as the allies are able to force an unconditional surrender and a dictated peace, and we pledge the American Bankers Association to gladly assume all responsibilities and make all sacrifices necessary to this end;

Therefore, Be It Resolved, That the American Bankers Association, representing as it does the great banking strength of the country, pledges anew its united support to the President of the United States, and those associated with him in the great task of the hour.

Be It Further Resolved, That we recommend to our members that they do all in their power to aid in placing the Fourth Liberty Loan, and that they continue to co-operate fully with the Secretary of the Treasury in connection with all government financing.

Be It Further Resolved, That this Association recommends that all of its members earnestly urge their customers and depositors and those with whom they come in contact to eliminate waste and extravagance, that the needed supplies for our armed forces may be made more plentiful and that the cash results of such economies may furnish the basis for the purchase of Liberty Bonds and aid in maintaining the economic stability of the nation.

Whereas, There will begin on November 11 next a campaign for the raising of funds for seven agencies now engaged in aiding our fighting men on land and sea, said agencies being as follows: National War Work Council of the Young Men's Christian Association, War Work Council of the National Board of the Young Women's Assn., National Catholic War Council (Knights of Columbus), Jew-

ish Welfare Board, War Campaign Community Service, American Library Association, Salvation Army;

And, Whereas, This campaign has the approval of the Federal Government, and it being our desire to be of the utmost help to all agencies helpful in the winning of the war; therefore

Be It Resolved, That we recommend to our membership their most earnest support of this campaign.

ALLOWANCE OF MERCHANDISE DEPRECIATION

Whereas, The constant rise in the prices of commodities has resulted in a condition of increasing danger to the merchant and manufacturer which danger is bound to be of concern to the banks of the United States, it is our belief that the facts surrounding these conditions should be given serious consideration by those in charge of the taxing program of the government,

Therefore, Be It Resolved, That we recommend the approval of the amendment to the present draft of the Revenue Law known as "H. R. 12863," offered by the National Dry Goods Association, and more recently approved by the Advisory Council of the Federal Reserve Board, which amendment is as follows:

Greetings to General Pershing

Chicago, Ill., September 28, 1918.

GENERAL JOHN PERSHING,
France.

Annual Convention American Bankers Association just received with enthusiasm news of your successful drive and unanimously voices its faith in you and your boys, to whom they confidently look for victory.

CHARLES A. HINSCH,
President.

General Pershing's Reply

France, October 3, 1918.

C. A. HINSCH, President
American Bankers Association,
Chicago, Ill.

Many thanks for your cordial cable. Greetings of the American Expeditionary Forces to the Annual Convention of the American Bankers Association.

PERSHING.

"Add to Section 202 of the proposed Bill the following paragraph:

"A reasonable allowance being made for the increased cost of merchandise so inventoried over the average cost of like merchandise during the pre-war period."

The entire section would then read as follows:

"Sec. 202. That whenever in the opinion of the Commissioner the use of inventories is necessary in order clearly to determine the income of any taxpayer, inventories shall be taken by such taxpayer upon such basis as the Commissioner, with the approval of the Secretary, may approve or prescribe as most clearly reflecting the income of the taxpayer.

"A reasonable allowance being made for the increased cost of merchandise so inventoried over the average cost of like merchandise during the pre-war period."

MERCHANT MARINE AND FOREIGN TRADE

Whereas, The fortunes and demands of war have placed within our grasp an American merchant marine rivaling in tonnage the merchant fleet of Great Britain at the beginning

of the war and these same conditions have increased our productive capacity in many lines of industry far beyond the peace demands of our own country, and

Whereas, Profitable use of this newly acquired instrumentality of transportation, and of these new channels of production, depends entirely upon our national recognition of the need for acquiring foreign markets for our productions, and of intelligently adapting our industries to meet the demands of such markets,

Resolved, That the American Bankers Association, in convention assembled, pledges itself to support, by every means in its power, the development of export trade, to encourage manufacturers to enter upon this field of distribution, and to provide, as rapidly as possible, adequate facilities for financing export operations sufficient to meet every reasonable demand that may arise.

AGRICULTURAL WORK

Whereas, The work of the Agricultural Commission of the American Bankers Association, has demonstrated that the banking fraternity throughout this country is a great constructive force in the needed increase of agricultural production,

Therefore, Be It Resolved, That the members of this Association be urged to assist even more actively wherever it is within their power any movement or effort which shall have for its purpose the legitimate advancement of the agricultural interests of the nation.

PUBLIC UTILITIES

Whereas, The maintenance of the country's public utilities in the highest possible state of efficiency is essential not only to the war program of the United States, but also to the nation's business, industrial and public interests; and,

Whereas, Such efficiency depends upon the preservation of the credit of the companies providing public utility service; and,

Whereas, The increase of costs and the unusually difficult conditions of operation brought about by the war seriously threaten the ability of the public utilities to continue the furnishing of the necessary services they perform; and,

Whereas, The protection of the credit of public utilities is very largely in the hands of regulatory commissions and other public authorities, rather than in the utilities themselves;

Now, Therefore, Be It Resolved, That the American Bankers Association recommend to national, state and local authorities that they recognize the unusual and onerous conditions with which public utilities are contending, and that in the interest of the nation, of business, and of the public, they give prompt and sympathetic hearing to the petitions of such utilities for assistance and relief.

Be It Further Resolved, That the General Secretary of the American Bankers Association be instructed to send a copy of this resolution to the various commissions controlling public utilities within the states.

GOLD

Whereas, The gold production of the world is rapidly decreasing, and

Whereas, The only form of relief that will prove effective and can be applied promptly, is action by the United States Government in such form and by such methods as may be deemed fit and proper under the circumstances, and

Whereas, Gold is the standard of value and the basis of all credit, and it is vitally important to the financial and commercial life of the nation and of the world,

Now, Therefore, Be It Resolved, That the American Bankers Association in convention assembled, respectfully request and urge upon the Government of the United States the desirability of maintaining the production of gold to at

least its pre-war volume, and ask that steps be taken immediately to that end;

And Be It Further Resolved, That the General Secretary of this Association be, and he hereby is instructed to send a copy of this resolution to the President of the United States, Secretary of the Treasury, and Secretary of the Interior, advising them of its adoption;

And Be It Also Further Resolved, That considering the great importance of this subject, this convention recommends to the Executive Council that the matter be referred to the Federal Legislative Committee and the Currency Commission for an exhaustive study and such action as may be deemed necessary.

FRAUDULENT SECURITIES

Whereas, The Capital Issues Committee has assumed as a war duty of the office, the work of stamping out the sale of fraudulent securities to the American people, and

Whereas, As a part of such work it is trying to prevent the further exchange of such fraudulent securities for Liberty Bonds, and

Whereas, This campaign has the enthusiastic support and approval of the Secretary of the Treasury; also of the Chamber of Commerce of the United States and other important business organizations, *Now, Therefore*, be it

Resolved, That the American Bankers Association pledges its support and cooperation to this vital effort to destroy this improper commerce in Liberty Bonds and the sale of fraudulent securities, and calls upon its individual members to aid and cooperate with the Capital Issues Committee in every way to accomplish these ends.

THANKS

It is the unanimous opinion of your Committee on Resolutions of Thanks, that the American Bankers Association should express by a rising vote its appreciation of the successful efforts made by those who have contributed to make this, the forty-fourth annual convention, outstanding.

To the associated banks and the commercial organizations of Chicago, grateful acknowledgment is made. The cordial words of welcome expressed by Governor Frank O. Lowden, and Mr. W. T. Fenton found reflection in concrete form.

Nothing has been neglected which could add to the pleasure of the visitors and the work of the delegates. We desire to express our grateful appreciation and sincere thanks to Hon. Josephus Daniels, Secretary of the Navy, W. P. G. Harding, Governor of the Federal Reserve Board, Hon. W. H. Vandervoort, Hon. Harry A. Wheeler, Hon. Ben B. Lindsey, and Hon. Otto H. Kahn, for having honored us with their presence and for the magnificent addresses delivered by them. We acknowledge with grateful appreciation, the splendid, courteous and liberal response of the British Government for the exhibit at this convention of economies practiced and sacrifice made by their great citizenry, to the end that decisive victory and peace shall come to allied arms, at no distant date.

We desire to express particular appreciation for the manner in which the local press, the newspaper correspondents, the Associated Press, and the United Press have handled the news, and for the generous space the newspapers and bank publications have given to the deliberations and proceedings of the convention, and we are grateful to Manager Burke and the Congress Hotel for courtesies extended and for official quarters tendered complimentary to the Association.

Since the American Bankers Association has made an unprecedented record for loyalty and patriotism in its support of the financial plans of the government for the prosecution of the war, and since this end could not have been accomplished but for the loyal support and co-operation of the member banks, we desire to extend our thanks to each and every one of them, for the readiness with which they have acceded to every request for co-operation from this organization.

Annual Address of the President

CHARLES A. HINSCH

To the Members of the American Bankers Association and Guests.

LADIES AND GENTLEMEN: In this most momentous year in modern history, there have been changes whose import we will not fully comprehend until they have been sifted through the fingers of time. What we do comprehend is that we are all actors in a tragic drama which has been thrust upon us by the greed and ambition of Germany. Whether the transition in the world will be for good or ill, we do not know. The world of civilization is shaken to its foundations. The forces of society, of politics, of business, are working to a solution of the problems that present themselves for consideration from the rule of autocracy to the rule of the people—from the control of the few to the control of the many. And all we understand is that it is our part to see that in the final evolution we, as a nation, survive and thus make secure the opportunity to carry the gospel of freedom to the ends of the earth, redeeming with our own future the future of those whose power to care for themselves is not so great as ours. We began this struggle not on April 6, 1917, but on July 4, 1776; we fought for it first at Concord and Lexington and we will fight for it last, if Providence so wills, when the last armed German has been beaten to the earth.

Not knowing what the future holds for us, but supremely confident of the justice and righteousness of our cause, we are gathered here to take an accounting—to make an inventory of our achievements and our situation in respect to those adjuncts and accessories of war defined as financial and economic. We seek this accounting and this inventory in no spirit of vainglory—in no desire for self-congratulation, but humbly and prayerfully, that we may better plan the future and so organize our resources that we may successfully resist the processes of economic waste and disintegration.

AMERICAN BANKERS ASSOCIATION

The American Bankers Association enlisted for the war on April 6, 1917, and it has been fighting ever since. It is going to keep on fighting, not to the last dollar, but to the last unit of credit that our superb banking organization can provide.

We hereby reaffirm and renew our pledge of loyalty to the President, and rededicate our lives and fortunes to the attainment of a victorious peace. No peace that Germany will approve will satisfy America; we must not conclude a negotiated peace; nothing should be considered but an unconditional surrender. This war cannot, must not, end until the menace of the Hun is removed for all times.

LIBERTY BONDS AND WAR SAVINGS STAMPS

The banks of the nation have patriotically responded to the call for service, and have been potent factors in marketing ten billions of Liberty Bonds. In response to the call of Mr. Vanderlip, the American Bankers Association undertook the task of enrolling the banks as selling agents for the sale of War Savings Stamps and Thrift Stamps.

For five months the Association conducted a bureau in Washington for this purpose and eighteen thousand banks were enrolled in this service. At least seven thousand additional banks agreed to sell these securities, but declined to qualify as agents.

This is the greatest Thrift Campaign ever inaugurated and will have far-reaching effects. The habit of thrift once contracted will not readily be surrendered, and it is to be hoped that this movement will result in converting a nation of spenders into a nation of savers.

Never in the forty-five years of its existence has the American Bankers Association been so well equipped for great service as now.

MEMBERSHIP

The membership of the Association is now 19,043, a gain of 1,715 members for the year. That point has now been reached where we may truthfully say that the banks of the country need the Association fully as much as the Association needs the banks. If the best interests of the banking fratern-

ity are to be served and the nation is to be given the most effective banking service, the banks must stand together, work together and strive for common ends. Never was unity of purpose so necessary. Never was co-operation so imperative as now. Nothing can resist the dynamic force of co-operation properly directed.

EFFICIENCY AND SERVICE

The demand of the hour is for efficiency in every line of endeavor, in service to the nation, to our Allies, and to those with whom we come in touch in industrial pursuits.

In harmony with this spirit the American Bankers Association, in its desire to render the greatest possible degree of efficient service to its membership, will present to you through its Committee on Co-ordination of Activities, a number of amendments to the constitution, constructive in character, which, if adopted, we believe will result in a greater degree of co-operation among the several sections of the Association, and a co-ordination of the activities of the various state associations with the American Bankers Association.

At the present time the Administrative Committee of the Association consists of the President, Vice-President, Executive and two members selected from the Executive Council. It is now proposed to add to the Committee the presidents of the four sections typifying the different classes of banking, viz.: National, State, Savings and Trust.

In this way the heads of these several sections will participate in administering the affairs of the Association and they will thus be brought in close touch with the aims and policies of the Association as a whole, which will insure a co-ordination of effort and unity of purpose highly beneficial to the membership.

The vice-presidents of these sections should be members of the Executive Council, and it is proposed that the constitution be so amended.

It is believed that these amendments, if adopted, will lead to team work that has not been possible of accomplishment in the past.

It is also proposed to give the several sections a greater degree of latitude in the matter of state and Federal legislation. Under this plan, if a difference of opinion exists between two or more sections as to the wisdom or desirability of the passage of pending legislation, representatives from these sections are expected to attempt to adjust their differences. Failing to accomplish this purpose, they will be permitted to take such action in the premises as they may deem advisable, and may do so in the name of the section they represent. Obviously, if representatives of two or more sections appear before committees in Congress with divergent views, they cannot expect to accomplish their purpose.

It is confidently believed, therefore, that this amendment to the constitution, if adopted, will be a potent factor in bringing about an amicable adjustment of differences that may exist between the sections.

"FIELD SERVICE"

The members of our Association, generally speaking, are not aware of the services that we are prepared to render, and arrangements have been perfected by which the American Bankers Association will be represented hereafter at the annual conventions of the various state bankers associations throughout the nation, by some one who can speak with authority and who has a knowledge of the aims and policies of the Association. For this purpose the officers, members of the Administrative Committee and heads of departments, will be drafted for field service.

OFFICE CONFERENCES

Office conferences have been held at stated periods during the year by the officers and department heads in the general offices of the Association, resulting in an exchange of ideas and a co-ordination of effort highly beneficial to the Association.

APPRECIATION

It seems appropriate that I should at this time give expression to the deep sense of appreciation I feel for the loyal support and hearty co-operation extended me by the members of the Administrative Committee, officers of the Association, heads of departments and, in fact, all identified with the activities of the General Office.

They have all responded cheerfully to the call for service during the most trying period the Association has ever experienced.

JOURNAL

The future policy of the publicity organ of the Association, known as the JOURNAL, has been the subject of considerable thought and discussion. It is believed that the membership would appreciate the publication of a weekly bulletin or magazine presenting terse, up to date information on subjects in which the bankers of the nation are interested.

Such a publication, however, would entail considerable expense, and in consideration of this subject, it was deemed advisable to respond to the insistent demand that has been made for advertising space in our publication. This proposition received the unanimous approval of the Executive Council at the recent meeting held at Hot Springs. The revenue derived therefrom will enable the Association to issue a weekly, in lieu of the monthly publication.

Considerable discussion has taken place from time to time, relative to moving the general offices to Washington. This subject was considered by the Committee on Co-ordination, who deemed it inadvisable, at this time, to recommend the proposed change.

The Committee will, however, recommend to you that the Association establish an office and maintain a representative in Washington, which will enable it to keep in close touch with the Federal Reserve Board, Treasury Department and pending legislation affecting the banking interests.

These changes and developments with suggestions of minor importance should place the Association in such a position that membership in it will be indispensable to the banker who wishes to keep abreast of the times, and discharge his full duty to himself and his community. The aim is to give the American Bankers Association the equipment necessary to serve all the needs of its members.

FIDELITY AND BURGLARY INSURANCE

There has been an insistent demand for a number of years that consideration be given to the question of organizing a company within the membership of the American Bankers Association, devoted to the writing of fidelity and burglary insurance for member banks, this demand being the product of the belief that the rates now charged by the old line companies are out of harmony with the risk assumed.

At the Atlantic City convention a special committee was authorized to consider this subject. The committee devoted considerable time to the preparation of data, which was presented at the Spring Meeting, with the recommendation that the Executive Council take favorable action in advocating the organization of an insurance company along the lines suggested. The Executive Council approved the suggestion and the proposition will be presented to you at this meeting for final action.

It is the belief of the committee that a company organized along the lines suggested, under proper management, can extend rates materially lower than those now charged, and at the same time pay reasonable dividends upon the capital invested. It is distinctly understood that if the company is organized, it will not adopt a title that will indicate that the American Bankers Association is either directly or indirectly identified with the movement. If the company is launched, the American Bankers Association will not have any financial interest in the enterprise, nor any voice in its management, and will therefore not in any way be responsible for its future.

FEDERAL RESERVE CAMPAIGN COMMITTEE

The American Bankers Association in June, 1917, was instrumental in securing the passage of amendments to the Federal Reserve Act designed to meet all the objections which had been raised by state banks to membership in the Federal reserve system.

In recognition of the necessity of mobilizing the financial resources of the nation, to enable the government to success-

fully prosecute the war to a victorious conclusion, the American Bankers Association appointed a committee to co-operate with the Federal Reserve Board, and with the officers of the several Federal reserve banks, with a view of conducting an educational campaign, having for its object the bringing into the Federal reserve system all the eligible non-member banks.

The committee has a representative in each Federal reserve district, with authority to appoint assistants in each state in the district.

In addition to the efforts they are making to induce non-member banks to join the system, they are also charged with the responsibility of securing the passage of such remedial state legislation as may be necessary to enable the eligible banks to join the system. The results attained have been most satisfactory and those identified with directing the affairs of the Federal reserve banks have expressed their deep appreciation of the services rendered by the American Bankers Association. I sincerely hope that this convention will authorize a continuation of this constructive work.

COMMITTEE OF FIVE

The Committee of Five succeeded in securing the passage of legislation which it was hoped would enable country banks to obtain reasonable remuneration for services rendered. By request of the Federal Reserve Board, General Counsel Paton submitted a brief, outlining his interpretation of Sections 13 and 16 of the Federal Reserve Act as amended. The opinion rendered expressed in the most convincing and exhaustive terms that the Federal Reserve Board was obliged under the amendment to fix and allow reasonable service charges to member banks, but having received an adverse opinion from the Attorney General, the Board has refused to allow the service charge.

THE AGRICULTURAL COMMISSION

The Agricultural Commission, under the leadership of its efficient chairman, has rendered potential aid in stimulating an increased supply of farm products.

The *Banker-Farmer*, official publication of the Commission, has taken a front rank among the magazines devoted to farm topics, and has been signally recognized by the United States Department of Agriculture during the past year.

This important committee should be made a permanent standing committee of the convention, and the chairman a member of the Executive Council, and an amendment to the constitution in harmony with this thought will be submitted for your decision.

MEXICO

The attention of the Association has been directed to the unfortunate conditions existing in Mexico, especially to the confiscatory provisions of the new Constitution adopted by the Republic.

This situation has been the occasion of several conferences and considerable correspondence between the officials of your Association, parties directly interested, and the State Department.

American citizens and interests have been shamefully treated, but we hope that through the good offices of the State Department an amicable adjustment may be effected through diplomatic channels.

Mexico will doubtless finally realize that we have no ulterior motives, and that we sincerely desire to be of material benefit in assisting her to solve her internal problems.

AMERICAN TRADE ACCEPTANCE COUNCIL

In recognition of the necessity of conserving and utilizing the credit facilities provided by the Federal Reserve Act, the American Bankers Association, in co-operation with the United States Chamber of Commerce, National Association of Credit Men and National Association of Manufacturers, formed a joint committee known as the American Trade Acceptance Council. This organization has conducted an intensive campaign of education during the past year, calling attention to the advantage and necessity of converting open book accounts into liquid credit instruments known as trade acceptances. The results attained have been most gratifying.

CO-OPERATION

Freed from the restraints imposed by law and the Interstate Commerce Commission, the railroads have increased

their carrying power; under the trained command of business men, ships are being launched and munitions are being produced. The Government has called in business men to conduct the multifarious enterprises connected with war. The Government, instead of restraining business, is now encouraging it to speed up the war. May we not hope for a continuation of this spirit of co-operation between the Government and business at the conclusion of the war?

However, out of the chaos into which the nation was plunged, is coming the semblance of order. Americans are following their natural creative bent. They are working for new ends—to create an industrial machine behind the war machine—and from new motives—to produce what is needed for the joy of it as well as the necessity.

It is all intensely democratic in its spirit and in its desire to serve for the common good. The draft is democratic—the Liberty Loans are democratic. The conservation of food is democratic. At every turn the test to be applied is not whether any single act is the result of the exercise of centralized authority, but whether it indicates the will of the people. Democracy is ascendant in the minds of men. A note of partisanship has a jarring sound. It makes a discord in the effort for social harmony.

In this great drive for order in the world—for the elimination of every shred and remnant of autocracy—the great organizations of business men are working in co-operation. On these organizations rests the responsibility of leadership. To their ingenuity we look for the plans that will bring social peace and satisfaction. To these composite representatives of action we must look for the initiation of the movements and the execution of the works that will make this nation worthy of its destiny.

It is most fortunate that in these circumstances the American Bankers Association has stepped out of its isolation and has joined hands with the Chamber of Commerce of the United States, with the National Association of Manufacturers, with the National Association of Credit Men, with the Foreign Trade Council and with the International High Commission, in the development of enterprises and ideas which give promise of general advantage. Each of these organizations has a special field but they have as their common purpose the winning of the war, the progress of the country and the promotion of anything and everything that makes for prosperity and happiness.

Joint committees are working out ideas on particular subjects. Your President has been honored by presiding over the Finance Sections of the meetings of the Chamber of Commerce and the Foreign Trade Council. With other organizations, of more specialized nature—the League to Enforce Peace, the National Security League and the National Association of Owners of Railroad Securities, for instance—we are in co-operation and the Association has been represented at many meetings for the consideration of national problems.

NON-PARTISAN LEAGUE

The extreme manifestation of social unrest is found in the so-called Non-Partisan League. Price-fixing is now one of the most alluring arguments of its advance agents. Appealing to the farmer's normal prejudices, against the supposed exploiters of his toil, the agents point convincingly to the fact that the price of his wheat has been fixed, but the price of cotton and oil has not. The war, they declare, has been made in the interests of predatory wealth and profiteers, so why not beat the enemies of honest toil by paying Mr. Townley \$16 and joining the League for two years?

The avowed purpose of this organization, now strong in sixteen states, is political control by a class for a class and co-operative selling and buying. They already control many newspapers and they propose running stores, elevators, banks and courts.

They are too shrewd to attempt to launch a new political party; their scheme is to secure control of the dominant political party of the city, county and state where they are operating. With the millions at their disposal, this plan has been easy of accomplishment, and they are practically in control of the state of North Dakota. This movement should be curbed, before it assumes the proportions of a prairie fire.

NATIONAL SPIRIT

Against these various manifestations of discontent and determination for social and economic change, there are evi-

dences of intelligence, loyalty and devotion which are reassuring. To the men of the drafted army and all others, we may turn in the confident expectation of finding democracy of purpose. In attending eighteen state conventions of bankers, I found opportunities to visit several of the concentration camps and aviation fields. At all of them there was displayed the same sturdy Americanism, the same enthusiasm, the same devotion to country that is exemplified in every dispatch from the battlefields of Europe.

SELECTIVE DRAFT

The selective draft act—that miracle of legislation in its application to all classes—has given us an army superior in intellect, initiative, courage and physical strength.

UNIVERSAL MILITARY TRAINING

Universal military training has won approval because its influence must inevitably be democratizing. But universal military training is as inevitably joined to the question of social unrest as the question of social unrest is joined to the plans and prospects of the Non-Partisan League which is a manifestation of it. Commercial expansion and industrial growth depend on the training of our young men as much as on our financial strength. These young men will receive from military training a new sense of the meaning and obligations of citizenship; they must have the physical and intellectual preparation for service to the country and those of alien birth must have a common participation in public duties and share the common pride in our national achievements. Once that has been done, movements like that of the Non-Partisan League, as menacing as it is, will be merged in a democracy of purpose and patriotism.

DEMobilIZATION

When our young men return from the battlefields of Europe, they will have something to say about the conduct of those of us who have stayed at home. They will be privileged to ask us what we have done to place ourselves as nearly as possible with them on the same level of sacrifice and suffering. They are privileged to make the demand and have an honest answer. What will they say to those who, by reason of the sacrifice and suffering of the men at the front, have gained power or wealth through profit or have secured unearned wages by threatening to make the sacrifices and suffering more intense!

To these men we owe an accounting and it may not be satisfactory to them if it is not based on honest intention to make this country contented and prosperous. Their future is a part of the whole vast problem. To some extent the younger ones may be compensated for their services by education at the government's expense. That is a partial solution, but there lies further opportunity for study and an application of the knowledge of our greatest educators and vocational experts. The influence of the decision as to these men's future on our social and industrial status, may be momentous. The demobilization of the great armies we are gathering may be a greater task than their mobilization. From whatever angle we approach the subject of war and "after the war," we encounter the same questions.

MERCHANT MARINE

Linked up inseparably with both these questions is that of our merchant marine. Forced at last by the grim necessity of war, we are producing tonnage at an unprecedented rate. When the war is over these ships, however owned, must be profitably employed.

But construction of ships is not the whole thing; unless there is due provision for the operation of these ships on the competitive basis under American ownership, the American flag will disappear and we shall be in the position of building ships for other nations to operate. But it is, of course, highly desirable that their operation as well as their construction should be American. The revenue from their merchant marine has been one of the large factors of British income for years.

There were three or four factors which absorbed the bulk of our favorable export balance prior to the war. One was interest on capital advances which Europe had made in this country, one was expenditures by American travelers in Europe, one was remittances by immigrants to their families

in Europe, and one—a very substantial one—was payment for service of the British and German merchant marine and insurance on American goods carried in foreign bottoms.

A well-known authority recently said: "Without a sound, well-endowed system of American shipping, banking and marine insurance, the three welded together into one harmonious whole, there can be no world's trade for America.

"We of the interior have for generations opposed ship subsidy because we had no coast cities; forgetting that coast cities are the open gate to and from inland industries.

"We must take stock of our prejudices, in the new light shed upon this subject and we must be prepared to scrap them, if necessary, as we would scrap worn-out machinery."

Many of the restrictive features of the Seaman's Act should be repealed, and the Shipping Board should be given broad discretionary powers, with the view of placing the shipping interests of America on as favorable a basis as that of other nations.

In 1914 our world trade amounted to \$3,800,000,000, about \$40 per capita. American ships carried only 9½ per cent. of it. Chairman Hurlley of the Shipping Board said recently: "With something like 25 million tons of shipping to be employed within two years, the United States Shipping Board feels that it is none too early to look around for cargoes, both in this country and abroad."

FOREIGN TRADE

Then he added that "ships will be of little use when peace comes, unless the American business man has by that time learned to think in terms of ships and world trade. He must learn to regard the whole world as his market.

"This will mean more than selling factory goods to foreign customers. Foreign countries have raw material and finished products to exchange with us. He must learn to swap jack-knives without trying to keep both knives.

"The American manufacturer must run his factory with a view to utilizing the raw materials of other countries, thus aiding in their development. We must learn to develop other countries by investing our money in them, laying a basis for trade as the English and Germans have done."

The passage of the Webb-Pomerene Bill permitting combinations in connection with foreign trade and the evolution of the Federal reserve system, are both factors that will aid tremendously in developing foreign trade connections. It has been suggested that a commercial attaché be established in each of our foreign Consulates, or possibly the appointment of higher class men as Foreign Consuls, with more training, who could possibly organize a commercial bureau for the benefit of America's trade abroad. Accurate information about foreign trade conditions and government co-operation in meeting them would certainly be of great benefit.

FEDERAL RESERVE SYSTEM

The banking business is not immune to these changes that are taking place before our eyes. Now and then we thank Providence for the reserve system. It has been the salvation of the country. When all the forces of transportation, industry and agriculture had to be stimulated, reconstructed and reorganized, when citizens had to be turned into soldiers over night, we have been spared the need of revising our banking system.

The Federal Reserve Act has provided the facilities for the opening of new fields, the opportunity for developing foreign business, the certainties that have succeeded the uncertainties, and the numerous advantages without which it would be impossible for us even to think of competing in world markets.

NEW ERA

The new era for business is not going to begin when the war ends—it has already begun. It began when the war began, even for us. Commerce and production are the aims of the nations and commercial domination has been the aim and purpose of Germany. Peace as the result of military adjustments might be simple, but peace as the result of the settlement of commercial differences and spheres of control, will be difficult or impossible without a military victory. Every discussion of possible terms of peace makes still clearer Germany's purpose to retain the foundation of her commercial power, which goes hand in hand with her military power, so

that, if she is to cease to be a menace to the peace of the world, Germany must be overcome commercially as well as militarily. The single alternative is that she be so placed and give such guarantees, if that is possible for a nation with no sense of respect for a solemn treaty, that she may be accepted again as a member of the league of nations.

COMMERCIAL AND INDUSTRIAL EXPANSION

This country stands then firmly committed to a great policy of commercial and industrial expansion, if not as a matter of desire, then as a matter of necessity. It is as inevitable as it was that we would become participants in the war, whether we wanted to or not. If this is not our policy, we must admit we are willing to surrender our position in the world and lapse into the state of a second rate and decadent nation.

The maintenance of this position demands of us an assembling of our forces and a co-ordination of our efforts not only as great but even greater than has been made necessary by the war. In this scheme the government looms large as the influence which alone can give us the compact organization necessary to meet the competition of other nations organized down to the last refinement of efficiency.

RAILROADS

A few years ago none of us would have believed that such an outcome would be possible. We would have scoffed at the idea of this government's appearing as the conductor or director of, or participant in, business of all kinds. But here we are—all in agreement that never again can we go back to the old method of conducting the railroads and only wondering how we can reach the solution of the problem without government ownership and operation.

Public sentiment as to the railroads has been largely the product of appeal to passion and prejudice. Demagogues have capitalized and nursed hatred of the roads.

A reliable authority states that the whole equipment for transportation is ten years behind the times. Why? Because the Interstate Commerce Commission has forbidden the roads during that period of time to charge just and fair rates for their product, tracks, locomotives and cars have been steadily wearing out and there have been no adequate funds to replace them. This has sapped railroad credit, and at no time in the last ten years have the roads been able to raise sufficient funds to keep their equipment abreast of the times. This has produced not only physical discomfort to the business world through hampered transportation facilities, but has had a more far-reaching effect upon the country's prosperity.

GOVERNMENT CONTROL

Under the circumstances, it is indeed fortunate for the railroads that the government has undertaken to direct their activities during the period of the war and it is to be hoped that as a product of this experience, a policy will crystallize which will place the railroads in a sound economic position.

The banks of the nation are vitally interested in the future of the railroads and are anticipating the consummation of contracts with the United States Railroad Administration, which will be in harmony with the assurance of the President: when the properties were taken over, that the stockholders could rely on receiving a square deal from the government. The railroads would thus be placed in a position where they could count with absolute certainty upon the amount of revenue available for the payment of dividends and other fixed charges. The recent advance in freight and passenger rates was convincing proof that the railroads were justified in the demands they have made during the past several years for an advance in rates.

CO-ORDINATION

The government, by common consent, is looked to as the guiding influence in business, but if it is to guide competently, it must have wisdom in counsel and supply a form of leadership or direction which, through an understanding of it, is in sympathy with business.

What is transpiring in this country seems also to have been happening elsewhere. England, for instance, has ceased to be a commercial battleground of freely competing manufacturers and merchants. It has become a single workshop, whose various activities have been co-ordinated either through voluntary co-operation or by order of business men in government posi-

tions, backed by laws. One estimate places the number of such men in positions of authority over business at two hundred thousand.

That is a position which is rapidly being attained in this country, if, indeed, we have not already reached it. The government, we say, is in control for the necessary purpose of winning the war, but the winning of the war depends on industrial organization. The conclusion comes inevitably that what will win the war will also win the "war after the war." Therefore, for this later undertaking, we must have the same co-ordination of effort, the same strong directing authority, which must be above the suspicion of selfish motives and the same combination and standardization for the sake of economy and efficiency.

The problem of the business world, in view of the tendencies of the times, is such utilization of centralized direction as will be beneficial to business. The problem of government is such a directing influence over business as will be beneficial to the country. In this there is community of interest rather than conflict. In any event, it is the situation that confronts us whether we like it or not; it will continue to confront us for the period of the war and some months thereafter.

In this connection a further demonstration of the tendency toward government direction is found in the Capital Issues Committee and the War Finance Corporation. These were frankly organized for war purposes, but already they have found opportunities for service and action rather different from anything that was originally intended. Chiefly they have shown the possibilities that may be attained by banks organized for service.

BRITISH TRADE CORPORATION

Prophecy is idle, but in looking over these enterprises, we are reminded that England has gone much farther. The British Trade Corporation with an authorized capital of \$50,000,000 was incorporated under royal charter over a year ago. This corporation is the authorized agent of the government and may act for the government whenever the latter desires that "British capital shall participate in financial operations and requires an agent for the representation of British interests so far as relates to trade or finance."

The Trade Corporation insures credits and so makes possible longer credits to foreign buyers of British goods; it gives financial support to British enterprise in any part of the world; it finances inventions and inventors and through its commercial intelligence department provides information as to trade opportunities and finances them. Its purpose is not particularly to make profit for itself but to increase industry and commerce and so make profit possible.

Thus, England is preparing for world business. Our experience in point of trade necessity parallels England's. We are in fact traveling the same road and in many ways are applying similar methods in an effort to reach the same destination. The life of our War Finance Corporation is fixed. Our railroads are under government direction for the term of the war and 21 months thereafter. It was the same in England originally, but a few months ago the Chairman of the British Committee on Trade and Industrial Reconstruction advised the public that the same control would have to be submitted to after the war ends.

None of these questions can be considered independently. Every single line of activity runs into all the others. Every question is tied up with all the others—questions of banking, financing, transportation by land and sea and by lake, river and canal as well, questions of industrial and agricultural production, of wages, efficiency, of social content and social unrest, and the still subtler questions concerned with the health, vigor, education and morality of the people—all are linked up together.

So it is that we cannot conduct the war without also conducting "the war after the war." It is not permitted that we live only for the day. Prudence demands that the work of this week and this month be so ordered that the work of next week and next month be developed rationally and normally. Whatever our inclinations, we find ourselves inevitably looking forward.

NON-ESSENTIALS

We see, therefore, that in our zeal for war essentials we must not wholly destroy what are loosely classed as non-essentials. These must be curtailed; they must be compelled

to mark time, but only the direst need would justify their destruction. A secure foundation must be left under them or the future will be freighted with distress and disaster.

In discussing this subject, a well-known authority said:

"There should be no permanent dismantling of any substantial phases of America's business activities.

"They will all, even the now so-called non-essentials, be required again in an increasing degree to meet the world's new needs as conditions after the war gradually return to normal. In the coming peace, just as in the present war, America will be called upon for greater service to the world than ever before.

"We who are so largely responsible for the business welfare of the country should, both from motives of patriotism and also of faithfulness to our business stewardship, see to it that when the war is victoriously ended America shall stand financially stronger and sounder in every way than ever before to meet the world needs to which it will be her duty to minister. We must not let war weaken us, but rather strengthen us, to carry on the great salvage of civilization to which we have devoted ourselves."

Upon the banker rests a grave responsibility in this trying hour, and the future welfare of our country depends largely upon the ability of the banker to convince his patrons of the necessity of abstaining from a declaration of large dividends. Abnormal profits should be used in the liquidation of outstanding bonds and other fixed or floating indebtedness; liberal depreciation reserves should be set up, covering plant, machinery and inventories.

Bankers can be largely instrumental in the adoption of efficient methods of cost accounting and should insist upon receiving financial statements audited by certified accountants.

If these policies are adopted the business of the nation will be placed on a high plane of efficiency, and we will be prepared for any eventuality.

CONFIDENCE IN FUTURE

In the face of all the difficulties that confront us, our hope merges into confidence. We are privileged to contrast our creative genius with the destructive mania of the Hun. We are setting freedom on a pinnacle and burying slavery deep in a dugout. We are releasing the energies of the world for service and stamping out power for greed and selfishness. We are putting autocracy down, but we have still to set democracy up. Until that has been accomplished, the struggle will go on indefinitely, sometimes on blood-soaked battlefields where armed forces clash, but oftener in the social ranks where the weapons will be ideas.

It is our privilege to live in the most eventful era of the world's history.

What a wonderful opportunity for the development of our national spirit, for service, for sacrifice, for achievement, and to prove ourselves worthy of the lofty ideals cherished by our forefathers!

We have emerged from our policy of isolation, and have assumed a new relationship in the family of nations. America has proven to mankind that we are not the sordid, mercenary people we have been pictured. I am proud of the rôle that has been assumed by the banks of the nation; they have given ample evidence of their willingness to serve in this great cause, without hope or expectation of reward. America has a great mission to perform, with the advent of peace, in the reconstruction period to follow. It will fall to our lot to bind up the wounds of mankind, to assuage the grief of the bereaved and afflicted, to feed the hungry, clothe the naked, house the homeless. Problems will be presented for solution that will tax our ingenuity and skill to the uttermost. We must give sober thought to these changed conditions, lest we find ourselves as poorly prepared for peace as we were for war. We will be brought face to face with situations requiring business sagacity and humanitarianism, with opportunity for commercial and financial achievement unparalleled in the world's history.

LEADERSHIP

If there is to be victory in this latter struggle, there must be leadership—leadership in business and industry—leadership in politics, leadership by men without fear, who will not be influenced by favor—by men not representative of party or faction, but firm in their allegiance to the highest ideals of the republic.

General Secretary's Report

FRED. E. FARNSWORTH

To the American Bankers Association.

GENTLEMEN: As required by the constitution, I submit herewith a general report of my administration as General Secretary of the American Bankers Association during the fiscal year commencing September 1, 1917, and ending August 31, 1918.

The year that has just passed, the eleventh of my connection with the Association, has been the busiest and at the same time the most fruitful year of its existence. Many new problems have arisen which in their solution have demanded the utmost care and diplomacy on the part of your executive officers. Thanks to their efforts, the Association today is stronger and its prestige higher than ever before in its history.

Before proceeding with an extended description of the Association's activities, it seems appropriate to give credit where credit is due. In the conduct of the affairs of the Association during the past year no man has shown a keener insight into the details of its working machinery, a broader appreciation of its problems and a greater capacity for the executive direction of the organization than President Charles A. Hinsch. From first to last he has been in close touch with every single factor entering into the marvellous growth of the Association during the past year, and to him should be awarded the greatest measure of credit for the constructive policies which have been shaping themselves for the future guidance and progress of the American Bankers Association.

In reviewing the work of the General Secretary's office I shall touch very briefly on those matters which are of a purely routine nature, dwelling only on those which are sufficiently unusual to require more than a casual mention. It must not be inferred that because only a short reference is made to some department or committee it is any reflection on the importance of the work done. All of the manifold activities of the Association are important and all merit commendation for work well performed, for on the extent to which they function harmoniously and co-operate with one another depends the orderly conduct of the Association's business.

EXECUTIVE COUNCIL

The Executive Council held its spring meeting at Hot Springs, Ark., May 9, 10 and 11. There were only sixteen absentees, and the character of the work accomplished shows conclusively that these meetings are worth while and promote the efficiency of the Association's operations. An outline of the transactions of the spring meeting was published in the JOURNAL for June.

When the new Council meets as constituted at present for organization after the adjournment of this convention it will comprise 32 members in the one-year class, 36 in the two-year class, 33 in the three-year class and 16 ex-officio, making a total of 117. This is an increase of 9 since last year.

If the three proposed amendments to the constitution relating to Article 5, Section 2, wherein the membership of the Executive Council will be affected, are adopted the following members ex-officio will be added:

Second Vice-President A. B. A.....	1
Vice-President Clearing House Section.....	1
Vice-President American Institute of Banking Section I	1
Vice-President State Secretaries Section.....	1
Chairman Currency Commission.....	1
Chairman Agricultural Commission.....	1
	6

With the above number added there will be a total ex-officio membership of 22 and a grand total of membership on the Council of 123.

Tentative elections were made for membership on the Executive Council by California, Kansas and Missouri, but a sufficient number of members was not secured by August 31 in order to enable those elected to qualify.

SECTIONS AND COMMITTEES

Of equal importance with the work of the Executive Council is that of the several sections of the Association

and the numerous committees. Inasmuch as every one of these bodies renders a detailed report to the convention, in some form or another, it seems unnecessary to elaborate on their activities here. It is proper, however, to state that the sections are all making satisfactory progress and are co-operating heartily with the parent organization in all that concerns the general welfare of the Association. During the past year steps have been taken to the end that there shall be no conflict of interests between sections, and if this convention sees fit to pass the proposed amendment to the constitution, making the section presidents members of the Administrative Committee, I am sure the working force of the sections will constitute a more homogeneous, more closely correlated whole than ever before.

So far as the committees are concerned, it would be unfair to single out any for special mention, where all have done so well. It has been a busy year for all of them and their accomplishments have been brought to the attention of the members many times.

This has been a most unusual year from the standpoint of committees and committee work. In addition to the regular standing committees, as provided for in the Constitution, and with the special committees appointed at the Atlantic City Convention by the Association, President Hinsch has ever been alert in appointing special committees during the year, where their services were required and demanded, to take up special work of importance. As an evidence of this unusual activity, it is only necessary to point to the fact that during the week of the convention the regular schedule of meetings shows there are sixty-five sessions. President Hinsch has also appointed, between the sessions of the Executive Council and Annual Convention, many delegates to represent the Association at conferences and conventions of important commercial organizations throughout the country.

The Agricultural Commission has been of splendid assistance to the farmers in this time of crisis. The labors of the Protective Committee, which acts in conjunction with the Protective Department, appear in the excellent record of protection against criminal operations furnished to Association members. This is a feature which is worth everything it costs and which has brought many expressions of approval and strong endorsement, not only of the work of the Protective Committee and Department, but also of the William J. Burns International Detective Agency, Inc. The report of the Burns Agency, which is under contract to handle the investigation work, appears every year in the printed book of proceedings and is worth the attention of every member.

The Currency Commission is an important body which for some time past has not been called upon for any active work, but it is always ready for duty nevertheless and its retention for possible service seems to be well advised. Both legislative committees, Federal and state, have done efficient work, acting in conjunction with the General Counsel. The Insurance Committee has just brought out a new copyright burglary and robbery policy, which was published in the last issue of the JOURNAL and which should be consulted very carefully by the members. The committee has lost the services of its former very efficient secretary, B. A. Ruffin, and in the interim Manager L. W. Gammon of the Protective Department has been acting as secretary.

DEPARTMENTS

The normal efficiency of the departments carrying on the routine business of the Association has been considerably increased by the interchange of views secured through regular meetings of the Office Conference.

To General Counsel Paton, Assistant Secretary Fitzwilson, the several heads of departments, the secretaries of sections and in fact the entire clerical force of the general offices, my thanks are due for faithful and loyal service at all times.

No further additions have been made to the office space, which comprises the entire twelfth floor of the Hanover Bank Building at 5 Nassau Street, New York, and whatever additional facilities our growth has required have been provided by the utilization of existing room. The conveniences of the general offices, including the use of stenographers, the library, etc., are all at the disposal of members who may be visiting in New York and who are not only cordially invited, but urged, to call at the offices and inspect the working machinery of the organization.

THE JOURNAL

During the past year two events of importance have taken place in connection with your official publication, THE JOURNAL OF THE AMERICAN BANKERS ASSOCIATION: First, the elimination of the "Bulletin" section and with it the subscription arrangement with the Institute; and secondly, the unanimous decision of your Executive Council directing the JOURNAL to publish paid advertising. The elimination of the Bulletin meant at the outset a loss of about 17,000 subscriptions, but as these were given at about half the actual cost of producing the publication it meant a saving to the JOURNAL of one dollar for every dollar of subscriptions canceled. Furthermore, several thousand Institute members have shown their interest in the JOURNAL by subscribing for it at the new special Institute rate, which just about covers the cost, and today our total circulation is nearly 25,000 copies a month. The decision to take advertising was reached at the spring meeting of the Executive Council, and although there was little time in which to work, a good beginning was made with the July number. It is evident that there is a strong demand for advertising space in the JOURNAL and there is no doubt that with normal business conditions after the war there are large possibilities for adding to the Association's revenue through this channel. In the meantime, during the fiscal year just closed the expense of publishing the JOURNAL has been less than the amount received from the Association on account of membership subscriptions, a most unusual feat in the publication of any periodical.

THE STATE BANKS

There has been organized during the past year a National Council of State Banking Associations, composed of representatives of state bankers' associations in every state. This movement appears to have arisen as the result of a desire on the part of the state banks for a strong medium of self-expression. So far as your General Secretary is able to ascertain, this National Council does not appear to be in conflict with the aims and purposes of the American Bankers Association. In fact, it is difficult to see where the objects sought by the new organization could not just as well be served by the State Bank Section of the American Bankers Association. This Association certainly has no more loyal supporters than its state bank members, who have only to raise their voices in this grand old organization to secure for themselves a respectful hearing. In this connection, I recommend to your careful consideration the proposed amendment to the Constitution, upon which you are to act at this convention, making a change in the personnel of our chief elective officers so as to give the state banks a greater representation.

ROLL OF HONOR

The general offices of the Association have undertaken to compile statistics showing the number of men who have left banking positions to enter the nation's service in the army and navy. For this purpose, blanks were sent to all banks in the United States, member and non-member, and from the reports received up to and including August 28, 1918, it appears that out of the 4,220 banks making the returns, 4,220 have supplied a total of 15,422 men. These are divided as follows: Army, 13,015 of whom 1,859 are commissioned officers; navy, 2,427 of whom 190 are commissioned officers. The banks were also asked to report the names of those who had lost their lives in the service, and these names, comprising the bankers' "Roll of Honor," are being published every month in the JOURNAL, together with the statistics previously referred to. Thus far, the reports show that 411 men have lost their lives in the service. It is a matter of regret that a larger number of banks have not complied with our request for this information, as it would be doubly valuable if there were a better response.

MEMBERSHIP

At the spring meeting of the Executive Council it was decided to inaugurate a campaign for "Twenty thousand members by August 31, 1918." Owing to the fact that there were only three months of the fiscal year remaining when the campaign began, the goal aimed at was not reached; but never-

theless we closed our fiscal year, August 31, with 19,043, as compared with 17,328 at the end of the fiscal year 1917, a gain of 1,715. It must be remembered that a membership campaign requires careful preparation and takes time to get under way; hence I regard the gain made as an exceptionally fine showing and I am convinced that we have not yet received the full benefit of the efforts made during the campaign and that further substantial additions to our roll may be expected in the course of the coming year.

Analyzing the increase in membership by states, we find that Illinois comes first with 106 new members, a total of 1,145; Texas is second with 105 new members, a total of 728; Minnesota stands third with 104 new members, a total of 675; Nebraska is fourth with 99 new members, a total of 658; Iowa is fifth with 98 new members, a total of 1,003; South Dakota sixth with 93 new members, a total of 419; North Carolina is seventh with 87 new members, a total of 301; Wisconsin follows with 78 new members, a total of 501; then comes Ohio with 57, a total of 765; Indiana with 56, a total of 477; Kansas with 49, a total of 869; North Dakota with 47, a total of 405; Tennessee with 44, a total of 300; Montana with 43, a total of 351, and Oklahoma 43 new members, with a total of 614.

As last year, Illinois stands first in its membership in the Association with 1,145, New York is second with 1,100, Pennsylvania third with 1,011, Iowa fourth with 1,003; Kansas comes fifth with 869; Ohio is sixth with 765, Missouri seventh with 746, then follows Texas with 728, California with 683, Minnesota with 675, Nebraska with 658 and Oklahoma with 614.

Alaska enjoys the distinction of having every bank a member of the Association; the District of Columbia has only one bank not an A. B. A. member; Nevada only two non-members and Arizona but four non-members; Delaware and Rhode Island must supply nine and six, respectively, to come within the full-membership column.

The increase in Association membership, through the efforts of various sections and officials of the Association, by applications known to have been received through their labors for the fiscal year ending August 31, 1918, fourteen new members and over is as follows:

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State Bank Section, with the assistance of Messrs. C. B. Hazlewood, J. W. Butler, Secretary W. A. Philpott, Jr., and others	76
H. H. Ostenberg, State Vice-President for Nebraska.....	61
James A. Gray, Jr., President North Carolina Bankers Association	54
John W. Wadden, member Executive Council, South Dakota	53
National Bank Section.....	48
A. F. Balch, State Vice-President for Iowa.....	39
J. E. Fox, State Vice-President for Tennessee.....	33
Savings Bank Section.....	30
Trust Company Section.....	8
E. Beissbarth, State Vice-President for North Dakota....	28
Walter Kasten and H. A. Moehlenpah, members Executive Council, Wisconsin, in joint co-operation.....	28
F. A. Lemme, State Vice-President for Minnesota.....	25
Robert Neill, State Vice-President for Arkansas.....	23
Henry Reis, State Vice-President for Indiana.....	19
George D. Bartlett, secretary Wisconsin Bankers Association	17
D. L. Bell, State Vice-President for Kentucky.....	17
Kelsey S. Chase, member Executive Council, Minnesota....	16
W. C. Gordon, member Executive Council, Missouri.....	14

President Hinsch attended some eighteen State Banker Association conventions and instituted a vigorous campaign for new members, and is entitled to much credit for the large increase in the membership of the association through his efforts.

The thanks of the Association are due to the Executive Council members, state vice-presidents, state association secretaries and others who by their untiring efforts have aided in securing this record increase in membership. The credit for the greatest individual accomplishment in the membership campaigns for the year belongs to our State Vice-President for Nebraska, Mr. H. H. Ostenberg.

Following is a summary of membership gains for the year:

MEMBERSHIP			
August 31, 1917.....	17,328		
*Erased from the rolls through failure, liquidation, consolidation and withdrawal December 1, 1917.....	1,023		
Membership	16,305		
August 31, 1918, new members joined during the year.....	1,991		
*Regained members (secured from the above).....	747	2,738	
August 31, 1918, membership	19,043		
A net increase for the fiscal year.....	1,715		
A net loss for the year in failures, consolidations, etc.....	132		
A net loss for the year in delinquents.....	144	276	
Making the actual gain in new members.....	1,991		

I wish to call your attention particularly to the figures just given, relating to the list of delinquents, those who refused to pay their dues for the last fiscal year. There were 144. In proportion to the number of members, this is the smallest delinquent list in the history of the Association. The delinquents for the year 1916-1917 were 171 with a membership at the beginning of the year of 16,016. At the beginning of the fiscal year of 1917-1918, the membership was 17,328—1,312 more members and 27 fewer delinquent members. Can anyone question the loyalty of our membership?

Gratifying results are also shown in the usual list of losses in membership by failures, consolidations and liquidations. For 1916-1917 the list was 137; and for the years 1917-1918 the list was 132. The total net losses as shown in the reports for delinquents, failures, consolidations and liquidations were 308 for the year 1916-1917 and 276 for the year 1917-1918.

The aggregate resources of our membership is estimated at twenty-six billion dollars.

The membership and resources of the Association have increased as follows:

	Paid Membership	Annual Dues
September 1, 1875.....	1,600	\$11,606.00
September 1, 1885.....	1,395	10,940.00
September 1, 1895.....	1,570	12,975.00
August 31, 1905.....	7,677	127,750.00
August 31, 1906.....	8,383	137,600.00
August 31, 1907.....	9,251	150,795.00
August 31, 1908.....	9,803	162,507.00
August 31, 1909.....	10,682	175,352.00
August 31, 1910.....	11,405	188,934.00
August 31, 1911.....	12,072	198,530.00
August 31, 1912.....	13,323	213,752.50
August 31, 1913.....	14,100	229,324.48
August 31, 1914.....	14,720	233,915.00
August 14, 1915.....	15,010	245,651.00
August 31, 1916.....	16,016	264,529.17
August 31, 1917.....	17,328	302,705.00
August 31, 1918.....	19,043 (estimated)	332,490.78

INCOME

Interest on Bonds and Corporate Stock.....	\$4,730.00
Interest on Bank Balances (estimated).....	2,200.00
Estimated Annual Dues for Fiscal Year Ending August 31, 1919.....	332,490.78
Making Total Income, year ending August 31, 1919..	\$339,420.78

MEMBERSHIP BY YEARS

Year	Membership	Gross Loss by Failures, Merger, Delinquents, etc.	Net Loss by Failures, Merger, Delinquents, etc.	Gross Gain	Net Gain
1897	2,813	371	.....	982	611
1898	3,424	248	.....	783	535
1899	3,915	211	.....	741	530
1900	4,500	234	.....	819	585
1901	5,504	200	.....	1,313	1,113
1902	6,354	186	.....	1,159	973
1903	7,065	313	.....	1,139	826
1904	7,567	500	.....	1,120	620
1905	7,677	1,038	.....	1,152	114
1906	8,383	337	.....	1,043	706
1907	9,251	434	.....	1,302	868
1908	9,803	691	.....	1,243	552
1909	10,682	760	.....	1,639	879
1910	11,405	781	.....	1,504	723
1911	12,072	1,304	.....	1,971	667
1912	13,323	790	.....	2,041	1,251
1913	14,100	744	.....	1,521	777
1914	14,720	894	.....	1,514	620

Year	Membership	Gross Loss by Failures, Merger, Delinquents, etc.	Net Loss by Failures, Merger, Delinquents, etc.	Gross Gain	Net Gain
1915	15,010	924	434	1,214	290
1916	16,016	883	416	1,889	1,006
1917	17,328	876	308	2,188	1,312
1918	19,043	1,023	276	2,738	1,715

MEMBERSHIP OF STATES AND TERRITORIES
HAVING LESS THAN 100 MEMBERS
(AS OF AUGUST 31, 1918)

Arizona.....	93	Bolivia.....	2
Delaware.....	48	Canada.....	61
Nevada.....	33	China.....	1
New Hampshire.....	74	Costo Rica.....	2
Rhode Island.....	48	Cuba.....	22
Vermont.....	79	Isle of Pines.....	1
Alaska.....	19	Mexico.....	19
Canal Zone.....	1	Panama.....	1
Hawaii.....	17	Santo Domingo.....	5
Philippine Islands.....	4	Venezuela.....	4
Porto Rico.....	18		
		Total.....	552

MEMBERSHIP

DIVISION OF BANKS IN ASSOCIATION, AUGUST 31, 1918

State or Territory	Nat'l	State	Private	Trust Co.'s	Sav. Sec'y	State A.I.B. Chaps.	Total
Alabama.....	60	88	2	24	7	1	183
Arizona.....	15	56	0	20	1	0	93
Arkansas.....	57	206	2	31	2	1	300
California.....	225	320	6	38	88	1	683
Colorado.....	116	130	7	16	10	1	281
Connecticut.....	69	9	7	47	61	2	196
Delaware.....	23	5	1	16	2	1	48
Dist. of Columbia.....	14	3	3	3	27	1	52
Florida.....	51	134	4	13	4	1	207
Georgia.....	83	258	7	19	14	1	383
Idaho.....	57	109	2	9	3	1	181
Illinois.....	367	418	211	101	46	1	1,145
Indiana.....	166	185	42	79	4	1	477
Iowa.....	264	270	52	52	364	1	1,083
Kansas.....	207	644	2	6	9	1	869
Kentucky.....	85	103	1	24	6	1	221
Louisiana.....	35	136	1	28	7	1	209
Maine.....	59	0	0	43	22	1	125
Maryland.....	88	52	23	17	30	1	212
Massachusetts.....	163	9	27	77	130	1	408
Michigan.....	93	208	43	13	184	1	543
Minnesota.....	214	439	6	7	6	1	675
Mississippi.....	33	147	1	17	2	0	201
Missouri.....	117	511	20	61	34	1	746
Montana.....	98	219	19	13	0	1	351
Nebraska.....	191	447	5	10	4	1	658
Nevada.....	10	20	0	2	0	1	33
New Hampshire.....	48	1	0	7	17	1	74
New Jersey.....	186	27	4	106	19	1	343
New Mexico.....	41	45	1	11	4	1	103
New York.....	443	291	141	115	102	1	1,100
North Carolina.....	69	169	1	52	9	1	415
North Dakota.....	125	271	0	4	4	1	405
Ohio.....	286	201	63	69	142	1	765
Oklahoma.....	259	342	0	11	1	1	614
Oregon.....	78	112	10	11	7	1	220
Pennsylvania.....	598	148	52	206	32	1	1,011
Rhode Island.....	17	1	1	19	8	1	48
South Carolina.....	46	145	1	12	19	1	225
South Dakota.....	104	286	3	9	16	1	415
Tennessee.....	84	141	1	63	9	1	300
Texas.....	365	264	29	64	2	1	728
Utah.....	25	65	4	7	11	1	114
Vermont.....	41	0	0	24	13	1	79
Virginia.....	111	160	11	19	12	1	315
Washington.....	72	232	16	20	10	1	353
West Virginia.....	91	125	2	19	4	1	243
Wisconsin.....	129	332	3	12	23	1	501
Wyoming.....	33	81	1	6	0	1	122
Alaska.....	3	15	1	0	0	0	19
Canal Zone.....	1	0	0	0	0	0	1
Hawaii.....	2	8	2	5	0	0	17
Philippine Islands.....	1	3	0	0	0	0	4
Porto Rico.....	1	15	2	0	0	0	18
Bolivia.....	0	0	2	0	0	0	2
Canada.....	0	60	0	1	0	0	61
China.....	0	0	0	1	0	0	1
Costa Rica.....	0	2	0	0	0	0	2
Cuba.....	1	18	2	1	0	0	22
Isle of Pines.....	0	0	0	1	0	0	1
Mexico.....	0	7	11	1	0	0	19
Panama.....	1	0	0	0	0	0	1
Santo Domingo.....	5	0	0	0	0	0	5
Venezuela.....	0	4	0	0	0	0	4
Total.....	6,227	8,667	858	1,661	1,531	49	19,043

STATE ASSOCIATIONS

In the state bankers' associations, of which there are now one for each state, for the District of Columbia and Alaska, a total of fifty, we have a powerful force which has been of inestimable value. By attending conventions, group meetings,

banquets, etc., your General Secretary has made it a point to keep constantly in touch with these organizations, and at every opportunity to cement the good fellowship and cordiality that now exist between these associations and the American Bankers Association. The state secretaries, particularly, have been an ever present help in some branches of our work in which we regard their assistance as almost indispensable.

FINANCES

The report of the Treasurer shows a cash balance of \$6,449.22, as compared with \$3,098.58 in 1917. There is no deficit in the actual running expenses of the Association for the past fiscal year. As will be seen, the receipts exceed the actual expenditures; and there are no outstanding bills, all current expenses having been paid.

ROUTINE WORK

During the fiscal year just ended we sent out from the General Offices more than 574,000 letters, circular letters, Proceedings, JOURNAL-BULLETINS, etc. The following statement shows the volume of mail and express matter in detail:

FIRST-CLASS MAIL MATTER

Letters	14,787
Circular letters, etc.	104,476
First-class mail matter other than letters, such as typewritten lists, etc.	1,741
	121,004

SECOND, THIRD AND FOURTH CLASS MAIL MATTER

*JOURNAL-BULLETINS	147,765
Journals	186,977
Codes	1,970
Signs	2,017
Lists of members.....	29,752
Packages	1,645
	370,126

Total A. B. A. mail matter..... 491,130

SECTIONS AND DEPARTMENTS

Total first-class mail matter.....	60,830
Total second, third and fourth class mail matter	14,829
	75,659
Total mail matter.....	566,789
Express packages.....	7,399
	574,188

IN MEMORIAM

During the year just closed, death has claimed a goodly number of those who have served the Association faithfully and well, in official capacities and as individuals. The list includes: Ralph W. Cutler of Connecticut, former President of the Trust Company Section; Tom Randolph of Missouri, former member of the Executive Council; George E. Havestick of Nebraska, who was taken away at the very beginning of a useful career on the Executive Council; William M. Hill of Virginia, Anderson D. Buckner of Missouri and William H. High of California, all former members of the Executive Council; George E. Edwards of New York and Newton F.

*Bulletin Section dropped July 31, 1917, from the JOURNAL-BULLETIN, which is now published as "THE JOURNAL." The first number of the "Bulletin" which is now issued by the American Institute of Banking Section, quarterly, was published July 1.

Hawley of Minnesota, both former Presidents of the Savings Bank Section; and John Corbett of New Mexico, Vice-President of the Association from that state.

CHICAGO

Since the organization of the American Bankers Association at Saratoga Springs, N. Y., in 1875, including the present convention, we have held four of our annual meetings in the western metropolis—in 1885, in 1893, in 1909 and in 1918.

At the 1885 convention, the Hon. Lyman J. Gage was President and presided. He was then president of the First National Bank of Chicago; and since that time has honorably filled the position of Secretary of the Treasury. He is now retired and is passing his golden days in peace and contentment in southern California. The convention was largely given up to addresses on the silver question and many valuable statistics and tables were furnished the convention; and are part of the records of the Association, the leaders in the addresses and discussions being among the most prominent bankers and economists of the United States. The treasurer's report showed the receipts for the fiscal year to have been \$10,940; the membership 1,395.

The convention of 1893 was presided over by William H. Rhawn, president of the National Bank of the Republic, Philadelphia. Among those who made addresses was the Hon. James H. Eckels, Comptroller of the Currency. The addresses and discussions were largely on bank legislation, money and currency reform. The membership at that time was 1,672; receipts for the year from all sources \$15,783.80. The Association had \$10,000 in securities as an investment; and a cash balance of \$357.32—reported by the Treasurer, George F. Baker of New York City.

It is nine years since the American Bankers Association has held a meeting in Chicago. At the 1909 meeting, that distinguished Chicagoan, George M. Reynolds, as President, presided over the deliberations of this body. The membership at that time was 10,682 and the yearly income was \$175,000. It is interesting to recall that among the speakers on that occasion were the Hon. Joseph G. Cannon and the late James J. Hill, besides some well known members of our own family of bankers. Their addresses dealt with the problems of peace, while our speakers today treat of war and its successful prosecution. In either event, I am sure that no better setting could be supplied and no finer hospitality rendered than what we have received from the big, live American city of Chicago. Everything that Chicago does, she does well; and I know that I merely anticipate the report of our Resolutions Committee when I say that for the many courtesies shown during convention week, for the excellent arrangements made for handling and expediting our business and for all of those innumerable details which go to make a successful convention, our heartiest thanks are due the city of Chicago.

In conclusion, I wish to express my appreciation of the valuable aid rendered during the past year by all the officers of the Association, Council members and committeemen, all of whom have spared no effort to make this the banner year of the American Bankers Association.

Report of General Counsel

THOMAS B. PATON

The work of the General Counsel in behalf of the Association, its committees and its members comprises so much of detail that it is somewhat difficult, in framing an annual report, to determine just where to draw the line of demarcation between the general and the particular. In the most general form of statement, the work of the General Counsel is susceptible of three broad divisions, legislative, advisory and executive, the legislative comprehending all the activities for or on behalf of the Committees on Federal and State Legislation, the advisory including advice on matters of law to individual members and upon matters of both law and policy to various committees and officers of the Association and the executive embracing a variety of document drafting—proposed laws, resolutions, amendments, contracts—as well as secretarial work for the legislative committees.

FEDERAL LEGISLATION AND LEGISLATIVE MACHINERY

Probably the most important branch of the work during the past year has been in connection with the Committee on Federal Legislation. Congress has had before it important amendments of the Federal Reserve Act, all the new legislation growing out of the war and a variety of other details affecting the banking interests. No detailed statement of all these subjects of legislation, their progress or status, or of the attitude of the Association concerning them, is called for in this report; such statement is appropriately made in the report of the Committee on Federal Legislation. But it is appropriate to point out that in connection with the important work of the Committee on Federal Legislation and of its auxiliary, the Federal Legislative Council, it is the function and duty of the General Counsel to advise and keep the members of the Committee fully posted upon all legislative matters of importance, as well as to operate the necessary machinery to carry out, in their behalf, the legislative policies of the Association.

In the Sixty-fifth Congress, over one hundred bills affecting banks favorably or unfavorably have been examined and digested and their progress—where they have made progress—watched. Particular measures and amendments to existing bills have been drafted and urged in the interest of the Association. Advice concerning bills of importance has been communicated to the Federal Legislative Committee and Federal Legislative Council by confidential bulletin, by letter and by wire; the stand or policy of the Association upon particular measures requiring immediate decision has been referred to the Federal Legislative Council and determined by referendum vote; there have been personal interviews and correspondence with the members of Congressional committees in presenting the claims of our Association and meetings with our own committees in Washington in connection with Federal legislation and departmental matters. It is believed that efficient service has been rendered with the means at command. A suggestion has been made that the service be extended by the establishment of a local office in Washington in charge of a competent representative who would be an assistant of the General Counsel. Such a local office might prove an advantage, for, in addition to closer touch with the activities of the committees of Congress and with their views and policies upon various banking and financial questions, there are many matters which are presented to various departments of government involving interpretation of the Federal Reserve, Revenue, Selective Service and other laws.

It is but fitting here to gratefully acknowledge the invaluable aid received from Mr. H. H. McKee of Washington, D. C., former chairman of our Committee on Federal Legislation, whose sound judgment has been relied upon in many emergencies and who, at the sacrifice of much time, has gratuitously assisted the General Counsel in the performance of numerous important duties at Washington in connection with legislative and departmental work.

COMMITTEE OF FIVE

The General Counsel has been associated with the work of the Committee of Five, the successor of the Committee of Twenty-five, in its efforts first, through the Committee on Federal Legislation, to obtain the enactment by Congress of an amendment of the Federal Reserve Act which would make clear the right of member banks to make exchange charges in remitting for checks presented through the Federal Reserve Banks and, secondly, having procured such amendment, though in emasculated form, in its efforts to obtain the fixing of reasonable charges by the Federal Reserve Board under a proper interpretation of the amended law. A hearing was given the Committee by the Federal Reserve Board at which the contentions of the Committee were presented and later a legal brief was prepared and submitted in support of the proposition that it is the duty of the Federal Reserve Board to determine and regulate reasonable charges to be made for remitting the proceeds of all checks presented by the Federal Reserve Banks, except checks of which the Federal Reserve Bank is owner and that a Federal Reserve Bank which pays such charge for remitting, is entitled to charge the same against its principal, the depositor or owner of the check, anything to the contrary in Section 16 of the Federal Reserve Act being impliedly repealed by the later amendment. A full report of the activities of the Committee of Five has been

forwarded by its Secretary, Mr. Jerome Thralls, to every member of the Association and will be presented to this convention.

TRADE ACCEPTANCES

There has been co-operation with the American Trade Acceptance Council in promoting a standard form of trade acceptance. Aid has been given in the preparation of such form and a number of legal opinions have been rendered the Council and others upon the legal effect of the trade acceptance and upon many questions of law connected with its use. Among these are (1) the right of a bank at which a trade acceptance is made payable to pay and charge up the same when presented at maturity without express instruction from the customer (2) the duty of the bank as to payment without express instruction where the acceptance is not presented until after maturity (3) the seller's right of replevin where a trade acceptance is taken (4) the effect of taking a trade acceptance on mechanic's lien rights and (5) negotiability of various forms of trade acceptance. Questions have also been considered with reference to the possible effect of anti-trust laws where resolutions have been adopted by associated bodies recommending to members that they urge the use by their customers of trade acceptances in substitution for open accounts and recommending uniform and favorable terms of credit to be offered by members to customers. An attempt was unsuccessfully made to procure an interpretation of the revenue law under which trade acceptances would be exempted from the stamp tax.

MEXICAN SITUATION

Your Counsel has co-operated with the President of the Association in matters connected with the Mexican situation and has had numerous conferences and correspondence relative to this subject and as to the attitude the Association should take in connection with the Administration's policy in dealing with Mexico to the end that the lives and property of American citizens in that disordered country be fully protected.

WAREHOUSE RECEIPTS

Considerable work has been done in promulgating the standard form of warehouse receipt which conforms to the requirements of the Uniform Warehouse Receipts Act and which has been jointly recommended by the American Bankers Association and the American Warehousemen's Association. This has entailed a considerable correspondence with many members of the Association in explaining the use of the forms. The form so recommended while conforming to the Uniform Warehouse Receipts Act which has been passed in a large number of states and while available for general merchandise warehousing, does not conform to the requirements of the Federal Warehouse Act, and a different form is necessary for agricultural products warehoused under that act. There has been correspondence on this subject with experts in the Agricultural Department and the completion of the form is awaiting the promulgation of regulations by the Secretary of Agriculture.

STATE LEGISLATION

The present has been an off year in the matter of state legislation. Only eleven state legislatures met in regular sessions this year and very few of our Association measures have been enacted. In New York the Bad Check bill has been passed. Next year, it is hoped, better results will be attained as over forty state legislatures meet in regular session. In connection with the proposed law to prevent the secret assignment of accounts receivable, which subject will be presented in the report of the Committee on State Legislation, your Counsel has had several interviews with the Secretary and Attorney of the National Association of Credit Men preparatory to drafting a suitable statute for state enactment which will prevent fraud in the secret transfer of these accounts.

ADVISORY WORK FOR MEMBERS

The advisory work of the office of General Counsel shows no sign of abating but with the increase of membership continues to increase. For some years now the number of letters received from members requesting opinions upon submitted

questions has been upwards of 600 annually, and in the last two or three years the average is still higher. These questions range all the way from simple and easily answered propositions to difficult questions of law, involving much time and research. A majority of the questions involve actual transactions in which the inquiring bank has figured and in which a question of right or liability is involved; many questions, however, are of a hypothetical nature, although their solution is useful in determining the proper rule or procedure in a given case. Where a congestion of questions develops among those requiring time for consideration, the rule adopted is to give priority to the earliest in date and to prefer actual transactions to hypothetical questions. The General Counsel is occasionally honored by being appointed to arbitrate disputes between member banks upon submission of an agreed statement of facts with an agreement to abide by the decision given.

TEN YEARS' WORK

The office of General Counsel was created ten years ago and the present incumbent elected to fill the position. Prior to that time on the initiative of Lewis E. Pierson, now an ex-President of the Association, there had been created two important committees of the Association, one upon bills of lading to promote a better form of bill and more adequate laws governing such instruments and a Standing Law Committee, to promote uniformity and adequacy of state laws affecting banking business and your Counsel had acted in an advisory capacity to those committees. Thereafter the work of these committees continued and increased and their respective functions were finally absorbed by the Committees on Federal and State Legislation, respectively. The work of the Bills of Lading Committee had its fruition in the adoption and recommendation by the Interstate Commerce Commission of a uniform bill of lading, in two forms, for straight and order shipments, the order or negotiable form being so framed as to safeguard against frauds previously common and, later, after the specific Bills of Lading Committee had gone out of existence, in the passage by Congress of a Federal Bills of Lading law incorporating as one of its main features the principle of liability of the carrier to bona fide holders of order bills where the carrier's agent mistakenly, collusively, or as matter of accommodation, issued to the shipper a bill of lading reciting the receipt of goods which never had been received. The manifold subjects of legislation which yearly receive the constant attention of the Committee on Federal Legislation and with which your Counsel in his dual capacity as Counsel and Secretary of the Committee is in a measure identified, need not be dwelt upon.

In the matter of state legislation, the work of promoting, under the auspices of the Committee on State Legislation, the passage of the Negotiable Instruments Act has progressed until this law is now on the statute books of every state in the Union with two exceptions, Georgia and Texas; the Uniform Act on Warehouse Receipts has, beginning with the year 1907, been passed in forty states; beginning with the year 1910 the Uniform Bills of Lading Act has, down to the present time, been passed in nineteen states and the Uniform Stock Transfer Act, also recommended by our Association and having its first enactment in 1910, has now been passed in ten states. In addition special acts to more adequately punish fraud and make certain banking transactions safer have been framed and their enactment procured in a considerable number of states. The bill to punish the making of false statements to obtain credit, framed jointly by the Counsel for the National Association of Credit Men and General Counsel of this Association in 1909, has been passed in thirty-four states; the bill relating to derogatory statements affecting banks drafted by General Counsel in December, 1907, aimed to suppress and punish persons who maliciously circulate slanders upon banks—a kind of evil to which these institutions are peculiarly subject—has now been passed in twenty-four states. The bill limiting the time of liability of a bank to its depositor for

payment of forged or raised checks, after return of vouchers, has been passed to date in twenty-three states with varying time limits ranging from thirty days to one year. The bill to punish the giving of checks or drafts against insufficient funds, commonly known as the "Bad Check" bill has been passed with more or less modification of provision in thirty-four states, the latest enactment being, as already shown in this report, in the state of New York. Without going into further detail, bills on a number of other subjects—relating to the competency of bank notaries, the non-payment of checks through error, the punishment of burglary with explosives and the payment of joint and trust deposits—framed by the General Counsel have been passed in a considerable number of states.

During the ten years' service more than 3,000 written opinions have been rendered to members upon legal questions arising in their business and there has been a variety of detailed work for committees and officers of the Association.

During the last two years it has been the policy of the Committee on Federal Legislation and also of the Committee on State Legislation to organize the committee work on an enlarged basis of efficiency by extending the organization of the Committees on Federal and State Legislation, respectively, and the creation of auxiliary committees known as the Federal Legislative Council and the State Legislative Council, having a representative in each state, which representative, in turn, forms a sub-committee in his own state to more effectively carry on the work. This policy of extension has been sanctioned by appropriate amendments to the constitution. Upon General Counsel, as secretary of the legislative committees, has devolved much of the detailed work and correspondence essential to the proper organization and effective operation of these enlarged committees.

General Council has in his office as legal associates or assistants Mr. Herrick J. Skinner and Mr. Frank W. Jones, both of proved value; also two stenographers, Catherine Rose and Florence Murphy, whose faithful and efficient service for ten and seven years respectively is deserving of recognition. He has been deprived of the legal services of Thomas B. Paton, Jr., who was called to the colors in April, 1917, and after serving with the American Expeditionary Forces in France as a lieutenant of infantry, has recently been ordered back to this country in connection with the formation of new divisions. Mr. Paton had about completed in manuscript form a digest of published legal opinions of the General Counsel; completion and publication of this work has been unavoidably delayed owing to the press of matters for attention.

For the future, it is expected to continue the lines of work now carried on and to enlarge the field of operations as time will permit. There are still many subjects of conflict in the decisions of the different states governing banking transactions which can be simplified and the rule made uniform by the enactment of state statutes, the drafting and urging of which it is hoped to accomplish; also a digest of state banking statutes, classified as to subject and kept up to date by yearly additions would be most valuable.

The advent of the war has presented many changed conditions and many new problems and the legal effect of war legislation upon the banking business has created much additional work in the General Counsel's office. The revenue legislation, as to which the change of unjust provisions has been urged, as well as the interpretation of the law on many doubtful points; the Soldiers' and Sailors' Civil Relief Act and its effect upon remedies upon negotiable paper and other obligations of soldiers and sailors held by banks; the selective service acts and the question of the application of the law to bank officers and employees in vitally essential positions of service—all of these subjects have presented new fields of activity. But these are all temporary matters and when the war is won, our country and its Allies victorious and democracy triumphant which is as inevitable as the rising of the sun, there will dawn a new and better era with America, enabled by self-sacrifice and disciplined by hardship and habits of economy, standing foremost among the nations of the earth in both moral and economic greatness.

Banking Points of Army Camps—A Correction

In the September JOURNAL, under the heading "Army Camps and Their Banking Points," there appeared a list of the army cantonments and National Guard camps, with the location of the camp and the nearest banking point of each. This information came from official sources and was accepted by the JOURNAL as correct, but there were two errors in the

list as printed. In the case of Camp Lewis, located at American Lake, Wash., the banking point given was Seattle, whereas the correct city is Tacoma. In the case of Camp Kearney, located at Linda Vista, Cal., the banking point given was San Francisco, whereas the correct point, and the one that should have been given, is San Diego.

Report of the Treasurer

JAMES D. HOGE

The cash balance on hand September 1, 1917, was \$3,098.58. The cash balance September 1, 1918, was \$6,449.22, with all bills paid—the actual income for that year, exceeding the expenditures. It has again been necessary to borrow \$20,000 in order to bridge the gap left by last year's unusual expenditures in connection with the First Liberty Loan (\$20,000.00), but this sum will be repaid out of the first receipts, as was done last year. The increase in the cash balance is a satisfactory indication that this item will soon be on the way to final liquidation.

On September 1 the drafts for membership dues were sent out, 17,999 in number, calling for payments of \$297,040, an increase of 1,395 in number and \$19,340 in amount over the previous year.

I desire to express my thanks and appreciation to the members for the honor conferred upon me in electing me Treasurer of the Association. The work has been most agree-

able, and has been made more so by the courteous co-operation of the General Secretary and his staff in the general offices at New York, with all of whom it has been a pleasure to work in the interest of the Association.

The list of securities held by the Association follows:

	Carried On			
	Par Value	Books At	Market Value	Cost
Chicago, Burlington and Quincy, Ill. Division, 4's due 1949	\$50,000.00	\$47,400.00	\$40,250.00	\$50,843.75
Chicago, Burlington and Quincy, Joint 4's due 1921	12,000.00	11,600.00	11,280.00	11,559.09
Atchison, Topeka and Santa Fe, General Mortgage 4's due 1995	30,000.00	28,500.00	24,150.00	30,825.00
New York City Corporation, Registered 3½'s due 1940	30,000.00	26,500.00	25,200.00	25,506.67
	\$122,000.00	\$114,000.00	\$100,880.00	\$118,734.51

Treasurer's Financial Report

FOR FISCAL YEAR ENDING AUGUST 31, 1918

August 31, 1917.

RECEIPTS		DISBURSEMENTS	
Cash balance	\$3,098.58	Bills Payable	\$20,000.00
Interest on bank balances	2,136.28	Signs Membership	1,264.06
Interest on stock and bonds	4,730.00	Refund account 1917-1918 dues overpaid	2,000.00
Extra guests, convention	700.00	Refund account 1918-1919 dues overpaid	162.25
Dues (1913-1914)	.66	Refund general offices	20.00
Current dues (1917-1918)	286,487.25	Rent, General Offices	5,450.04
Prepaid dues (1918-1919)	10,105.00	Salaries, General Offices	32,648.28
Account sale General Proceedings	25.15	Postage, stationery and printing	11,038.20
Account Trust Company Section	220.00	Publishing and distributing Annual Proceedings	6,488.23
Account Savings Bank Section	178.88	Executive Council, Vice-Presidents and State Secretaries securing new members	1,399.32
Account American Institute of Banking Section	528.87	Furniture and fixtures for General Offices and Sections	173.55
Account Clearing House Section	448.21	Extra Office help	1,326.60
Account Agricultural Commission	8,804.64	Telephone and Telegrams	1,106.56
Account Bills Payable	20,000.00	Treasurer collecting dues 1917-1918	285.76
Account sale Telegraphic Cipher Codes	73.00	Treasurer collecting dues 1918-1919	901.46
Account State Bank Section	26.23	Convention expenses	4,676.21
Account Postage, Stationery and Printing	492.83	Silver Service presented to retiring President	364.45
Account Liberty Loan Bonds	922.00	Auditors for 1916-1917 (Marwick, Mitchell, Peat and Co.)	700.00
Account Second Liberty Loan Bonds	4,250.00	Extra guests, convention	6,653.78
Account War Savings Stamps	132.40	Traveling expenses	2,385.94
Account Insurance Committee	48.80	Bankers Trust Co., Premium on officers' bonds	106.25
Account Library	8.00	American Institute of Banking Section	14,169.50
Account Convention Expenses	45.45	Savings Bank Section	9,591.08
Account Journal of the American Bankers Association	1,106.03	Legal Department	18,962.00
Account National Bank Section	35.35	Protective Committee	67,962.45
Account Insurance Referendum Committee	.78	Clearing House Section	6,549.78
Account War Savings Stamp Committee	2.09	Trust Company Section	10,323.06
Office Fund	2,000.00	Department of Public Relations	7,218.23
		National Bank Section	8,241.51
		Insurance Committee	3,370.34
		Journal-Bulletin of the American Bankers Association	36,131.00
		Administrative Committee	1,361.25
		Agricultural Commission (see receipts)	13,304.64
		Library	8,229.36
		State Secretaries Section	576.78
		Committee on Federal Legislation	2,403.37
		Committee on State Legislation	104.56
		Committee of Five	1,215.66
		Purchasing and Contract Department	3,102.45
		State Bank Section	6,245.59
		Executive Council Meeting	10,104.95
		War Loan Committees	4,250.00
		Second Liberty Loan Bonds	1,522.72
		Committee on Trade Acceptances	2,001.05
		Membership Chamber of Commerce United States of America	700.00
		War Savings Stamps	132.40
		War Salaries	750.00
		Federal Reserve Membership Campaign Committee	549.65
		Insurance Referendum Committee	3,019.64
		War Savings Stamp Committee	3,097.40
		Committee on Co-ordination of Activities	551.85
		National Economy Exhibit	156.85
		Interest, Discount and Exchange	63.41
		Sundry items, supplies, repairs, etc.	1,493.57
		Balance on deposit in Union Savings and Trust Co., Seattle, Wash.	\$6,262.19
		Balance on deposit in National Bank of Commerce, New York, N. Y.	187.03
			6,449.22
	\$346,656.48		\$346,656.48
September 1, 1918, Cash Balance	\$6,449.22		

Report of Protective Department

L. W. GAMMON, MANAGER

During the period covered by this report there has been no marked increase in the number of crimes committed against members of this Association, other than could be expected in proportion to the large increase in membership, with the exception of operations of those impersonating army and navy officers and enlisted men. When checks are presented by such officers or enlisted men the bank should demand that they present with the check their identification disk, which is a metal disk furnished them. By demanding this identification the activities of these impersonators would soon be brought to an end.

ARRESTS

For the period from September 1, 1917, up to and including August 31, 1918, I beg to report as to the operations against criminals, as follows:

Total cases not disposed of arrested prior to September 1, 1917	136
Total arrests since September 1, 1917.....	423
Convicted	260
Released, escaped, insane and died.....	149
Awaiting trial.....	150

BURGLARIES, HOLD-UPS AND SNEAK THEFTS

Since September 1, 1917, up to and including August 31, 1918, there have been burglaries, and attempted burglaries on members, and similar crimes on non-members, as follows:

	Members	Non-Members
Arizona	1	
Arkansas	1	1
California	1	
Colorado	4	2
Georgia	3	1
Illinois	4	16
Indiana	3	15
Iowa	1	1
Kansas	4	3
Kentucky		1
Massachusetts	1	
Michigan	1	5
Minnesota	1	1
Missouri	3	5
Montana		1
Nebraska	4	1
New York	2	4
North Carolina	1	
North Dakota	2	5
Ohio	3	2
Oklahoma	1	
Oregon		1
South Carolina		3
South Dakota	1	
Texas	1	1
Washington		1
West Virginia	1	1
Wisconsin	1	2
Wyoming	1	

Of the attacks on members 22 were successful burglaries, 22 unsuccessful burglaries.

Of the attacks on non-members 51 were successful burglaries, 24 unsuccessful burglaries.

The loss sustained by members in connection with burglaries was \$53,497.64, while the loss sustained by non-members amounted to \$182,920.49.

There have been 31 hold-ups on members with a loss of \$113,522.74, also 6 sneak thefts with a loss of \$52,725.

During the same period there have been 36 hold-ups on non-members, with a loss of \$71,510.62, also 1 sneak theft with a loss of \$500.

Our members, as a rule, report all attacks on them, also the exact loss sustained; while on the other hand non-members rarely report attacks on them, or the loss, with the result that we do not obtain a record of some of these attacks or losses. The following figures are given for your information of

reported burglaries and attempted burglaries, on banks since the inauguration of the Protective Features, such as are known:

Non-members	1683	Loss	\$2,490,502.43
Members	541	Loss	355,760.52
Difference	1142		\$2,134,741.91

CORRESPONDENCE

During the last twelve months ending August 31, 1918, the Protective Department has received 22,002 reports and other communications from our Detective Agents. The Department has also received 889 letters and telegrams, and written 2,092 letters and telegrams. These figures do not include circular letters and similar communications.

PHOTOGRAPHS

The Department now has 5,985 photographs of criminals, comprising burglars, hold-up men, sneak thieves, forgers and bogus check operators, with a complete record of each.

OFFICES OF OUR DETECTIVE AGENTS

The William J. Burns International Detective Agency, Inc., now have 23 offices of their own in this country, as follows: Birmingham, Ala.; Los Angeles and San Francisco, Cal.; Denver, Colo.; Bridgeport, Conn.; Chicago, Ill.; New Orleans, La.; Baltimore, Md.; Boston, Mass.; Detroit, Mich.; Minneapolis, Minn.; Kansas City and St. Louis, Mo.; Buffalo and New York City, N. Y.; Cleveland, Ohio; Portland, Ore.; Philadelphia and Pittsburgh, Pa.; Dallas and Houston, Texas; Seattle and Spokane, Wash. They also have six special representatives: M. D. Clemens, 711 Fleming Building, Des Moines, Iowa; G. S. Burt, P. O. Box 179, Cincinnati, Ohio; L. F. Squires, 908 Colcord Building, Oklahoma City, Oklahoma; J. Rembrandt, 306 Bank of Commerce and Trust Building, Memphis, Tenn.; C. E. Johnson, Hotel Zeigler, El Paso, Texas; and H. W. Brust, P. O. Box 574, Salt Lake City, Utah. They also have offices of their own in Montreal and Toronto, Canada, and London, England.

The Association has a special representative at Atlanta, Ga., L. P. Whitfield, 921 Healey Building.

LOST OR STOLEN LIBERTY BONDS

In May last under the direction of the Administrative Committee I went to Washington, D. C., and conferred with various Federal officials pertaining to lost and stolen Liberty Bonds. Arrangements were made with the Federal officials whereby this department was to prepare a list each month for publication in the Federal Reserve Bulletin, a similar list being published in our monthly JOURNAL. We have prepared this list and it has been published beginning with last June in the two publications referred to above. We have installed a card index for each individual bond, showing the issue, number and denomination, together with the information as to who reported the loss. These losses are being reported to the Department by members of the Association, Federal reserve banks, the U. S. Treasury Department, Washington, D. C., U. S. Sub-Treasuries, various organizations and individuals, and there is no question but what the records of the department relative to lost Liberty Bonds are the most accurate in existence.

Following up the suggestion and recommendation of the Honorable, the Secretary of the Treasury, I would urge that all individuals have their bonds registered, and that our members and speakers doing Liberty Loan work impress upon purchasers of bonds the importance and advisability of registering them. The loss in connection with these bonds is very large, and by registering the bonds it would eliminate any chance of such loss falling on the owner.

I wish at this time to thank the Federal, state, county and local authorities throughout the United States for their co-operation, for they have aided this department very materially in the investigation of cases during the fiscal year.

Amendments to Constitution and By-Laws

Adopted at the annual session of the General Convention held at Chicago, Ill., September 26, 27, 1918.

ADMINISTRATIVE COMMITTEE

Amendment to Article V, Section 15 (d), of the Constitution to read as follows (matter eliminated in brackets; new matter in italics):

(d) The Executive Council, at its first meeting as aforesaid, shall elect from its membership, one person from the one-year class, one person from the two-year class, who with the President of the Association, the Vice-President of the Association [and] the last living ex-President and the Presidents of the National Bank Section, State Bank Section, Savings Bank Section and Trust Company Section shall constitute THE ADMINISTRATIVE COMMITTEE, and whose membership shall expire with their membership in the Council, and annually thereafter, shall elect one person from the two-year class to fill the vacancy occasioned by the expiration of term. Any vacancy occurring by death, resignation or other cause shall be filled by election from the same class for the unexpired term.

NOTE.—A further amendment of Article V, Section 15(d) was adopted (see post) by the insertion of the word "first" before "vice-president."

VICE-PRESIDENTS OF SECTIONS

Amendment to Article V, Section 2, of the Constitution to read as follows (matter eliminated in brackets; new matter in italics):

Sec. 2. The Executive Council shall be composed of members elected by the states, groups of states, and the District of Columbia, and of the President of the Association, the Vice-President of the Association, ex-Presidents of the Association for a period of three years immediately after the expiration of their terms of office as President, and the Presidents and First Vice-Presidents of the Sections, ex-officio. [Any Section having more than 1,000 members may elect one additional official as a member of the Executive Council ex-officio.]

NOTE.—A further amendment of Article V, Section 2, was adopted (see post) by the insertion of the words "first and second" before the words "Vice-president of the Association," and also by insertion of the letter "s" following "vice-president."

CO-ORDINATE AND SUBORDINATE OFFICERS

Amendment to Article V, Section 9, of the Constitution to read as follows (matter eliminated in brackets; new matter in italics):

Sec. 9. The Executive Council at the meeting provided for in Section 8, of this Article, shall elect a General Secretary [and Assistant Secretaries], a General Counsel and a Treasurer *who shall be co-ordinate officers; also elect one or more Assistant Secretaries, and shall appoint or authorize the appointment of such subordinate officers and other employees as the Council may deem necessary and at its discretion the Council may remove any or all of such officers and employees from office or employment.*

The term of office of the Treasurer shall begin on December 1st following the date of his election by the Executive Council.

SECTION SECRETARIES

Amendment to by-law sixth by changing the paragraph immediately following subdivision (g) to read as follows (matter eliminated in brackets; new matter in italics):

Salaries and compensations of Secretaries and employees of Sections [may] *shall be fixed by the Executive Council, and all such officers and employees [may] shall be subject to the supervision of the General Secretary and the Executive Council, in all matters and functions not inconsistent with the orders of the executive committees of such Sections, provided nothing in this section shall be construed to affect the power of the Executive Council as provided by Article X of the Constitution.*

SECTION LEGISLATIVE MATTERS

Amendment to the last paragraph of by-law sixth to read as follows (new matter in italics):

Subjects of national and state legislation originating in any Section shall not be urged independently but presented through the Committee on State Legislation as to state legislation and through the Committee on Federal Legislation as to national legislation for dual approval of the Executive Council and General Convention, and action if approved in accordance with Article V, Section 16 (a) and 16 (b) of the Constitution, *Provided, however, that where upon any subject of legislation two Sections are adversely interested, the matters of difference shall be submitted by such Sections to the Committee on State or Federal Legislation as the case may be, whose duty it shall be to earnestly endeavor to bring about an agreement, if possible, between such Sections and in case of agreement such subject of legislation shall be presented for the approval and action of the Association as provided in the Constitution. In the event of non-approval and non-action by the Association or of failure of the Sections to agree, any Section interested shall have the right to take independent action on such subject of legislation in the name of such Section, but not in the name of, nor at the expense of, the Association.*

JOURNAL

Amendment to the first sentence of by-law third to read as follows (matter eliminated in brackets; new matter in italics):

Third. The official publication of the Association shall be issued [monthly] *weekly* under the direction of the General Secretary, and shall be called THE JOURNAL OF THE AMERICAN BANKERS ASSOCIATION. *So much of this amendment as changes the issue of the official publication from monthly to weekly shall take effect only upon approval of the Administrative Committee whose function it shall be to determine when such change is practicable.*

AGRICULTURAL COMMISSION

Amendment to the Constitution by changing the numbering of Articles IX, X and XI to Articles X, XI and XII and inserting a new Article IX to read as follows:

Sec. 1. An Agricultural Commission is hereby created to arouse the interest of bankers in a better and more profitable agriculture, in the improvement of rural education and the bettering of rural conditions generally. The Commission shall be composed of seven members whose terms shall expire annually, to be appointed by the Executive Council from the membership of the Association at its meeting for organization provided in Article V, Section 8, such members to be selected, so far as possible, because of their special knowledge of the subject and also in view of their geographic location. Vacancies in the Commission shall be filled by the Executive Council at its first meeting after such vacancy shall have occurred.

Amendment to Article V, Section 2, of the Constitution by adding at the end thereof the following:

"The Chairmen of the Currency Commission and of the Agricultural Commission shall also be members, ex-officio, of the Executive Council."

SPECIAL MEMBERS

Amendment to Article II, Section 7, of the Constitution to read as follows (new matter in italics):

Sec. 7. The Federal reserve banks and Federal land banks shall be eligible as special members with all the rights and privileges of membership, subject to such restrictions upon active participation in the affairs of the Association, office holding or such other restrictions as the Federal Reserve Board and the Federal Farm Loan Board, respectively, may choose to impose, and such special members shall not be bound by resolutions or declarations of policy by the Association, its Executive Council or any of its committees.

FIRST AND SECOND VICE-PRESIDENTS

Amendment to Article III, Section 6, to read as follows (new matter in italics):

Sec. 6. The General Convention, at its annual session shall elect a President of the Association and a first and second Vice-President of the Association, each of whom shall have the qualifications of a delegate. The President and Vice-Presidents shall be installed in office immediately after election, and shall serve until the next succeeding election, and until their successors are duly installed in office, and shall not be eligible to immediate re-election to the same position after a full term of service.

The General Convention at its annual or any special sessions shall elect or appoint such other officers and employees as to the Convention shall seem fit, except as hereinafter otherwise provided.

Amendment to Article IV, Section 2, to read as follows (new matter in italics):

Sec. 2. The first Vice-President shall during the absence or inability of the President perform the duties of the President, except that of presiding over the Executive Council, and in case of the death or resignation of the President he shall become the President of the Association for the unexpired term. *Similar duties shall devolve on the second Vice-President in the absence or inability of both President and first Vice-President, and in case of death or resignation of both, the second Vice-President shall become President for the unexpired term.*

Further amendment to Article V, Section 2, to read as follows (new matter in italics; matter eliminated in brackets):

Sec. 2. The Executive Council shall be composed of members elected by the states, groups of states, and the District of Columbia, and of the President of the Association, the first and second Vice-Presidents of the Association, ex-Presidents of the Association for a period of three years immediately after the expiration of their terms of office as President, and the Presidents and First Vice-Presidents of the Sections, ex-officio. [Any Section having more than 1,000 members may elect one additional official as a member of the Executive Council ex-officio.]

Further amendment to Article V, Section 15 (d), to read as follows (new matter in italics; matter eliminated in brackets):

(d) The Executive Council, at its first meeting as aforesaid, shall elect from its membership, one person from the one-year class, one person from the two-year class, who with the President of the Association, the first Vice-President of the Association [and] the last living ex-President and the Presidents of the National Bank Section, State Bank Section, Savings Bank Section and Trust Company Section shall constitute THE ADMINISTRATIVE COMMITTEE, and whose membership shall expire with their membership in the Council, and annually thereafter, shall elect one person from the two-year class to fill the vacancy occasioned by the expiration of term. Any vacancy occurring by death, resignation or other cause shall be filled by election from the same class for the unexpired term.

Amendment to the first sentence of Article V, Section 15 (e), to read as follows (new matter in italics):

(e) The Executive Council, at its first meeting, as aforesaid, shall elect from its membership, three persons from the one-year class, three persons from the two-year class and three persons from the three-year class, who with the first Vice-President of the Association as Chairman of the Committee, and with the Treasurer of the Association, shall constitute THE FINANCE COMMITTEE, and whose membership shall expire with their membership in the Council and term of office, and annually thereafter shall elect three persons from the three-year class to fill the vacancies occasioned by the expiration of term.

Amendment to Article IX relating to the "Nominating Committee" by making the concluding portion of Section 1 read as follows (new matter in italics; matter eliminated in brackets):

It shall be the duty of such Nominating Committee to meet as soon as practicable after the first adjournment of the General Convention assembled in annual session, next ensuing after their election, at the call of the General Secretary of the Association, and organize by the selection of a chairman and secretary from their number. They shall recommend a candidate or candidates for President of the Association, and a candidate or candidates for first and second Vice-President of the Association, and the Nominating Committee shall make report of its recommendations so made, to the General Convention, at any subsequent session of the General Convention, but prior to the order fixed by program for the election of officers. The nominations or recommendations made by the committee shall not exclude the name of any person otherwise nominated in the Convention, and under the regular order for the election of officers any delegate may place in nomination any qualified member for President or first or second Vice-President, or [both] for all.

REFERENDUM ON SUBJECTS OF LEGISLATION TO ENTIRE EXECUTIVE COUNCIL

Amendment to Article V, Section 16 (b), so that the second sentence thereof shall read as follows (new matter in italics):

The Committee on Federal Legislation shall receive in charge all resolutions adopted by the General Convention declaring in favor of, or in opposition to, national legislation upon any subject, and shall by petition, memorial or other proper action further the purposes declared for in such resolution; and in case of legislative emergency arising between sessions of the General Convention, whereby serious and harmful results to the welfare generally of the Association membership might result from delay, the Committee shall perform services as to resolutions of similar character adopted by the Executive Council at its sessions or in case of emergency in the interim between sessions of the Executive Council shall perform similar services upon resolution adopted by members of the Federal Legislative Council and other members of the Executive Council upon referendum vote as hereinafter provided.

Amendment to Article V, Section 16 (bb), so that the last sentence thereof shall read as follows (matter eliminated in brackets; new matter in italics):

In cases of legislative emergency arising between sessions of the General Convention or of the Executive Council, wherein it becomes necessary in the judgment of the Chairman of the Committee on Federal Legislation to immediately determine the policy of the Association in favor of, or in opposition to, national legislation upon any subject, it shall become the duty of said Chairman to submit any such question of policy in form of a resolution to the members of the Federal Legislative Council, and to all other members of the Executive Council in such manner as he may deem best for referendum vote and the policy of the Association shall be thereby determined by a majority of all such members [of said Federal Legislative Council] who vote thereon within a reasonable

time, subject, however, to change by the Executive Council or by the General Convention.

Amendment to Article V, Section 16 (a), to read as follows (matter eliminated in brackets; new matter in italics):

Sec. 16 (a). The Committee on State Legislation shall have in charge the consideration of state statutes affecting the powers, privileges and duties of the members of the Association, also the subjects of uniformity of laws and commercial usage; and may for such purposes as occasion may arise recommend to the Executive Council and the General Convention drafts of proposed statutes for their approval, and, upon such dual approval, shall urge the enactment of such approved drafts through state organizations [,.] [and] *In case of legislative emergency arising between sessions of the General Convention whereby the welfare of the members might be injuriously affected by delay, the Committee shall urge the enactment of drafts of State statutes in the manner aforesaid upon approval of the Executive Council, or in the interim between sessions of the Executive Council, upon approval by the members of the State Legislative Council and other members of the Executive Council by referendum vote as hereinafter provided. The Committee shall perform such other duties as may be imposed upon it from time to time by the Executive Council or the General Convention. The Committee shall submit a report in writing to the Executive Council at its meetings, and shall annually submit a report in writing to the General Convention.*

Amendment to Article V, Section 16 (aa), to read as follows (new matter in italics):

Section 16 (aa). The State Legislative Council shall be an auxiliary of the Committee on State Legislation and its function shall be to assist said Committee, under its direction, in the consideration of such state statutes and subjects as come within the province of said Committee, in the promotion of approved legislation through the state organizations and in the performance of such other duties as may be imposed upon the Committee on State Legislation from time to time by the Executive Council or the General Convention. *In cases of legislative emergency arising between sessions of the General Convention or of the Executive Council, wherein it becomes necessary in the judgment of the Chairman of the Committee on State Legislation to immediately urge the enactment of drafts of proposed statutes through state organizations, it shall become the duty of said Chairman to submit such drafts and the action proposed thereon to the members of the State Legislative Council and to all other members of the Executive Council in such manner as he may deem best for their approval by referendum vote and the policy of the Association as to urging or otherwise, the enactment of such proposed statutes shall be thereby determined by a majority of all such members who vote thereon within a reasonable time subject, however, to change by the Executive Council or by the General Convention.*

Explanation: At the spring meeting at Hot Springs, Ark., the Executive Council adopted a recommendation of the Committee on Federal Legislation that, instead of the Federal Legislative Council constituting the sole body to whom to submit questions of legislative policy for referendum vote, there be added all other members of the Executive Council so that referenda on subjects of national legislation should be submitted to the entire Executive Council, including the Federal Legislative Council, a few of whose members are not members of the Executive Council; furthermore, that a similar referendum body consisting of the Executive Council, including the State Legislative Council and those members thereon not on the Executive Council, should be created as to matters of state legislation. The above proposed amendments were

therefore recommended by the Executive Council to the General Convention for adoption.

MEMBERSHIP ON PERMANENT COUNCIL COMMITTEES

Amendment to Article V, Section 15, by changing the sentence immediately following the list of permanent Council Committees to read as follows (new matter in italics):

No member of the Executive Council shall be a member of more than one of the permanent Council committees at the same time, except *that members of the Protective Committee and of the State and Federal Legislative Councils who are members of the Executive Council may be members of not more than one other permanent Council committee.*

Explanation: The above amendment was proposed by Mr. Waldo Newcomer, president National Exchange Bank, Baltimore, Md., to provide against an interpretation, contrary to the intention of the provision, that members of the Protective Committee and of the State and Federal Legislative Councils might be on any number of the permanent Council Committees.

NEW MEXICO

Amendment to by-law 4 by omitting from Subdivision (c) the words "New Mexico," so that the fourth paragraph of subdivision (c) shall read as follows (matter eliminated in brackets):

Group No. 3 shall be composed of the States of Arizona [New Mexico] and Nevada.

Note.—This amendment eliminates New Mexico from the Group states, that state having reached a membership in the Association in excess of one hundred.

INSURANCE COMMITTEE

Amendment to Section 15 by adding to the list of the permanent Council Committees the following:

(h) The Insurance Committee.

Further amend Section 15 by adding at the end thereof the following:

(h) The Executive Council, at its first meeting as aforesaid, shall elect from its membership one person from the one-year class, one person from the two-year class and one person from the three-year class who shall constitute THE INSURANCE COMMITTEE and whose membership shall expire with their membership in the Council, and annually thereafter shall elect one person from the three-year class to fill the vacancy occasioned by the expiration of term. Any vacancy occurring by death, resignation or other cause shall be filled by election from the same class for the unexpired term.

Amendment to Section 16 by adding at the end thereof the following:

THE INSURANCE COMMITTEE

(h) The Insurance Committee shall have in charge the interests of the membership in their relations with insurance companies, including the procuring of reasonable premium rates, the adoption and use of proper forms of fidelity bonds, burglary policies and other insurance contracts, the giving of such information and the rendering of such services for members in connection with their insurance matters as may be proper and practicable, and the performance of such other duties as may be imposed upon the Committee from time to time by the Executive Council or the General Convention.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

Important Amendments of the Federal Reserve Act and U. S. Revised Statutes

THE Phelan bill, H. R. 11283, amending Sections 4, 11, 16, 19 and 22 of the Federal Reserve Act and Sections 5208 and 5209 of the Revised Statutes, has become a law by approval of the President September 26, 1918. The bill passed the House April 24, 1918. The Senate passed the bill July 2, 1918, retaining the amendments of Section 16 of the Federal Reserve Act and of Sections 5208 and 5209 of the United States Revised Statutes, striking out all the other amendments. The bill was in conference until September 18, when a conference report was submitted recommending that the Senate recede from all its amendments, which report was adopted. The law as passed, therefore, is the same as the bill which passed the House on April 24.

We present below the report of the House Committee on Banking and Currency recommending the passage of the bill by the House, which explains the purpose and character of the amendments. A few changes were made in the bill by the House in the amendments of Section 4 and of Section 11 (k), but none of such character as to make inapplicable the report of the House Committee as descriptive of the law as now passed. The most important amendment by the House was the addition of the proviso to the amendment of Section 11 (k) prohibiting the issuing of a permit to a national bank to exercise trust powers where its capital and surplus are less than that required by state law of state institutions exercising such powers.

We are taking the liberty in quoting the report of the House Committee as explanatory of the law now passed of inserting subject titles for sake of greater clearness. The report follows:

The Committee on Banking and Currency, to which was referred the bill (H. R. 11283) to amend sections 4, 11, 16, 19, and 22 of the Federal reserve act and sections 5208 and 5209 of the Revised Statutes, having had the same under consideration, report the bill favorably to the House with the recommendation that it do pass.

FEDERAL RESERVE BANK DIRECTORS

Section 1 of the bill amends section 4 of the Federal reserve act which relates to the election of Federal reserve bank directors. It modifies the present law by leaving to the discretion of the Federal Reserve Board the grouping of the member banks of each district into three general groups or divisions without the present requirement that each group shall contain as nearly as may be one-third of the aggregate number of the banks of the district. The purpose of this modification is to make as secure as possible a fair and equal representation on the directorate of the Federal reserve banks for each group of banks, the large, the medium sized, and the small. The desirability of such representation is too manifest to need comment. It was undoubtedly the purpose of the Federal reserve act to secure such representation. It has been found

practically impossible, however, to group banks under these three designations and yet have the banks in each group anything like numerically equal. The modification will enable the Federal Reserve Board to group the member banks in a way to carry out better the plain intent of the Federal reserve act.

Section 1 further amends section 4 of the Federal reserve act by replacing the present method of electing, by ballot, a district reserve elector, at a regularly called meeting of the board of directors of each member bank in the district to cast its vote in an election of Federal reserve bank directors by a provision permitting each member bank, by a resolution of its board of directors or by an amendment to its by-laws, to authorize its president, cashier, or some other officer to cast its vote in such elections. The purpose of this amendment is to obtain wider participation by the banks in the election of Federal reserve bank directors. Since the first election of directors under the act the member banks have failed to a surprisingly great degree to participate in these elections. The committee is recommending that the manner of selecting representatives to vote at elections be simplified as suggested, in order to bring about a greater participation by the member banks in the elections.

Section 1 furthermore contains an additional provision that no officer or director of a member bank shall be eligible to serve as a class A director unless nominated and elected by banks which are members of the same group as the member bank of which he is an officer or director and that no person who is an officer or director of more than one member bank shall be eligible for nomination as a class A director except by banks in the same group as the bank having the largest aggregate resources of any of those of which such person is an officer or director.

The purpose of this provision is still further to safeguard the proper and equal representation for each group of banks and to have such representation genuine.

TRUST POWERS OF NATIONAL BANKS

Section 2 amends section 11 (k) of the act under which permits may be granted to national banks, when not in contravention of state or local law, to act in various fiduciary capacities. The amendment extends the various fiduciary capacities permitted, so as to include "guardian of estates, assignee, receiver, committee of estates of lunatics," and such other fiduciary capacities as are permitted to state banks, trust companies, or other corporations which come into competition with national banks under the laws of the state in which the particular national bank making application is located. The purpose of this extension is evident from the text.

Section 2 moreover sets forth that it shall not be deemed to be "in contravention of state or local law" to permit the exercise of such powers by national banks whenever the laws of the particular state authorize or permit the exercise of such powers by state banks, trust companies, or other corporations competing with national banks. Under a recent decision of the United States Supreme Court it is clearly settled that Congress has the power to confer authority upon national banks to act in these fiduciary capacities, where such powers are exercised by trust companies, state banks, or other competing corporations, even though the state law discriminates against national banks in this regard. The terms of section 11 (k) are extended, therefore, to permit such powers to be granted to national banks in those states in which the state law discriminates against national banks in this respect.

Under this amendment, furthermore, it is prescribed that all assets held in any fiduciary capacity shall be segregated from the general assets of the bank; that a separate set of books and records shall be kept; that such books and records shall be open to the inspection of state authorities; that national banks shall not receive in their trust departments deposits of current funds subject to check or the deposit of checks, drafts, or similar instruments; that trust funds deposited with the general assets of the bank shall be properly secured; that the owners of such funds shall have a lien on the securities set apart to protect these funds; that national banks acting as fiduciaries shall comply with state requirements as to the deposit of securities with the state authorities; that national banks shall not be required to execute bonds if state corporations under similar circumstances are exempt from such requirement; that national banks shall have the power to execute such bonds; that oaths or affidavits required may be executed by a national bank officer; and that it shall be unlawful for a national bank to lend trust funds to any bank officer, director, or employee. The Federal Reserve Board, moreover, in passing upon applications is required to take into consideration the amount of capital and surplus of the applying bank and other material facts, and is prohibited from granting such permits to national banks of smaller capitalization and surplus than is required of state banking institutions under state law. These provisions are intended to impose safeguards upon the exercise of these fiduciary powers by national banks, and to have national banks in the exercise of these powers conform as fully as is practicable with state requirements.

DENOMINATIONS OF FEDERAL RESERVE NOTES

Section 3 amends the present law by permitting the issue of Federal reserve notes in denominations of \$500, \$1,000, \$5,000, and \$10,000, in addition to the denominations now permitted under section 16 of the Federal reserve act, the largest of which is only \$100. The committee believes that the adoption of such an amendment will tend to increase the gold holdings of the Federal reserve banks, particularly in the larger financial centers. Notes of large denominations are constantly desired, especially by banks. As a result, there are daily withdrawals of gold certificates from the Federal reserve banks. In practically every instance Federal reserve notes of large denominations would serve the purpose as well as gold certificates. If Federal reserve notes of these larger denominations are issued, Federal reserve banks can pay out such Federal reserve notes and by holding their gold certificates conserve their all-important gold supply.

RESERVES OF BANKS IN OUTLYING DISTRICTS

Section 4 amends section 19 of the Federal reserve act by permitting the Federal Reserve Board, upon the affirmative vote of five members, to require national banks located in outlying districts of a reserve city or in territory added to such city by an extension of its corporate charter to maintain only such reserves as are required to be maintained by country banks; and to require national banks similarly located in central reserve cities or in territory similarly added to such cities to maintain only such reserves as are required to be maintained by country banks or by banks in reserve cities. The business of such banks may be, and very often is, local in its character. The conditions applying to large banks in reserve and central reserve cities which call for the maintenance of a greater reserve do not apply to such banks. It is often a disadvantage, if not a hardship, to require such banks to maintain these larger reserves. The committee feels, therefore, that the board should have authority to modify the reserve requirements of these banks.

FEES, GRATUITIES, ETC., TO OFFICERS, DIRECTORS, BANK EXAMINERS, ETC.

Section 5 amends section 22 of the Federal reserve act by re-enacting subsections (a) and (b) of the section and by substituting for the remainder of section 22, subsections (c), (d), (e), and (f). The purpose of these changes is to clarify and modify the existing provisions of the law. Great uncertainty has existed as to the proper interpretation of various parts of section 22 and, in the absence of any construction by the courts, it has not been possible to state authoritatively what is permitted and what is prohibited by the section. The

committee feels assured that the new subsections clearly and definitely set forth the limitations imposed and that the intent of the law is plainly evident.

Subsection (c) is designed to prohibit the practice whereby any officer, director, employee, or attorney of a bank stipulates for or receives a commission or some other thing of value for procuring for some one else a loan or the purchase or discount of paper or similar obligation.

The text itself, however, is a more accurate statement of the purpose than any brief paraphrase.

Subsection (d) imposes the conditions under which a member bank may contract for or purchase or sell securities or other property where the other party in interest in the transaction is a director in such bank.

Subsection (e) prohibits the payment of a greater rate of interest to any director, officer, attorney, or employee than to any other depositor.

Subsection (f) imposes liability for damages upon directors or officers violating the provisions of this section.

UNLAWFUL CERTIFICATION, EMBEZZLEMENT, ETC.

Section 6 amends sections 5208 and 5209 of the Revised Statutes. These are penal sections relating to the overcertification of checks, to embezzlement, abstraction, or willful misapplication of moneys, funds, or credits of national banks by officers, directors, agents, or employees of national banks, and to false entries in books, reports, or statements of national banks, with intent to injure or defraud on the part of any officer, director, agent, or employee of a national bank. By section 6 of this bill these sections are made applicable to similar acts committed by officers, directors, agents, or employees of Federal reserve banks. There are no provisions in existing law relating to such acts committed by officers, directors, agents, or employees of Federal reserve banks. The necessity for this amendment is therefore apparent.

Following is the full text of the law:

AN ACT

To amend and reenact sections four, eleven, sixteen, nineteen, and twenty-two of the Act approved December twenty-third, nineteen hundred and thirteen, and known as the Federal reserve Act, and sections fifty-two hundred and eight and fifty-two hundred and nine, Revised Statutes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section four of the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal reserve Act, be amended and reenacted by striking out that part of such section which reads as follows:

"Directors of Class A and Class B shall be chosen in the following manner:

"The chairman of the board of directors of the Federal reserve bank of the district in which the bank is situated or, pending the appointment of such chairman, the organization committee shall classify the member banks of the district into three general groups or divisions. Each group shall contain as nearly as may be one-third of the aggregate number of the member banks of the district, and shall consist, as nearly as may be, of banks of similar capitalization. The groups shall be designated by number by the chairman.

"At a regularly called meeting of the board of directors of each member bank in the district, it shall elect by ballot a district reserve elector and shall certify his name to the chairman of the board of directors of the Federal reserve bank of the district. The chairman shall make lists of the district reserve electors thus named by banks in each of the aforesaid three groups and shall transmit one list to each elector in each group.

"Each member bank shall be permitted to nominate to the chairman one candidate for director of Class A and one candidate for director of Class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within fifteen days after its completion, be furnished by the chairman to each elector.

"Every director shall, within fifteen days after the receipt of the said list, certify to the chairman his first, second, and

other choices of a director of Class A and Class B, respectively, upon a preferential ballot, on a form furnished by the chairman of the board of directors of the Federal reserve bank of the district. Each elector shall make a cross opposite the name of the first, second, and other choices for a director of Class A and for a director of Class B, but shall not vote more than one choice for any one candidate," and by substituting therefor the following:

"Directors of Class A and Class B shall be chosen in the following manner:

"The Federal Reserve Board shall classify the member banks of the district into three general groups or divisions, designating each group by number. Each group shall consist as nearly as may be of banks of similar capitalization. Each member bank shall be permitted to nominate to the chairman of the board of directors of the Federal reserve bank of the district one candidate for director of Class A and one candidate for director of Class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within fifteen days after its completion, be furnished by the chairman to each member bank. Each member bank by a resolution of the board or by an amendment to its by-laws shall authorize its president, cashier, or some other officer to cast the vote of the member bank in the elections of Class A and Class B directors.

"Within fifteen days after receipt of the list of candidates the duly authorized officer of a member bank shall certify to the chairman his first, second, and other choices for director of Class A and Class B, respectively, upon a preferential ballot upon a form furnished by the chairman of the board of directors of the Federal reserve bank of the district. Each such officer shall make a cross opposite the name of the first, second, and other choices for a director of Class A and for a director of Class B, but shall not vote more than one choice for any one candidate. No officer or director of a member bank shall be eligible to serve as a Class A director unless nominated and elected by banks which are members of the same group as the member bank of which he is an officer or director.

"Any person who is an officer or director of more than one member bank shall not be eligible for nomination as a Class A director except by banks in the same group as the bank having the largest aggregate resources of any of those of which such person is an officer or director."

Sec. 2. That section eleven (k) of the Federal reserve Act be amended and reenacted to read as follows:

"(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, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State in which the national bank is located.

"Whenever the laws of such State authorize or permit the exercise of any or all of the foregoing powers by State banks, trust companies, or other corporations which compete with national banks, the granting to and the exercise of such powers by national banks shall not be deemed to be in contravention of State or local law within the meaning of this Act.

"National banks exercising any or all of the powers enumerated in this subsection shall segregate all assets held in any fiduciary capacity from the general assets of the bank and shall keep a separate set of books and records showing in proper detail all transactions engaged in under authority of this subsection. Such books and records shall be open to inspection by the State authorities to the same extent as the books and records of corporations organized under State law which exercise fiduciary powers, but nothing in this Act shall be construed as authorizing the State authorities to examine the books, records, and assets of the national bank which are not held in trust under authority of this subsection.

"No national bank shall receive in its trust department deposits of current funds subject to check or the deposit of checks, drafts, bills of exchange, or other items for collection or exchange purposes. Funds deposited or held in trust by the bank awaiting investment shall be carried in a separate account and shall not be used by the bank in the

conduct of its business unless it shall first set aside in the trust department United States bonds or other securities approved by the Federal Reserve Board.

"In the event of the failure of such bank the owners of the funds held in trust for investment shall have a lien on the bonds or other securities so set apart in addition to their claim against the estate of the bank.

"Whenever the laws of a State require corporations acting in a fiduciary capacity, to deposit securities with the State authorities for the protection of private or court trusts, national banks so acting shall be required to make similar deposits and securities so deposited shall be held for the protection of private or court trusts, as provided by the State law.

"National banks in such cases shall not be required to execute the bond usually required of individuals if State corporations under similar circumstances are exempt from this requirement.

"National banks shall have power to execute such bond when so required by the laws of the State.

"In any case in which the laws of a State require that a corporation acting as trustee, executor, administrator, or in any capacity specified in this section, shall take an oath or make an affidavit, the president, vice president, cashier, or trust officer of such national bank may take the necessary oath or execute the necessary affidavit.

"It shall be unlawful for any national banking association to lend any officer, director, or employee any funds held in trust under the powers conferred by this section. Any officer, director, or employee making such loan, or to whom such loan is made, may be fined not more than \$5,000, or imprisoned not more than five years, or may be both fined and imprisoned, in the discretion of the court.

"In passing upon applications for permission to exercise the powers enumerated in this subsection, the Federal Reserve Board may take into consideration the amount of capital and surplus of the applying bank, whether or not such capital and surplus is sufficient under the circumstances of the case, the needs of the community to be served, and any other facts and circumstances that seem to it proper, and may grant or refuse the application accordingly: *Provided*, That no permit shall be issued to any national banking association having a capital and surplus less than the capital and surplus required by State law of State banks, trust companies, and corporations exercising such powers."

Sec. 3. That the ninth paragraph of section sixteen of the Federal reserve Act, as amended by the Acts approved September seventh, nineteen hundred and sixteen, and June twenty-first, nineteen hundred and seventeen, be further amended and reenacted so as to read as follows:

"In order to furnish suitable notes for circulation as Federal reserve notes, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved in the best manner to guard against counterfeits and fraudulent alterations, and shall have printed therefrom and numbered such quantities of such notes of the denominations of \$5, \$10, \$20, \$50, \$100, \$500, \$1,000, \$5,000, \$10,000 as may be required to supply the Federal reserve banks. Such notes shall be in form and tenor as directed by the Secretary of the Treasury under the provisions of this Act and shall bear the distinctive numbers of the several Federal reserve banks through which they are issued."

Sec. 4. That paragraphs (b) and (c) of section nineteen of the Federal reserve Act, as amended by the Acts approved August fifteenth, nineteen hundred and fourteen, and June twenty-first, nineteen hundred and seventeen, be further amended and reenacted to read as follows:

"(b) If in a reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance equal to not less than ten per centum of the aggregate amount of its demand deposits and three per centum of its time deposits: *Provided, however*, That if located in the outlying districts of a reserve city or in territory added to such a city by the extension of its corporate charter, it may, upon the affirmative vote of five members of the Federal Reserve Board, hold and maintain the reserve balances specified in paragraph (a) hereof.

"(c) If in a central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve

bank of its district an actual net balance equal to not less than thirteen per centum of the aggregate amount of its demand deposits and three per centum of its time deposits: *Provided, however*, That if located in the outlying districts of a central reserve city or in territory added to such city by the extension of its corporate charter, it may, upon the affirmative vote of five members of the Federal Reserve Board, hold and maintain the reserve balances specified in paragraphs (a) or (b) thereof."

SEC. 5. That section twenty-two of the Federal Reserve Act, as amended by the Act of June twenty-first, nineteen hundred and seventeen, be further amended and reenacted to read as follows:

"(a) No member bank and no officer, director, or employee thereof shall hereafter make any loan or grant any gratuity to any bank examiner. Any bank officer, director, or employee violating this provision shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year or fined not more than \$5,000, or both; and may be fined a further sum equal to the money so loaned or gratuity given.

"Any examiner accepting a loan or gratuity from any bank examined by him or from an officer, director, or employee thereof shall be deemed guilty of a misdemeanor and shall be imprisoned one year or fined not more than \$5,000, or both, and may be fined a further sum equal to the money so loaned or gratuity given, and shall forever thereafter be disqualified from holding office as a national bank examiner.

"(b) No national bank examiner shall perform any other service for compensation while holding such office for any bank or officer, director, or employee thereof.

"No examiner, public or private, shall disclose the names of borrowers or the collateral for loans of a member bank to other than the proper officers of such bank without first having obtained the express permission in writing from the Comptroller of the Currency, or from the board of directors of such bank, except when ordered to do so by a court of competent jurisdiction, or by direction of the Congress of the United States, or of either House thereof, or any committee of Congress, or of either House duly authorized. Any bank examiner violating the provisions of this subsection shall be imprisoned not more than one year or fined not more than \$5,000, or both.

"(c) Except as herein provided, any officer, director, employee, or attorney of a member bank who stipulates for or receives or consents or agrees to receive any fee, commission, gift, or thing of value from any person, firm, or corporation, for procuring or endeavoring to procure for such person, firm, or corporation, or for any other person, firm, or corporation, any loan from or the purchase or discount of any paper, note, draft, check, or bill of exchange by such member bank shall be deemed guilty of a misdemeanor and shall be imprisoned not more than one year or fined not more than \$5,000, or both.

"(d) Any member bank may contract for, or purchase from, any of its directors or from any firm of which any of its directors is a member, any securities or other property, when (and not otherwise) such purchase is made in the regular course of business upon terms not less favorable to the bank than those offered to others, or when such purchase is authorized by a majority of the board of directors not interested in the sale of such securities or property, such authority to be evidenced by the affirmative vote or written assent of such directors: *Provided however*, That when any director, or firm of which any director is a member, acting for or on behalf of others, sells securities or other property to a member bank, the Federal Reserve Board by regulation may, in any or all cases, require a full disclosure to be made, on forms to be prescribed by it, of all commissions or other considerations received, and whenever such director or firm, acting in his or its own behalf, sells securities or other property to the bank the Federal Reserve Board, by regulation, may require a full disclosure of all profit realized from such sale.

"Any member bank may sell securities or other property to any of its directors, or to a firm of which any of its directors is a member, in the regular course of business on terms not more favorable to such director or firm than those offered to others, or when such sale is authorized by a majority of the board of directors of a member bank to be evidenced by their affirmative vote or written assent: *Provided, however*, That nothing in this subsection contained

shall be construed as authorizing member banks to purchase or sell securities or other property which such banks are not otherwise authorized by law to purchase or sell.

"(e) No member bank shall pay to any director, officer, attorney, or employee a greater rate of interest on the deposits of such director, officer, attorney, or employee than that paid to other depositors on similar deposits with such member bank.

"(f) If the directors or officers of any member bank shall knowingly violate or permit any of the agents, officers, or directors of any member bank to violate any of the provisions of this section or regulations of the board made under authority thereof, every director and officer participating in or assenting to such violation shall be held liable in his personal and individual capacity for all damages which the member bank, its shareholders, or any other persons shall have sustained in consequence of such violation."

SEC. 7. That section fifty-two hundred and eight of the Revised Statutes as amended by the Act of July twelfth, eighteen hundred and eighty-two, and section fifty-two hundred and nine of the Revised Statutes as amended by the Acts of April sixth, eighteen hundred and sixty-nine, and July eighth, eighteen hundred and seventy, be, and the same are hereby, amended and reenacted to read as follows:

"SEC. 5208. It shall be unlawful for any officer, director, agent, or employee of any Federal reserve bank, or of any member bank as defined in the Act of December twenty-third, nineteen hundred and thirteen, known as the Federal reserve Act, to certify any check drawn upon such Federal reserve bank or member bank unless the person, firm, or corporation drawing the check has on deposit with such Federal reserve bank or member bank, at the time such check is certified, an amount of money not less than the amount specified in such check. Any check so certified by a duly authorized officer, director, agent, or employee shall be a good and valid obligation against such Federal reserve bank or member bank; but the act of any officer, director, agent, or employee of any such Federal reserve bank or member bank in violation of this section shall, in the discretion of the Federal Reserve Board, subject such Federal reserve bank to the penalties imposed by section eleven, subsection (h), of the Federal reserve Act, and shall subject such member bank if a national bank to the liabilities and proceedings on the part of the Comptroller of the Currency provided for in section fifty-two hundred and thirty-four, Revised Statutes, and shall, in the discretion of the Federal Reserve Board, subject any other member bank to the penalties imposed by section nine of said Federal reserve Act for the violation of any of the provisions of said Act. Any officer, director, agent, or employee of any Federal reserve bank or member bank who shall willfully violate the provisions of this section, or who shall resort to any device, or receive any fictitious obligation, directly or collaterally, in order to evade the provisions thereof, or who shall certify a check before the amount thereof shall have been regularly entered to the credit of the drawer upon the books of the bank, shall be deemed guilty of a misdemeanor and shall, on conviction thereof in any district court of the United States, be fined not more than \$5,000, or shall be imprisoned for not more than five years, or both, in the discretion of the court.

"SEC. 5209. Any officer, director, agent, or employee of any Federal reserve bank, or of any member bank as defined in the Act of December twenty-third, nineteen hundred and thirteen, known as the Federal Reserve Act, who embezzles, abstracts, or willfully misapplies any of the moneys, funds, or credits of such Federal reserve bank or member bank, or who, without authority from the directors of such Federal reserve bank or member bank, issues or puts in circulation any of the notes of such Federal reserve bank or member bank, or who, without such authority, issues or puts forth any certificate of deposit, draws any order or bill of exchange, makes any acceptance, assigns any note, bond, draft, bill of exchange, mortgage, judgment, or decree, or who makes any false entry in any book, report, or statement of such Federal reserve bank or member bank, with intent in any case to injure or defraud such Federal reserve bank or member bank, or any other company, body politic or corporate, or any individual person, or to deceive any officer of such Federal reserve bank or member bank, or the Comptroller of the Currency, or any agent or examiner appointed to examine the affairs of such Federal reserve bank or member bank, or the Federal Reserve Board; and every receiver of a national

banking association who, with like intent to defraud or injure, embezzles, abstracts, purloins, or willfully misapplies any of the moneys, funds, or assets of his trust, and every person who, with like intent, aids or abets any officer, director, agent, employee, or receiver in any violation of this section shall be deemed guilty of a misdemeanor, and upon conviction thereof in any district court of the United States shall be fined not more than \$5,000 or shall be imprisoned for not more than five years, or both, in the discretion of the court.

"Any Federal reserve agent, or any agent or employee

of such Federal reserve agent, or of the Federal Reserve Board, who embezzles, abstracts, or willfully misapplies any moneys, funds, or securities, intrusted to his care, or without complying with or in violation of the provisions of the Federal reserve Act, issues or puts in circulation any Federal reserve notes shall be guilty of a misdemeanor and upon conviction in any district court of the United States shall be fined not more than \$5,000 or imprisoned for not more than five years, or both, in the discretion of the court."

Approved September 26, 1918.

Supplementary Bond Legislation

A LAW has been passed by Congress, the short title of which is "Supplement to Second Liberty Bond Act," approved September 24, 1918, containing certain provisions designed to materially assist in the sale of new Liberty Bond issues and other provisions designed to facilitate war financing.

EXEMPTION OF INTEREST FROM LIBERTY LOAN BONDS

The chief purpose is to provide a limited exemption from income surtaxes and war and excess profits taxes upon income to be derived from the Fourth Liberty Loan Bond Issue, the flotation of which opened on September 28, and also to free a larger portion of the income from the first, second and third Liberty Loan Issues from similar taxation. This purpose is accomplished in Section 1 of the law.

WAR SAVINGS CERTIFICATES

Section 2 relates to War Savings Certificates, increasing the amount available to be issued from \$2,000,000,000 to \$4,000,000,000. Under the law as now amended any person may purchase \$1,000 of War Savings Certificates of the present series and an additional \$1,000 for each succeeding series which may be issued.

DEPOSIT OF WAR PROFITS TAXES

Section 3 of the bill authorizes the Secretary of the Treasury to deposit with designated Government depositories the proceeds arising from the payment of war profits taxes as well as from income or excess profits taxes. The Second Liberty Loan Act authorizes the Secretary to deposit the proceeds from income and excess profits taxes and as the pending Revenue bill also provides for a war profits tax, this amendment became necessary.

STABILIZATION OF FOREIGN EXCHANGE

Section 4 authorizes the Secretary of the Treasury to make arrangements in or with foreign countries to stabilize foreign exchange. This provision is deemed necessary to give the Secretary of the Treasury greater flexibility in Treasury operations with respect to our dealings in foreign countries.

AMENDMENT TO TRADING WITH ENEMY ACT

Section 5 amends the "Trading with the Enemy" Act, giving the President the authority to investigate,

regulate or prohibit the hoarding or melting of gold, and also to investigate and regulate, by means of license or otherwise (until the expiration of two years after the termination of the present war), for the purpose of strengthening, sustaining and broadening the market for bonds and certificates of indebtedness of the United States, of preventing frauds upon the holders thereof, and of protecting such holders, any transactions in bonds or certificates of indebtedness of the United States by or between any person or persons. However, this power is limited so that this section shall not be construed to confer any power to prohibit the purchase or sale for cash, or for notes eligible for discount at any Federal reserve bank, of bonds or certificates of indebtedness of the United States.

LOANS BY NATIONAL BANKS ON LIBERTY BONDS OR CERTIFICATES OF INDEBTEDNESS

Section 6 incorporates the provisions of H. R. 10691, which has already passed the House in this session of Congress. Section 5200, United States Revised Statutes, limits the amount of loans which national banks can make to any one borrower to one-tenth of the capital stock and surplus of such banks. The effect of the amendment is to permit an additional loan not to exceed 10 per cent. of the capital and surplus in case the borrower discounts with the bank a note or notes secured by not less than a like amount of United States Bonds issued since April 24, 1917, or certificates of indebtedness. The full text of the law is published below:

An Act to supplement the Second Liberty Bond Act, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That until the expiration of two years after the date of the termination of the war between the United States and the Imperial German Government, as fixed by proclamation of the President—

(1) The interest on an amount of bonds of the Fourth Liberty Loan the principal of which does not exceed \$30,000, owned by any individual, partnership, association, or corporation, shall be exempt from graduated additional income taxes, commonly known as surtaxes, and excess profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations;

(2) The interest received after January 1, 1918, on an amount of bonds of the First Liberty Loan Converted, dated either November 15, 1917, or May 9, 1918, the Second Liberty Loan, converted and unconverted, and the Third Liberty Loan, the principal of which does not exceed \$45,000 in the aggregate, owned by any individual, partnership, association,

or corporation, shall be exempt from such taxes: *Provided, however,* That no owner of such bonds shall be entitled to such exemption in respect to the interest on an aggregate principal amount of such bonds exceeding one and one-half times the principal amount of bonds of the Fourth Liberty Loan originally subscribed for by such owner and still owned by him at the date of his tax return; and

(3) The interest on an amount of bonds, the principal of which does not exceed \$30,000, owned by any individual, partnership, association, or corporation, issued upon conversion of 3½ per centum bonds of the First Liberty Loan in the exercise of any privilege arising as a consequence of the issue of bonds of the Fourth Liberty Loan, shall be exempt from such taxes.

The exemptions provided in this section shall be in addition to the exemption provided in section 7 of the Second Liberty Bond Act in respect to the interest on an amount of bonds and certificates, authorized by such Act and amendments thereto, the principal of which does not exceed in the aggregate \$5,000, and in addition to all other exemptions provided in the Second Liberty Bond Act.

Sec. 2. That section 6 of the Second Liberty Bond Act is hereby amended by striking out the figures "\$2,000,000,000," and inserting in lieu thereof the figures "\$4,000,000,000." Such section is further amended by striking out the words "The amount of war savings certificates sold to any one person at any one time shall not exceed \$100, and it shall not be lawful for any one person at any one time to hold war savings certificates to an aggregate amount exceeding \$1,000," and inserting in lieu thereof the words "It shall not be lawful for any one person at any one time to hold war savings certificates of any one series to an aggregate amount exceeding \$1,000."

Sec. 3. That the provisions of section 8 of the Second Liberty Bond Act, as amended by the Third Liberty Bond Act, shall apply to the proceeds arising from the payment of war-profits taxes as well as income and excess profits taxes.

Sec. 4. That the Secretary of the Treasury may, during the war and for two years after its termination, make arrangements in or with foreign countries to stabilize the foreign exchanges and to obtain foreign currencies and credits in such currencies, and he may use any such credits and foreign currencies for the purpose of stabilizing or rectifying the foreign exchanges, and he may designate depositories in foreign countries with which may be deposited as he may determine all or any part of the avails of any foreign credits or foreign currencies.

Sec. 5. That subdivision (b) of section 5 of the Trading with the Enemy Act be, and hereby is, amended to read as follows:

(b) That the President may investigate, regulate, or prohibit, under such rules and regulations as he may prescribe, by means of licenses or otherwise, any transactions in foreign exchange and the export, hoarding, melting, or earmarking of gold or silver coin or bullion or currency, transfers of

credit in any form (other than credits relating solely to transactions to be executed wholly within the United States), and transfers of evidences of indebtedness or of the ownership of property between the United States and any foreign country, whether enemy, ally of enemy, or otherwise, or between residents of one or more foreign countries, by any person within the United States; and, for the purpose of strengthening, sustaining and broadening the market for bonds and certificates of indebtedness of the United States, of preventing frauds upon the holders thereof, and of protecting such holders, he may investigate and regulate, by means of licenses or otherwise (until the expiration of two years after the date of the termination of the present war with the Imperial German Government, as fixed by his proclamation), any transactions in such bonds or certificates by or between any person or persons: *Provided,* That nothing contained in this subdivision (b) shall be construed to confer any power to prohibit the purchase or sale for cash, or for notes eligible for discount at any Federal reserve bank, of bonds or certificates of indebtedness of the United States; and he may require any person engaged in any transaction referred to in this subdivision to furnish, under oath, complete information relative thereto, including the production of any books of account, contracts, letters or other papers, in connection therewith in the custody or control of such person, either before or after such transaction is completed.

Sec. 6. That section 5200 of the Revised Statutes, as amended, be, and hereby is, amended to read as follows:

"Sec. 5200. The total liabilities to any association, of any person, or of any company, corporation, or firm for money borrowed, including in the liabilities of a company or firm the liabilities of the several members thereof, shall at no time exceed 10 per centum of the amount of the capital stock of such association, actually paid in and unimpaired, and 10 per centum of its unimpaired surplus fund: *Provided, however,* That (1) the discount of bills of exchange drawn in good faith against actually existing values, (2) the discount of commercial or business paper actually owned by the person, company, corporation, or firm, negotiating the same, and (3) the purchase or discount of any note or notes secured by not less than a like face amount of bonds of the United States issued since April 24, 1917, or certificates of indebtedness of the United States, shall not be considered as money borrowed within the meaning of this section; but the total liabilities to any association, of any person or of any company, corporation, or firm, upon any note or notes purchased or discounted by such association and secured by such bonds or certificates of indebtedness, shall not exceed (except to the extent permitted by rules and regulations prescribed by the Comptroller of the Currency, with the approval of the Secretary of the Treasury) 10 per centum of such capital stock and surplus fund of such association."

Sec. 7. That the short title of this Act shall be "Supplement to Second Liberty Bond Act."

Approved, September 24, 1918.

The "Bad Check" Law of New York

THE legislature of New York on April 23 last passed an act to amend the penal law in relation to obtaining money by fraudulent check, draft or order, which took effect September 1 and is now in force. This is the "check without funds" law which our Association has been advocating for a number of years in the different states. The law as passed in New York modifies our Association measure in certain particulars. It is as follows:

"Any person who, with intent to defraud, shall make or draw or utter or deliver any check, draft or order for the payment of money upon any bank or other depository, knowing at the time of such making, drawing, uttering or deliver-

ing that the maker or drawer has not sufficient funds in or credit with such bank or other depository for the payment of such check, although no express representation is made in reference thereto, shall be guilty of attempted larceny, and if money or property is obtained from another thereby is guilty of larceny and punishable accordingly.

"In any prosecution under this section as against the maker or drawer thereof, the making, drawing, uttering or delivering of a check, draft or order, payment of which is refused by the drawee because of lack of funds or credit shall be *prima facie* evidence of intent to defraud and of knowledge of insufficient funds in or credit with such bank or other depository, unless such maker or drawer shall have paid the drawee thereof the amount due thereon, together with interest and protest fees, within ten days after receiving notice that such check, draft or order has not been paid by the drawee.

"The word 'credit' as used herein, shall be construed to mean an arrangement or understanding with the bank or depository for the payment of such check, draft or order."

The first paragraph of the above law follows the language of the Association bill but creates a distinction, not in that bill, between the case where money or property is obtained from another by means of a fraudulent check and where no such money or property is obtained. In the latter case, it is merely attempted larceny; but where money or property is obtained the offender is guilty of larceny and punishable accordingly.

In the Association bill, furthermore, the mere making, drawing, uttering or delivering of a fraudulent check is made *prima facie* evidence of intent to defraud; in the New York law this provision is qualified by the words "unless such maker or drawer shall have paid the drawee thereof the amount due thereon, to-

gether with interest and protest fees, within ten days after receiving notice that such check, draft or order has not been paid by the drawee." Under the New York law, therefore, if the drawer makes good the amount of his check to the bank within ten days after notice of non-payment, together with interest and protest fees, he is relieved from the burden of proof of lack of fraudulent intent in giving his check and the burden is shifted to the prosecutor. Under our Association bill there is no such condition. The man who issues a bad check, whether or not he afterwards makes the amount good to the bank, is *prima facie* guilty of an intent to defraud and the burden of rebutting this presumption is upon him throughout. The new law of New York, however, will without doubt have a beneficial effect in lessening to a considerable extent the number of fraudulent checks from which the community has suffered.

Opinions of the General Counsel

TRANSFER OF CHECK BY BANKRUPT AFTER FILING OF PETITION

A bankrupt's estate, from the date of filing of petition against him, being in custody of the court, the bankrupt without power to thereafter transfer same and such filing being notice to all the world that the bankrupt's power of disposal is at an end, it has been held that the innocent purchaser of negotiable paper, transferred by the bankrupt after filing of the petition is not a bona fide holder, but is charged with constructive notice—But this rule is not firmly established, and in view of the inequity and impolicy of charging innocent purchasers of negotiable paper with constructive notice in such cases, it is fair to assume that future courts will create an exception of innocent purchasers of negotiable paper from the doctrine of constructive notice because of the filing of a petition in bankruptcy against a prior transferor, as has already been done in protection of a bank which has innocently paid its customer's check in ignorance of prior filing of petition in bankruptcy against such customer.

From Illinois—On the 11th day of August, 1917, the U— Cabinet Co. corporation received a check from the M— Sash and Door Co., drawn upon the — National Bank of Chicago. On the 14th day of August, 1917, a petition in bankruptcy was filed against the U— Cabinet Co., a corporation, a receiver duly appointed and qualified, and an injunction issued restraining it from disposing its assets. On the 4th day of September, 1917, the check received by the U— Cabinet Co. from the M— Sash and Door Co. was deposited in our bank bearing the following indorsements:

- (1) U— Cabinet Company
By M. I. M.
Secretary and Treasurer.
- (2) M. M.
- (3) S— Cabinet Company

The last-named indorser being our depositor, we credited him with the check, which was collected by us on the 5th day of September, 1917. On the 20th day of September, 1917, the U— Cabinet Company were adjudicated a bankrupt. On the 12th day of July, 1918, we received a notice that the

trustee in bankruptcy would hold us responsible for the proceeds of this check, the same having been indorsed and delivered by the bankrupt through its secretary and treasurer subsequent to the appointment of the receiver. On the 22d day of July, 1918, suit was brought against us. Your advice in the matter will be appreciated.

The main question presented is whether the innocent indorsee for value of a negotiable instrument, namely, a check, acquires valid title to same where the payee has indorsed and transferred the check after the filing of an involuntary petition in bankruptcy against him, the appointment of a receiver and the issuing of an injunction restraining such payee from disposing of his assets.

Under the present bankruptcy law, the bankrupt's estate is in *custodia legis* from the date of the filing of a petition and the title of the trustee subsequently appointed relates back to that date. *Acme Harvester Co. v. Beekman Lumber Co.*, 222 U. S. 300.

It has been declared in some of the cases that the filing of a petition in bankruptcy is notice to all the world, and all persons dealing with the bankrupt thereafter do so at their peril, although it may be bona fide and without knowledge of the bankruptcy proceedings. See *In re Duncan* 148 Fed. 464, where it was held that title to the note being in the bankrupt at the time of the filing of the petition in bankruptcy, such title could not thereafter be transferred by him, but, on his adjudication as a bankrupt, vested in his trustee. The court said, *inter alia*: "By the terms of the bankruptcy act the trustee is vested by operation of law with title of the bankrupt to all property of which he was in possession as of the date on which he was adjudged a bankrupt. The filing of a petition against him is a caveat to all the world, and all persons dealing with him during the interval from that date to the date of final adjudication do so at their peril. The property of the bankrupt, after the filing of the petition against him and before adjudication thereon, is in *custodia legis*. It is subject to the prehensory power of the court, and the person against whom such petition has

been filed cannot make any legal disposition of it. * * * It is under the sole and exclusive jurisdiction and control of the bankruptcy court, and, if such court adjudges the party a bankrupt on the petition, the title to his property vests in the trustee as of the date of the filing of the petition; that date being the point of cleavage."

And it has been held in at least one case that a purchaser of negotiable paper, after such filing, is not a bona fide holder without notice, and a fraudulent transfer of property by the bankrupt after the filing of the petition is voidable at the option of the trustee. *In re Lake*, Fed. Cas. No. 7992. In this case it was held that the transfer of promissory notes by the payee during the pendency of bankruptcy proceedings against him upon which he was afterwards adjudged a bankrupt, and of an injunction restraining him from disposing of his property, vests no title in the purchaser, even though he had no actual notice of the bankruptcy proceedings; all the world is bound to take notice of bankruptcy proceedings, and the purchaser takes with constructive notice. On the point of the negotiability of the paper affecting the rule, the court said:

"But it is contended that negotiable paper forms an exception to this rule, and that the bona fide purchaser of such paper will be protected, although a petition in bankruptcy may be pending against the seller of such paper; and the counsel for respondents have presented an exceedingly ingenious and plausible argument in support of this proposition, relying mainly upon a class of cases where it has been held that bank notes, bills of exchange and promissory notes, even when stolen or obtained from the owners by actual fraud, could not be recovered, if they had passed to bona fide purchasers for value without notice. To my mind, however, the difficulty in applying this principle of law to the case before the court arises from the fact that the respondents cannot be said to be bona fide holders without notice. All the parties to the transaction were domiciled in this district, and the transaction took place within the district. The proceedings in bankruptcy were then pending, and the bankrupt, Lake, was then under an injunction from this court prohibiting him from selling or disposing of any of his property. The respondents are concluded by the notice thus given them by the records of this court, and it does not lie in their mouths to say they are innocent purchasers. The rule relied upon by the attorneys for respondents arises from the policy of the law in favor of protecting commercial transactions in negotiable or commercial paper made in due course of business, without fraud and for value paid. But an equally inexorable rule requires that all persons shall be held to take notice of judicial proceedings pending in courts having general jurisdiction over them."

There is no doubt that the bankrupt's title is divested at the time of the filing of the petition, in the event it is followed by an adjudication in bankruptcy and that he has no power thereafter to dispose of his property; and if the rule announced in the Lake case, above cited, that the innocent purchaser of negotiable paper transferred by the bankrupt after the filing of the petition is bound by constructive notice

and acquires no title to such paper, this would necessarily result that the bank, in the case submitted, would be liable to the trustee in bankruptcy for the proceeds of the check collected by it and that its sole recourse would be upon the prior indorsers, subsequent to the indorsement of the bankrupt who, by their indorsement, warranted the capacity of the payee to indorse.

But there is an apparent inequity and impolicy in charging the innocent purchaser of negotiable paper with constructive notice in such a case and, while the subject has not as yet been developed by the courts, I am inclined to the view that there is fair chance that future courts may hold that negotiable paper, by reason of the function it fulfills, is to be excepted from this doctrine of constructive notice "to all the world" from the filing of the petition. The courts already evince a tendency to make certain exceptions to that doctrine where public policy or the interests of equity require it and an exception has already been declared by the courts in the case of a bank which paid checks drawn by a depositor in ignorance of the filing late the day before of an involuntary petition in bankruptcy against him. *In re Zotti*, 186 Fed. 84. In this case the trustee made demand on the bank for the whole of the deposit on the ground that the filing of the petition was a caveat attachment and injunction, of which the bank must be held to have had constructive notice, and any payment by it thereafter was invalid as against the trustee. But the court denied the trustee's right to recover of the bank and the Supreme Court of the United States denied a petition by the trustee for a writ of certiorari, without, however, filing an opinion. See *Watson, trustee, v. European American Bank*, 32 Sup. Ct. Rep. 522. The Circuit Court of Appeals in its opinion published in 186 Fed., said:

"The trustee founds his right entirely upon a remark of Chief Justice Fuller in *Mueller v. Nugent*, 184 U. S. 1, at page 14, 22 Sup. Ct. 269, 275, 46 L. Ed. 405:

"It is as true of the present law as it was of that of 1867 that the filing of the petition is a caveat to all the world, and in effect an attachment and injunction (*Bank v. Sherman*, 101 U. S. 403 [25 L. Ed. 866]), and, on adjudication, title to the bankrupt's property became vested in the trustee (Sections 70, 21e), with actual or constructive possession, and placed in the custody of the bankruptcy court."

"* * * We think this language was never intended to be applied to a bank which has honestly paid checks of a depositor without notice that any petition in bankruptcy has been filed against him and who may never be adjudicated a bankrupt at all. On the other hand, it would apply if the bank had refused to pay moneys which it had received prior to the filing of the petition and still had, or moneys which it had collusively transferred. It was because the act of 1867 threw doubt upon the validity of honest transactions between the filing of the petition and adjudication that the words 'as of the date he was adjudicated a bankrupt' were inserted in the act of 1898."

The Supreme Court of the United States, also, in *Acme Harvester Co. v. Beekman Lumber Co.*, 32 Sup. Ct. Rep. 96, referring to the same language of Mr. Justice Fuller, says "whatever may be the limitations of the doctrine declared by this court, speaking by the late Chief Justice Fuller in *Mueller v. Nugent* * * *

it is none the less certain that an attachment of the bankrupt's property after the filing of the petition and before adjudication cannot operate to remove the bankrupt's estate from the jurisdiction of the bankruptcy court for the purpose of administration under the act of Congress * * *. The exclusive jurisdiction of the bankruptcy court is so far in *rem* that the estate is regarded as in *custodia legis* from the filing of the petition * * *. Every person is forbidden to receive any property after the filing of the petition, with intent to defeat the purposes of the act. These provisions, and others might be recited, show the policy and purpose of the bankruptcy act to hold the estate in the custody of the court for the benefit of creditors after the filing of the petition and until the question of adjudication is determined. To permit creditors to attach the bankrupt's property between the filing of the petition and the time of adjudication would be to encourage a race of diligence to defeat the purposes of the act and prevent the equal distribution of the estate among all creditors of the same class, which is the policy of the law. The filing of the petition asserts the jurisdiction of the Federal court, the issuing of its process brings the defendant into court, the selection of the trustee is to follow upon the adjudication, and thereupon the estate belonging to the bankrupt, held by him or for him, vests in the trustee. Pending the proceedings the law holds the property to abide the decision of the court upon the question of adjudication as effectively as if an attachment had been issued, and prevents creditors from defeating the purposes of the law by bringing separate attachment suits, which would virtually amount to preferences in favor of such creditors."

From the above language of the Supreme Court in this recent case, it is fair to infer that exceptions may be recognized to the doctrine that the filing of a petition is a "caveat to all the world." The court makes clear that after such filing, an attachment of the bankrupt's property will not hold good, but it is not unreasonable to infer that the court might recognize the superior equity of an innocent purchaser for value of negotiable paper transferred by a bankrupt after filing of an involuntary petition against him and hold that such purchaser, equally as a bank which has innocently paid the bankrupt's checks after such filing and without notice thereof, is protected and not bound by the doctrine of constructive notice.

However this may be is more or less problematical; the point here made is that the rule that the filing of a petition is a "notice to all the world" is not so firmly established in the case of subsequent transfer of negotiable paper to innocent purchasers as to preclude the courts hereafter taking a contrary view and protecting innocent purchasers of such instruments. See *Lord v. Seymour*, 83 N. Y. Supp. 88, affirmed without opinion by the New York Court of Appeals, 177 N. Y. 525, which would indicate that money paid by a bankrupt to a bona fide owner for value after the filing of a petition is not recoverable by the bankrupt's trustee. There are special reasons why money and negotiable instruments should stand on a special footing—the necessity of protecting the innocent purchaser against secret equities—and it would hardly seem that the mere constructive notice "to all the world" through the filing

of a petition in bankruptcy should affect the innocent purchaser of negotiable paper.

In the above the question has been discussed as if the bankrupt, payee of a negotiable instrument, who indorses same after filing of a petition in bankruptcy against him, was an individual payee. In the case presented by you, the further complication arises that the bankrupt payee of the check in question is a corporation and the indorsement of the bankrupt to the check is made in its name by its secretary and treasurer. This raises the additional question whether filing of a petition in bankruptcy against a corporation does not of itself revoke the authority of any officer to make an indorsement in its behalf. An unauthorized indorsement is on a par with a forged indorsement. It would seem that on this special ground there might be based a right of recovery of the trustee in this particular case, apart from the broader question of his right of recovery of the innocent purchaser of a negotiable instrument where indorsement has been made by the bankrupt individually. At the same time, assuming the officer in question had authority to indorse while the corporation was a going concern and assuming that it should be held that the filing of a petition is not constructive notice to innocent purchasers of negotiable paper subsequently indorsed by the bankrupt, it might also be held that such purchasers were protected under the rule that third persons are protected in dealing with an agent whose authority has been revoked prior to notice of such revocation.

The questions raised in your case are somewhat novel and it would be to the interest of the commercial world if there was an authoritative decision upon them.

ACCOMMODATION MAKER NOT DISCHARGED BY EXTENSION OF TIME

The doctrine of the law of suretyship that a binding extension of time by the creditor to the principal debtor releases a non-consenting surety has, according to a number of authorities, been abrogated by the Negotiable Instruments Act where the surety signs the instrument as one of the makers.

From South Dakota—We have a note signed by two parties (both names on the face of the note), one who actually received the money and the other really acting as an accommodation indorser. The note being past due, we took a new note from the party primarily liable and attached the old note as collateral security. Please let us know if this extension of time releases the other party.

At common law, extension of time by the principal, without the consent of the surety, discharged the latter from liability; but under the provisions of the Negotiable Instruments Act where the surety signs as maker, he is "primarily" liable and the courts have held he is not discharged. *Edmonston v. Ascough*, 95 Pac. (Colo.) 313; *Vanderford v. Farmers Bank*, 66 Atl. (Md.) 47; *Lane v. Hyder*, 147 S. W. (Mo.) 514; *Cellers v. Mechem*, 89 Pac. (Ore.) 426. If the surety signs as indorser, however, he would be discharged. Furthermore, it has been held in Iowa contrary to the prevailing interpretation of the Negotiable Instruments Act that where the question arises between the parties to the instrument, such as between the payee and an

accommodation joint maker, the Negotiable Instruments Law is not applicable for the reason that the payee in such a case is not to be regarded as a holder in due course, and hence an extension of time by the payee to the principal debtor without the consent of the accommodation joint maker will release the latter. *Fullerton Lumber Co. v. Snouffer*, 139 Iowa, 176.

I find no South Dakota cases construing the Negotiable Instruments Act on this point but as in the case submitted the second party to the instrument is an accommodation maker (not indorser) and is primarily rather than secondarily liable, he would according to the weight of authority not be released by an extension given to the principal debtor without his consent.

BANK TAXATION IN NEW YORK

Banks in New York must pay tax, assessed against the shareholders, at the rate of 1 per cent. of the taxable value of the shares and in arriving at such taxable value, the value of real estate owned by the bank cannot be deducted—nor can the bank deduct the value of real estate mortgages owned by it upon which mortgage tax has been paid nor the value of Government, State or Village bonds owned by the bank.

From New York—On June 1 of each year we furnish a statement to the local tax assessor containing amount of capital stock, number of shares and par value of shares, amount of stock paid in, and surplus and undivided profits. Can we deduct the amount of our mortgages on which mortgage tax has been paid, and any bonds of the First, Second and Third Liberty Loan and bonds of New York State and of this village. If we do not deduct the assessed value of our real estate, do we have to pay any village or school tax?

The following provisions of the Tax Law of New York are pertinent. Banks in New York are exempt from taxation on their capital stock (Sec. 183 Tax Law), but stockholders of national and state banks are assessed and taxed on the value of their shares of stock which are included in the valuation of the personal property of the shareholders (Section 13) at the rate of 1 per cent. of the value thereof and stockholders "shall be entitled to no deduction from the taxable value of their shares because of the personal indebtedness of such owners or for any reason whatsoever"; which "tax shall be in lieu of all other taxes whatsoever for state, county or local purposes upon the said shares of stock, and mortgages, judgments and other choses in action and personal property held or owned by banks or banking associations, the value of which enters into the value of said shares of stock, shall also be exempt from all other state, county or local taxation." Banks must collect and pay the taxes due upon their shares of stock and are given a lien on the shares and other property of the shareholders in their hands for reimbursement. But "this section is not to be construed as an exemption of the real estate of banks or banking associations from taxation." (Sec. 24.)

In the light of the above provisions, your bank would pay for account of its shareholders a flat rate of 1 per cent. upon the value of its shares and would not be entitled to deduct the amount of mortgages owned by the bank on which mortgage tax has been paid. Section 251 of the Tax Law expressly provides

that all mortgages of real estate upon which taxes are paid "shall be exempt from other taxation by the state, counties, cities, towns, villages, school districts and other local subdivisions of the state except that such mortgage shall not be exempt from the taxes imposed by Section 24 * * *."

Nor would your bank be entitled to deduct Liberty Loan Bonds, New York state and village bonds owned by it from the taxable value of the shares. A bill went through one House of Congress this year providing for a deduction of a proportionate value of government bonds from the taxable value of bank shares, but did not become a law, and it has been repeatedly held by the courts that the fact that exempt government bonds are owned by a bank does not entitle the shareholder to deduct their proportionate value from the taxable value of his shares, the tax not being against the bank upon its property but against the shareholder upon his property. There is no provision in the New York Tax Law for such deduction nor permitting the deduction of New York state or village bonds owned by the bank from the taxable value of the shares. In *Reports of the Attorney General* (Vol. 2, p. 565), it was held that the fact that a part of the surplus or undivided profits of a bank are invested in exempt barge canal bonds does not authorize the assessors to deduct the amount of such bonds from the amount of the capital, surplus and undivided profits of the bank in assessing the shares of stock.

Concerning real estate, assessors are required when ascertaining the value of shares of bank stock to include in the value of the property the value of the real estate owned by the bank. *Matter of First Nat. Bank of Ossining*, 182 N. Y. 460. You ask if the assessed value of the real estate is not deducted, whether your bank has to pay any village or school tax? It has been held that villages and school districts are tax districts within the meaning of Section 24 and are entitled to share in the taxes levied upon bank stock, although they do not have a Board of Assessors authorized to assess property therein for state and county taxes as provided in the definition of a tax district contained in Section 2 of the Tax Law. *People ex rel Kinderhook v. Supervisors*, 105 App. Div. 319; aff'd. 182 N. Y. 556. As I read the Tax Law, the 1 per cent. tax imposed is in lieu of all other taxation for state, county or local purposes and part of the tax thus raised is apportioned as provided in Section 24 to the payment of village and school district taxes. There would, therefore, be no liability of the bank to separately pay the village or school district tax, but the 1 per cent. paid on the value of the shares would cover everything except taxation of real estate.

NOTE SECURED BY WAREHOUSE COLLATERAL

A note which contains a provision authorizing sale of collateral upon nonpayment is negotiable but where the note is issued by a warehouse corporation to its own order and is secured by a warehouse receipt issued by the same corporation it is ineligible for rediscount by a Federal Reserve Bank.

From Kansas—I enclose herewith sample note:

\$5,000 _____, Kansas, Sept. 6, 1918.
Ninety days.....after date we promise
 to pay to the order of Ourselves.....
 Five Thousand.....Dollars
 at First National Bank of _____, Kansas, _____
 Value Received. Having deposited as collateral security
 to this note Warehouse Receipt No. 1721.....
 of even date herewith, covering Three Thousand.....
 bushels of wheat.....

 which the holder of this note is hereby authorized to
 sell without notice, at public or private sale, at the
 option of said holder in case of the non-performance of
 this promise, applying the proceeds to the payment of
 this note, including interest, and accounting for the
 surplus if any.

No. Due..... The A. B. Milling Company.
 Attest: John Roe, Secretary. By John Doe, President.

Indorsements:

THE A. B. MILLING COMPANY.
 By John Doe.....President
 Attest: John Roe.....Secretary

and will thank you to kindly advise us if this is a negotiable instrument under the Negotiable Instruments Law; also if it is eligible for discount at Federal reserve banks.

The form of note enclosed is negotiable under the Negotiable Instruments Act, one of the provisions of which is that "the negotiable character of an instrument otherwise negotiable is not affected by a provision which authorizes the sale of collateral securities in case the instrument be not paid at maturity." I think the clause reciting the deposit of collateral and authorizing its sale, contained in the note, would come within the meaning of the provision of the Negotiable Instruments Act above quoted and I see nothing else in the note which would raise a question as to its negotiability.

You further ask if a note of this character is eligible for rediscount at the Federal reserve banks. Section 13 of the Federal Reserve Act authorizes the discount by Federal reserve banks upon the indorsement of member banks of notes drawn for agricultural, industrial or commercial purposes which have a maturity at time of discount of not more than ninety days or, where issued for agricultural purposes or based on live stock, a maturity not exceeding six months. The Federal Reserve Board has ruled that paper secured by warehouse receipts may be rediscounted if otherwise eligible but the warehouse receipt must be issued by a warehouse which is independent of the borrower. The note in question appears to be issued by the warehouse company itself to its own order, and, presumably, is secured by its own warehouse receipt. If so, under rulings of the Federal Reserve Board, I do not think the paper in question would be eligible for rediscount.

BANK AS LESSOR OF SAFE DEPOSIT BOX

A bank which leases a safe deposit box to a customer who keeps the key is a bailee for hire under duty to exercise reasonable care and should not allow a person other than the customer presenting the key access to such, both without written authority from the customer, whether such person be the bailee's wife, or a receiver of the bailee or any other person, unless compelled so to do by valid judicial process.

From Indiana—One of the business men in this town rented one of our safety boxes. It stands on our books in his name alone. He suddenly disappeared from town leaving his business in poor shape and a receiver has been appointed by the court to continue his business. The business was a partnership between A, who has the safety box, and B. B, in looking through A's desk, found his key to his safety box and gave it to A's wife. She has demanded the right to get into this box, which we have refused, as she did not have his written consent. Has she the right to get into this box without her husband's written order to do so? Would a court order allowing her to enter box insure us against any damages he might ask? Would the receiver have a right to get into box with or without a court order?

A safe-deposit company having safe-deposit vaults, safes and strong boxes for the safe-keeping of valuable articles and property of all kinds is a warehousing and not a banking corporation. *State v. Kelsey*, 53 N. J. L. 590; *New Jersey Title Guarantee Etc., Co. v. Rector*, 76 N. J. Eq. 587 and a bank or trust company having safe deposit boxes for hire would be governed with respect thereto by statutes and rules regulating and governing warehousemen. The relation between the party renting the safety deposit box and the bank or deposit company is that of bailor and bailee, and, generally speaking, is governed by the law of bailments. The safe-deposit company or bank is a bailee for hire and in the absence of express contract is held to the exercise of ordinary care. *Roberts v. Stuyvesant S. D. Co.* 123 N. Y. 57; *Bauman v. National S. D. Co.* 124 Ill. App. 419.

Where a third person claims the goods bailed, the bailee is entitled to refuse to deliver them to his bailor until he can in good faith investigate the facts as to the real ownership. *Butler v. Jones*, 80 Ala. 436; *Ball v. Liney*, 48 N. Y. 6; *Dowd v. Wadworth*, 13 N. C. 130, and he may properly retain the property for a brief period for that purpose. *Ball v. Liney*, 48 N. Y. 6.

Where a bailee is so embarrassed by conflicting claims of ownership of the bailment that he cannot safely, or properly, deliver the property to his bailor, he may be entitled to relieve himself from responsibility by a suit in equity in the nature of a bill of interpleader. So, if unwilling to undertake the onus of proving a paramount title in the claimant, the bailee may retain possession for the bailor and may await an action by the claimant in which he must stand or fall by the bailor's title. *Powell v. Robinson*, 76 Ala. 423; *Freeman v. Perry*, 25 Tex. 611 [holding that a bailee declining to deliver to a person claiming to be the owner until he has received an order to deliver them from the bailor is not guilty of a conversion]; *Wilson v. Anderton*, 1 B. & Ad. 450.

Of course, where a bailee has issued a receipt for goods stored he is entitled, on demand for the goods by one claiming title thereto, to demand either the production of the receipt or indemnity against claims by the holder. *Patten v. Baggs*, 43 Ga. 167. And the bailee may by his contract require production of the receipt or a written order from the holder. *Willner v. Morrell*, 40 N. Y. Super. Ct. 222. See also *Babcock v. People's Sav. Bank*, 118 Ind. 212.

In view of these safeguards thrown around the bailee, it is a just law which holds him liable for conversion of property deposited with him if, without authority, he delivers it either negligently, intentionally, or by mistake to one not entitled to it. *Pippin v.*

Farmers' Warehouse Co., 167 Ala. 162; Citizens Bank v. Arkansas Compress Etc., Co., 80 Ark. 601; Peoria Etc., R. Co. v. Buckley, 114 Ill. 337; Babcock v. People's Sav. Bank, 118 Ind. 212; Forbes v. Boston Etc., R. Co., 133 Mass. 154; Mohr v. Langan, 162 Mo. 474; Oswego Bank v. Doyle, 91 N. Y. 32; Klein v. Patterson, 30 Pa. Super. Ct. 495; Providence Fifth Nat. Bank v. Providence Warehouse Co., 17 R. I. 112; Rex v. James [Tex. Civ. App. 1910] 131 S. W. 248.

However, a bailee may excuse his failure to deliver property by showing that it has been taken under judicial process, and that he gave due notice to the depositor, or made reasonable efforts to do so. Higdon v. Warrant Warehouse Co., 10 Ala. App. 496; Jensen v. Eagle Ore Co., 47 Colo. 306; Savannah Etc., R. Co. v. Wilcox, 48 Ga. 432; Ohio Etc., R. Co. v. Yohe, 51 Ind. 181; French v. Star Union Tranp. Co., 134 Mass. 288; Bliven v. Hudson River R. Co., 36 N. Y. 403; Street v. Farmers' El. Co., 33 S. Dak. 601; Burton v. Wilkinson, 18 Vt. 186.

Where property in the custody of a bailee for hire is demanded by a third person, under color of process, it is the duty of the bailee to ascertain whether the process is such as requires him to surrender the property; Morris Storage Etc., Co. v. Wilkes, 1 Ga. App. 751; Edwards v. White Line Transit Co., 104 Mass. 159; Roberts v. Stuyvesant Safe Deposit Co., 123 N. Y. 57; although a writ which is not void upon its face will protect him. McAlister v. Chicago Etc., R. Co., 74 Mo. 351.

In the case submitted I am of the opinion that the position of the bank was correct in refusing to allow the wife of the bailor, "A," to have access to the safe deposit box without a written order from the bailor, even though she did present the key to the deposit box. See Mayer v. Bresinger, 180 Ill. 110, holding that the proprietor of a safety deposit vault, without any special contract to such effect, must use ordinary care in keeping the deposit, although the one who rents the box keeps the key. And in this case it was held that the question whether such proprietor used proper care in keeping a deposit was for the jury, under evidence that his clerk, although knowing the depositor was then in a detention hospital with brain fever, permitted two strangers to have access to the box without identification or show of authority, except that they had the

key and a power of attorney, purporting to be signed and sworn to by the depositor on that day, neither the power of attorney nor name of the notary being retained by the clerk. And the appellate court refused to disturb a finding for the plaintiff by the jury.

Of course, the bank must recognize and obey a valid order of court directing it to surrender the contents of the safe deposit box, or to permit an inspection of same, since such order is "judicial process." But the receiver for the partnership business, of which partnership the bailor was a member, is no more entitled to access to the deposit box than is the bailor's wife, in the absence of an order of court vesting such authority in him.

DISCREPANCY BETWEEN WORDS AND FIGURES OF CHECK

Where the amount written in the body of a check is \$100.89 and in the margin \$189, the sum denoted in the body is the amount payable and the check is protestable upon refusal to pay that amount, though not if the refusal is to pay the larger amount expressed in the margin.

From California—A check came to us through the clearing house, reading in figures \$189, and body of check reads: "One Hundred and 89/100." This check was returned to the bank presenting it, with a request to "guarantee amount." This being an out of town check, they informed us, was a protest item. They would not guarantee amount. We were willing to pay on a guarantee of amount. The presenting bank protested this check. Had they the right to do so?

The Negotiable Instruments Act provides:

"Where the sum payable is expressed in words and also in figures and there is a discrepancy between the two, the sum denoted by the words is the sum payable; but if the words are ambiguous or uncertain, reference may be had to the figures to fix the amount."

The check in question, therefore, was one for \$100.89 and not one for \$189. You refused to pay without a guaranty of the amount which the presenting bank would not furnish. If you refused to pay \$100.89, the check was properly protestable; but if you refused to pay \$189, this was not a dishonor of the instrument as the check did not call for this amount and protest was not justified.





Bank Building and Equipment

By LEON V. SOLON, R.B.A.

II.—Structural Materials

A PLATITUDE is a signal to attention to tarry no longer; nevertheless, we can conceive no more fitting introductory remark than "The geological formations of the United States are remarkably varied and beautiful in quality." Excessive obviousness must brand a truism to inspire a platitude; unfortunately, the self-evident fact just stated has not inspired many architects, until recently, to depart from their habit of demanding imported material—possibly through fear of perpetrating architectural platitudes.

The racial weakness for deprecating national products and resources, due in most cases to modesty, has had a reaction in these days, and many things have come into their own—among them American building materials, natural and manufactured.

America has altered its standards; we now create for endurance, in those fields in which formerly a short life was calculated in order that expense of "scrapping" would be minimized when the next improvement would render the present obsolete. Our embryo period is passed, and with it immature ideals; we now look for that which is permanent, feeling confident that the work of today deserves to survive. Lean years shook the faith of those believing in the principle of frequent renovation and a high rate of depreciation, with the result that a great modification of views exists, which now constitute the controlling element of selection in building material.

RATE OF DEPRECIATION

The rate to be deducted for depreciation in a new building cannot be foreseen with any measure of accuracy, as it will depend on the degree of speed with which the structure becomes antiquated or shabby; greater or lesser architectural merits will influence its grip on human interest; selection of material for its durability and its appropriate utilization is the best insurance against decay. Matters appertaining to artistic merit and reliability of substances are consequently vital factors affecting the future of an investment; these should be weighed and examined as carefully as a title deed to property; efficient handling in this respect assures conservation.

Last month we touched lightly on the additional value with which substances are endowed through artistic treatment; we will now proceed to consider a few of the many factors affecting suitability and merit in structural material in its broader classifications.

The selection of the most suitable material is attended with much risk to the arbitrary, as, with the best intention to build handsomely it is possible to commit the architectural equivalent to donning a Tuxedo for rowing a boat.

In every town and city we may observe buildings aging with a rapidity which precludes any hope that they may become venerable; in which unending and costly material through injudicious use and exposure,

Praise from a Veteran

Cass Gilbert of New York, dean of the architectural profession, sends this message to the JOURNAL:

I have received and examined with much interest the copy of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, which has been sent to me, and I note the illustrations contained therein relative to bank building equipment.

I believe there is much valuable and useful information which could be disseminated in that way, and that your JOURNAL would perform a real service by publishing from time to time illustrations of the best designed bank buildings and bank equipment. I do not mean by this the exploitation of special apparatus and equipment advocated by so-called "experts," who are so well qualified as salesmen, but I do mean placing before the intelligent bankers of the country good examples of straightforward planning and simple, reasonable architectural designs.

I therefore welcome your essay in this direction.

CASS GILBERT.

is dulled, discolored and scaled, evoking in our memory the sad spectacle of draggled feathers and thread-bare velvet. Prejudice withholds honorable consideration from the unknown tenants, as it discourages acquaintance with the wearers of luxurious apparel in dilapidation. Most of these architectural derelicts are fortunately not of our day, dating from the comparatively recent era in which cost was the only criterion of merit, when rare substances were utilized without judgment or experience, having as fair a chance of yielding satisfactory results as a lampshade fashioned of superfine Scotch tweed. For reasons previously given, structural material should by rights be decided upon before the preparation of elevation designs; its choice will be determined by cost, climatic conditions and the style of architecture or decorative treatment desired, as the architect should produce a totally different design for granite than that conceived for terra-cotta.

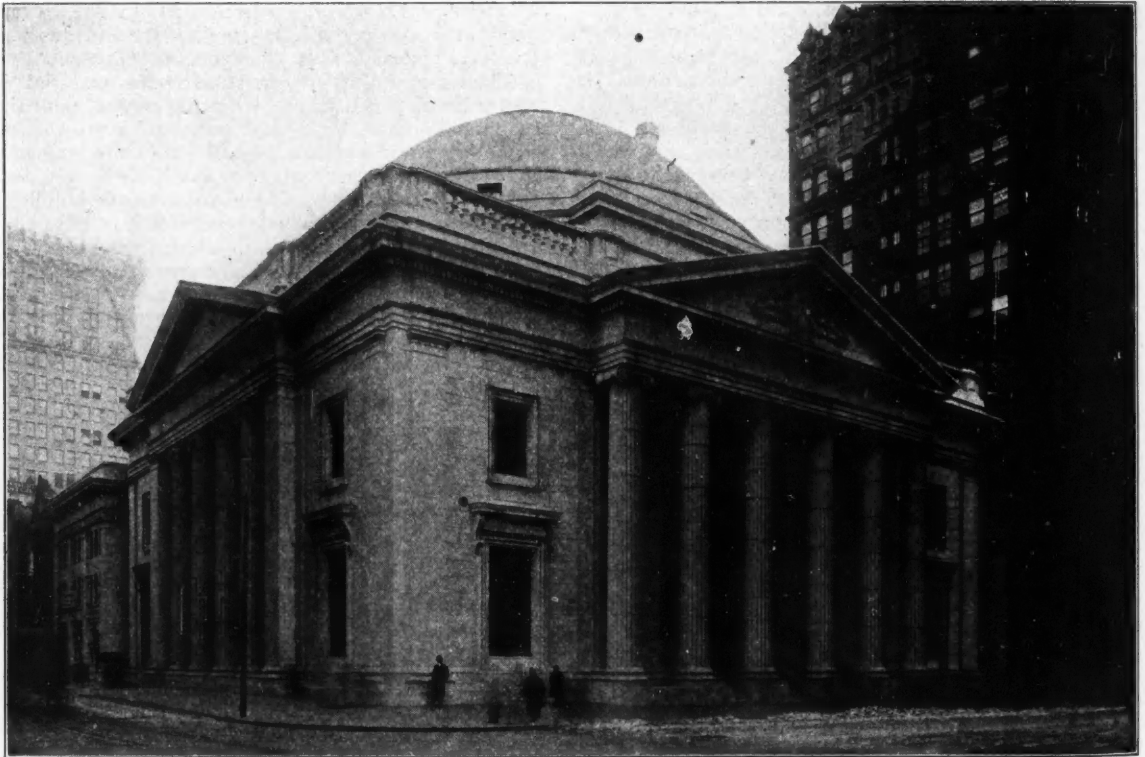
RELATIVE COST OF MATERIAL

In this calculation architectural elaboration figures fundamentally; a basic principle of cost is obviously unattainable, for the simple reason that observations deduced from one set of circumstances would find few points of application in the next. Relative values of various materials at the present time are difficult to

give with accuracy owing to the complexity of labor and freight conditions, and the general instability of prices. The banker dreaming of future premises, reviews material progressively, as the question of cost arises, in terms of granite, marble, limestone, terracotta, brick, and the various types of cast stone. Granite—the most costly—is restricted in use to the more severe types of design, owing to the fact that its extreme resistance to carving tools renders ornamentation almost prohibitive. American granites are more varied in color than the Scotch, which formerly constituted a standard of excellence. It is difficult to clean in a smoky city unless polished, a treatment rarely permissible for the entire facade, consequently atmospheric conditions, from the aspect of its chemical pollution, is an important factor to consider.

MARBLE

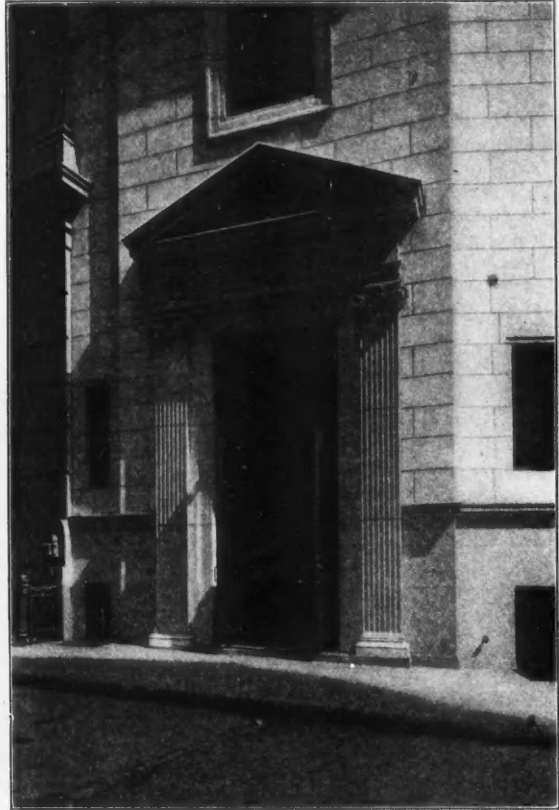
Its historic identification with the classic examples, and its capacity for expressing grace and purity of form, has frequently caused the architect and his client to omit a comparison between their particular American sky and that of Olympus. Layers of soot in smoky cities are discounts of architectural dignity which constantly augment; comparative purity of atmosphere is a *sine qua non*. Native marble exists in great variety,



The ideal type of building for execution in white marble. It is characterized by the combination of two qualities which only the highest professional attainment can unite—elegance and massiveness. The classic austerity of the design is enlivened by delightful detail, referring in carved allegory to the organization in houses, as, for example, the decorative sailing ships on the pediment. McKim, Meade & White, Architects.



A great monument built in Indiana limestone which might have almost an allegorical significance, representing the bank as the foundation of a Tower of Commerce, built at the intersection of the points of the compass—Fifth Avenue and Forty-second Street.



An exquisite example of the classic style applied to the city building; its delicacy and charm recall the days of Christopher Wren, and give a touch of the Mall to Wall Street. The structural material is white marble; the design and plan are by Delano and Aldrich, Architects.

now constantly added to, many of which bear such great resemblance to the product of certain famous Italian quarries that experts are apt to be confused.

LIMESTONE

Limestone figures extensively in the architectural masterpieces of civilized races—in China, India, Greece, Italy, France and England. The French and English quarries were still supplying the United States with varieties of limestone at the outbreak of the war. The French stone comes from Chassignelles, Lens, Furville and Caen; its variation of color, which now constitutes an æsthetic value, was previously reckoned a fatal defect; it renders certain types of carving with great charm; in our climate it is less durable than the American equivalent and is naturally much more costly to use.

Indiana limestone compares advantageously with all its architectural predecessors, even the famous Bath and Portland stone, the favorite building material of Great Britain and her Colonies. The comparative cost of the British and American stone at the quarry was two shillings a cubic foot, as compared to forty cents before the war (now increased to fifty

cents), freight being in favor of the American stone. The native material has also the advantage in scientific tests, containing .19 water against 1.94, and has a resistance to crushing of 135,000 pounds per square foot. Many imposing banks are built of this material with excellent effect.

The more distinctive American building stones have had little vogue until recently, owing to the extremely conservative attitude of the architect and his preference for conventional or imported material. The American Kasota stone, a comparatively new discovery, is an equivalent for those effects which the Hauteville (French) and Bottichino (Italian) produced so admirably, with the additional advantage of being more economical to handle through greater soundness; it can be furnished in much larger blocks, at a cost of about half that of Hauteville or Bottichino. The Kato stone, another new American stone, is rapidly acquiring great popularity on account of the subtle beauty of its color and texture, and an antique appearance which particularly commends it for certain types of work. It possesses a delicate golden-orange tone with clouds of silver-grey floating through it. It has the advantage of cost over foreign equivalents and

possesses much greater beauty. Any banker who stipulates that American stone be used exclusively in his bank runs no risk of being penalized for patriotism by inferiority of artistic quality or endurance. A careful review of those stones appropriate to local conditions is a good policy, which will result in good business; endurance and resistance are greater in the majority of cases and the final cost less than the imported in every case; advantageous quarry appliances and machinery, besides compensating to a certain extent for differences in labor costs, figure considerably where time is a factor—as it invariably is in building operations.

CLIMATIC CONDITIONS AFFECTING DURABILITY

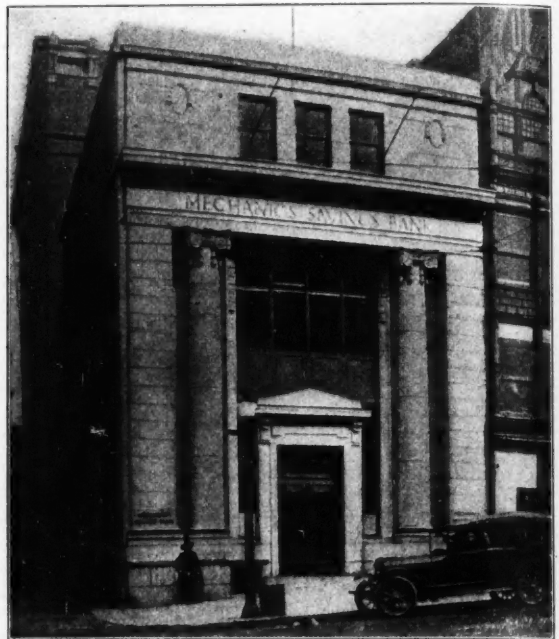
Anyone having closely observed the condition of the Egyptian Obelisk in Central Park may benefit by an object lesson in disintegration, demonstrating that twenty years of New York climate and atmosphere can almost obliterate carved detail that has survived 2,000 years in its native clime with barely the dulling of a chisel cut.

The chief causes of disintegration in stone are wide variations of temperature, the action of certain acids in a polluted atmosphere, or the salt-laden air carried by sea winds.

Extremes of temperature in which the action of the sun's rays heats the stone at one season, and the frost reacts at another, causes a movement, or energy, in the



A forceful example of Cass Gilbert's work executed in native marble on a granite base. His work runs the gamut from the Renaissance through the Medieval to the Classic; each example reveals his comprehension of a racial culture, and is a fluent statement of modern thought expressed in a dead language.



A bank built in cast-stone. Enormous developments have been made recently in the application of this material to artistic and architectural requirements. It recommends itself particularly wherever cost is a vital factor.

substances of which every building stone is composed, which is very detrimental to its endurance.

The degree of its porosity is also of much consequence by its relation to climate, as certain stones absorb considerable quantities of water during humid seasons, which later dries out under the sun's rays, causing an alternation of opposite conditions. In districts subject to hard frost an undue degree of porosity is a great risk, as a powerful expansion occurs when the water changes from fluid to solid in low temperature, which in time causes the face to flake in unduly porous stones (such as the brownstone of the old New York residences), or, in extreme cases, the block of stone itself has been known to fracture. Some years ago a test for absorption was made on a piece of the Portland stone of which St. Paul's Cathedral is built, which resulted in the discovery that water figured as 24.5 per cent. of the total weight—which will probably appear moderate to those who may have recorded the humid penetration of London winters in their system. Such a degree of saturation existing in an American stone at the start of a severe winter would prove very serious, and probably cause its form to become almost unrecognizable after a few years.

ACIDS IN THE ATMOSPHERE CAUSING DISINTEGRATION OF STONE

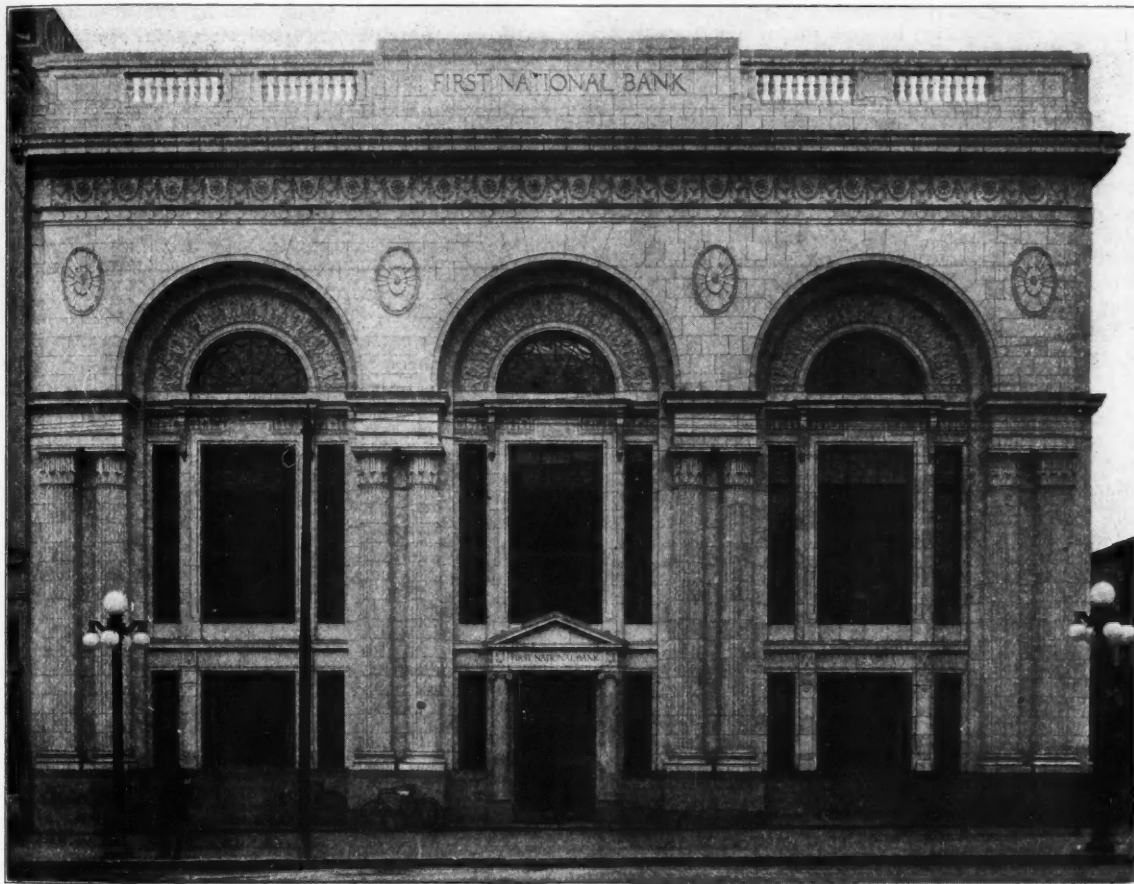
In those cities and districts where soft coal is consumed in considerable quantities, the atmosphere becomes impregnated with sulphurous and sulphuric acids, which, with soot and other impurities, are deposited on the face of stone buildings. By the action

of rain these acids penetrate the pores and fissures in the stone, attacking and destroying those ingredients in the stone susceptible to their action. Parts so decomposed are washed away by subsequent rain, and the process continues; stones such as marbles and limestones, containing carbonate of lime and magnesia, are very susceptible to this acid action and should consequently be carefully tested by acid, if their adoption is contemplated for a smoky district.

PETROLOGICAL TESTS

The tests which will reveal any serious defects in stone consist of:

1. Resistance to weight.
 2. Absorption.
 3. Susceptibility to acid.
 4. Microscopic examination of structure.
1. *Resistance to weight.* Space does not permit us



It would be difficult to find a more beautiful example of terra-cotta design; comprehension of the decorative possibilities of the material is shown throughout. The design of the façade is ingenious with every appearance of being spontaneous. The base is of granite. Weary & Alford, Architects.

TESTING UNTRIED STONE

From now on the banker may occasionally have to consider quarried material which is practically untried, owing to the impetus given to domestic stone by the embargo. In such cases it is advisable that he be in the position to judge their merits in a scientific manner, which will render him independent of interested assurances. The value of such knowledge may be considerable, as a locally quarried stone which meets the standard though yet untried, may be utilized with comparative security, thereby dispensing with considerable expense and delay in transportation.

to go into detail regarding the resistance of the various building stones in use in the United States, but, to give a rough idea of the range of resistance to crushing, that of weak limestone is approximately sixty tons to the square foot, and that of the hardest granites at 1,300 tons to the square foot.

2. *Absorption.* A block of the stone to be tested is dried out thoroughly in a kiln, and weighed as soon as it is taken out, to anticipate any absorption of humidity; it is then steeped in clear water for twenty-four hours and again weighed, the difference between the two weights being the degree of absorption; 10

per cent. is considered by many a fair average to allow.

3. *Acid test.* The stone is immersed in a 1 per cent. solution of sulphuric acid or hydrochloric acid, which will in a short time decompose any ingredient in its composition liable to disintegration in an acid-polluted atmosphere; this solution should be agitated twice a day.

4. The microscopic test is the only satisfactory means of ascertaining whether the structure of the stone is satisfactory; by this means the presence of iron pyrites is detected, which might prove very injurious on exposure through staining and splitting it.

TERRA-COTTA

This is the generic name of a clay product of extreme density and durability, identified with structural work. Great technical advance has been made of recent years which has transformed American terra-cotta from a remote background to the front rank of excellence in its relation to European standards. Judging by the tests just enumerated, it makes an extremely strong showing.

1. *Resistance to weight.* Is more than adequate for any possible emergency.

2. *Absorption.* The face of the terra-cotta, being glazed, is impervious to water; the fired clay of which the blocks are made, could the humidity penetrate the glaze, has an approximate absorption of only 8 or 10 per cent.

3. *Acid test.* The fact that glazed terra-cotta is used to line acid vats in chemical plants disposes of this factor.

4. *Microscopic test* reveals complete adhesion and fusion of all component parts into a homogeneous mass.

One of its many advantages is its response to decorative treatment at the most moderate cost, as after the original models are perfected, moulds are made, out of which the various items are fashioned by pressing the plastic clay in them. It is possible to retouch, undercut and model before the terra-cotta is hardened by fire, whereby the charm of handiwork neutralizes a mechanical process. It ranks among the lesser costing materials, and can be used almost regardless of climate or atmospheric conditions. This industry has a great future in the United States, and as it promises to be prominently identified with the best development of American architecture, we propose to devote an article to it at some future date.

Cast-stone, through aesthetic comprehension of its limitations, has long ago emerged from the "sham" class; its technical excellence, when kept within the legitimate sphere of treatment, endows it with the right to an individual existence. The Panama Californian Buildings at San Diego by Bertram Goodhue, architect, revealed its fitness to render a grandiose scheme. The process requires a specialized experience, and is not to be entrusted to those practiced only in every-day problems of cement work. In unskilled hands there is imminent risk of rapid disintegration

through inexperienced mixing, casting or injudicious selection of the stones for crushing which form a vital ingredient, technically termed "aggregate." When properly manufactured, it is waterproof and extremely durable. Where the sum available is inadequate for stone or terra-cotta and an imposing building is demanded by conditions, cast-stone will often solve the problem. It has the advantage of being manufactured on the spot, thereby saving freight.

The banker must be on his guard against attempts to reproduce costly stones, such as Travertine marble, as the hole-pitted surface collects water, which, when frozen, will cause the face of the blocks or carving to shell off; the rate of depreciation on this type of product will be extortionately high.

In this necessarily incomplete review paragraphs figure where separate treatise would be inadequate. We have attempted to furnish reasons to guide selection according to local conditions. These matters take precedence of aesthetics, a priority observed by none more rigidly than by our greatest architects, who will evolve a decorative conception from a circumstance affecting an action. Recently the writer was the recipient of one of Mr. Cass Gilbert's epigrams, many of which are currency in the art world. In our illustration of one of his banks, a baby carriage may be discerned in the entrance; Mr. Gilbert gave utterance to the maxim, which will be appreciated by savings bank men, that "The baby carriage dictates the plan of the savings bank"—in other words, that any obstacles to its entrance, such as steps, were barriers to deposits.

Our next article will treat of the planning and equipment of executive offices.

PLAN SERIES No. 2

(Diagram shown on page following)

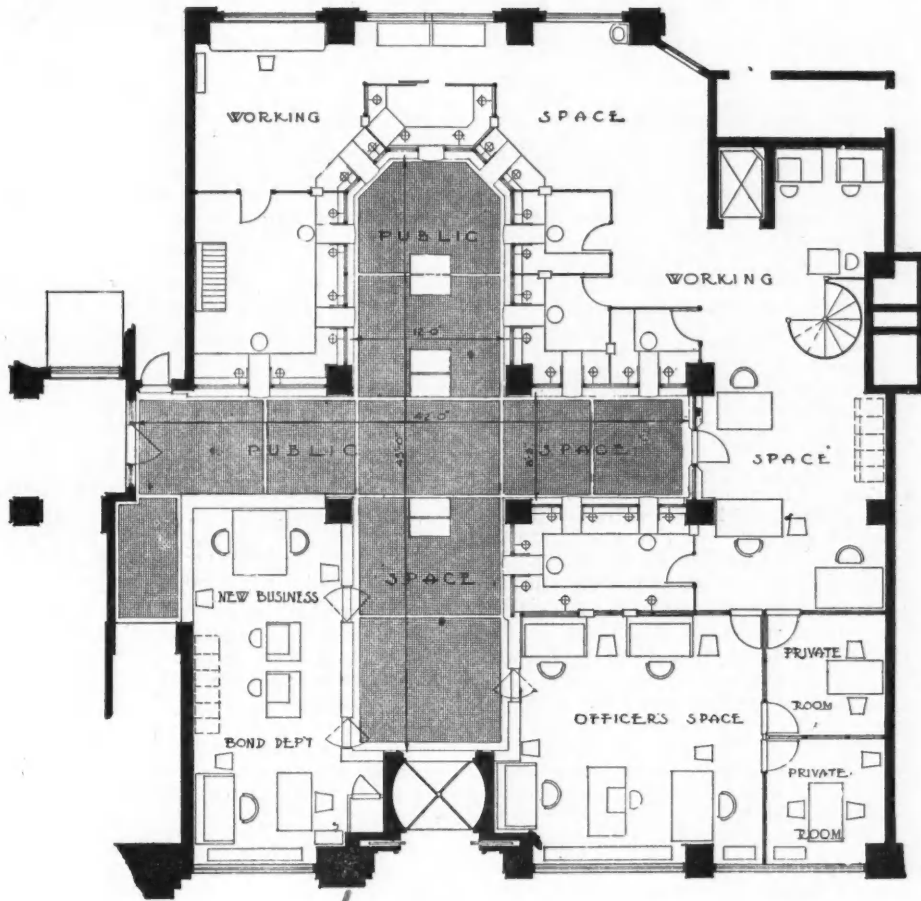
Four storerooms occupied the space of these banking quarters before alteration and the task of providing efficient working units was a difficult one.

The public space has been laid out in the form of a Greek cross, one axis following the line of the main entrance, and the other leading from the entrance of the public corridor of the office building. This cruciform arrangement of the public space divides the banking room into four quarters. The section on the right of the front vestibule is occupied by the officers of the bank, with an adjoining cage for collections, discounts, etc. The quarter on the left of the front vestibule is given up to the bond department and to new business, while the two remaining quarters in the rear of the banking room are taken up by the savings' and tellers' cages. The officers' quarters, eighteen feet square, situated on the right of the vestibule, are divided from the public space by a low marble rail, which makes the officers easily accessible to the public. The rooms in the rear give the necessary privacy for consultation. A large cage for collections, discounts, notes and foreign exchange is set between the officers' space and credit department so that the cage is in close connection with the two departments of the bank with which it needs to be in touch.

On the left of the vestibule, opposite the officers' quarters, the bond department occupies a space twelve feet by twenty-seven feet long. Like the officers' space, this is separated from the public by a low rail in which are two bronze gates.

In the right-hand rear portion of the banking room are three cages for the tellers, with two spare wickets, while in the remaining quarter opposite is a large cage with three wickets for the savings department.

The end of the main arm of the public space is hexagonal in shape with a wicket in the center bay opening into the statement cage. At the end of the cross arm of the public



Plan Series No. 2

space, a door gives access to the credit department, and to the working space which has been laid out generously to allow for future growth.

The public space, paved with terrazzo having a mosaic border, contains three handsome marble check decks of Botticino. The banking screen surrounding the public space is also of Botticino, with pilasters of light bronze, supporting a bronze cornice with a small bronze urn. The woodwork and furniture of the officers' quarters and bond department is finished in mahogany, while the woodwork through the working space is of oak.

In planning the arrangement of the different departments, their inter-relation has been closely studied. The intention

has been to keep those departments together that are most closely associated. At the same time, special attention has been given to the individual requirements of the different departments in the way of equipment. The location of the various desks, tables and other furniture has been laid out to secure an efficient working arrangement with a maximum of clear floor space, and the lighting fixtures, telephones and other mechanical devices have been placed accordingly.

In addition to the first floor occupied by the bank, a basement space three times the area of the main banking room is utilized. Here are the great vaults, the safety deposit vault, two silver vaults and a cold storage vault for furs and the like.



Draft of Bank Officers and Employees

By THOMAS B. PATON

General Counsel American Bankers Association

ON September 10 a "Special Bulletin Concerning Draft," copy of which is published below, was mailed to every member of the Association. After the same was mailed a communication was received from the office of the Provost Marshal General approving of the Bulletin in the main, but objecting to the first sentence that "the Provost Marshal General has ruled that banking is an occupation necessary to the maintenance of the national welfare." We also publish this communication in modification of the Special Bulletin and further call attention to the sentence in the Bulletin indicating that the bank may file a claim for its employee with "the district board of appeals." This should be the "local board," which forwards the claim to the district board.

Numerous inquiries from members have been received by the Association, and have been replied to by the General Counsel, covering right to exemption or deferred classification and questions of procedure. As the time for return of questionnaires in the recent draft, which contain claims for exemption or deferred classification, will have expired before this issue of the JOURNAL reaches our members, it would be useless to go into the detail of these questions.

The second edition of the Selective Service Regulations containing the Selective Service law and the regulations prescribed by the President under authority of that law has just been issued from the Government Printing Office. It is a book containing over 400 printed pages and can be referred to for full information. Copies can be procured from the Superintendent of Documents, Washington, D. C., by sending him in advance the sum of twenty-five cents. The following is the Special Bulletin:

September 10, 1918.

SPECIAL BULLETIN CONCERNING DRAFT

To Members of the American Bankers Association:

The following advice has been received from our representative in Washington:

"The Provost Marshal General has ruled that banking is an occupation necessary to the maintenance of the national welfare; and that skilled officers and employees of banks may claim exemption or deferred classification, under the new draft law, on the ground that their services are vital to the continuance of the business in which they are engaged.

"The Provost Marshal General states that waiving the right to be placed in a deferred classification is a mistaken act of patriotism. He urges every person affected by the law to state frankly and honestly his exemption status, as by so doing he will aid materially in the task of classifying registrants.

"Therefore, bank officers and employees whose services are essential to the business should not hesitate, for fear of criticism, to claim exemption or deferred classification on occupational grounds. To do otherwise would be a hindrance rather than a help at this time.

"If officers and clerks in banks, however, neglect or refuse to claim the exemption to which they are entitled, that claim may be made for them by the bank in which they are employed. Thus, if an officers or a clerk fears unjust criticism or believes his act may be misconstrued, the bank which employs him may file a claim for his exemption on occupational grounds with the district board of appeals. It is most earnestly desired, however, by the authorities at Washington that

everyone state frankly and honestly his exemption status, as it will be considered more patriotic and helpful to do so than it would be to waive his rights."

It has been suggested from a banking source that wherever practicable, a bank should file with the local exemption board a list of its officers and employees whom it deems essential for its operations and the grounds upon which its claims are based, as many bank men will not claim exemption even though entitled.

Regulations have been issued and should be studied carefully by bank employers and employees.

Bank men are not exempt because they happen to be bank men and the right to exemption or deferred classification will depend upon the conditions of service which will have to be proved. The final determination under the regulations will rest with the district board of appeals.

Please give this communication the widest publicity possible.

THE AMERICAN BANKERS ASSOCIATION,

CHARLES A. HINSCHE,
President.

Following is copy of letter from the office of the Provost Marshal General:

WAR DEPARTMENT

OFFICE OF THE PROVOST MARSHAL GENERAL,

WASHINGTON

September 25, 1918.

American Bankers Association,
5 Nassau Street,
New York City.

Gentlemen:

There has come to the attention of this office a printed circular issued by you under date of September 10, 1918, and addressed to members of the American Bankers Association, which circular is entitled "Special Bulletin Concerning Draft."

This circular, or bulletin, is unobjectionable except that part of the first paragraph which reads: "The Provost Marshal General has ruled that banking is an occupation necessary to the maintenance of the national welfare." Relative to this sentence, I invite your attention to the fact that the determination of the question as to whether or not any *occupation*, employment, industry or agricultural enterprise is necessary to the maintenance of the Military Establishment, or the effective operation of the military forces, or the maintenance of national interest during the emergency, is solely and exclusively for the District Board of the proper jurisdiction; and further that the only method of classification is that of the individual filing his claim with the proper Local Board, which claim is forwarded to the District Board, bearing the Local Board's recommendation for or against the allowance of the claim. It is true, however, that a claim may be filed in behalf of a registrant when the registrant fails or neglects to claim his own deferment.

So much confusion has been caused by erroneous statements in bulletins, newspaper articles and statements from various officials that I feel it my duty to correct any misstatement or misconstruction of the law and regulations that comes to my attention.

Especially do I feel constrained to call attention to the first sentence of the bulletin, for the reason that, under the law and regulations, it is not within the jurisdiction of the Provost Marshal General to rule that any occupation is necessary, and such a ruling would be an invasion of the authority and jurisdiction of the District Board, vested by law with the determination of that very question.

Other than the sentence referred to, the bulletin is not objectionable.

E. H. CROWDER,
Provost Marshal General.

By (Signed) ROSCOE S. CONKLING,
Lieut.-Colonel, J. A.,
Chief, Classification Division.

Proceedings of the State Bank Section

The second annual meeting of the State Bank Section of the American Bankers Association was a convention of country bankers. The exception that emphasized the rule was the address on "Bank Evolution" by Charles H. Sabin, president of the Guaranty Trust Company of New York, the largest state banking institution in America. The spirit of unity and harmony prevailed throughout, and the cordial sentiments manifested among the several Sections of the American Bankers Association, as well as the new Council of State Banking Associations, indicated that the state banks, trust companies and savings institutions are coming into their own. The state bankers at Chicago showed that they were ready and willing to co-operate with national bankers in promoting better banking methods and better banking laws and national bankers reciprocated the same co-operative sentiment. There may be differences of opinion about methods and laws of banking, but there can be no difference of opinion about the self-evident fact that the crystallized thought and concerted action of the men who manage the 20,000 state banking institutions of America, ought to be a potent influence in banking and public welfare.

The meeting of the State Bank Section was called to order at ten o'clock Wednesday morning by President E. D. Huxford, president of the Cherokee State Bank of Cherokee, Iowa. An impressive invocation was made by Dr. Shailer Matthews, Dean of the Theological Department of the University of Chicago. President Huxford changed the program so as to put the address of Mr. Sabin ahead of his own, and the distinguished New Yorker was enthusiastically welcomed by an audience that tested the capacity of the Gold Room at the Congress Hotel. Mr. Sabin said in part:

SOME OF MR. SABIN'S SENTIMENTS

Since the beginning of our history as a nation state banking has been an important element in our financial system, and on many occasions it was the only banking system. It has had many vicissitudes, but it has weathered all storms and is today stronger than ever before. This is undoubtedly the result of the special services that have been rendered by state banks, because of their adaptability to local needs. In some localities they have performed the functions of savings banks; in others they have catered to the agricultural needs of the community; trust companies have acted in a fiduciary capacity and in financial centers have exercised the functions of investment banks. Such services could not have been rendered by national banks on account of legal restrictions, and even with enlarged powers under the Federal Reserve Act, they are unable to respond to the needs of many communities.

In 1860, prior to the enactment of the National Bank Act, there were 1,562 state and private banks in the United States. In those days one of the principal functions of state banks was, of course, the issuance of currency, but under the National Bank Act a 10 per cent. tax was imposed on state banks with the result that many of them took out national charters, and in 1868 there were only 247 banks outside the national system. About 1870, however, state and private banks commenced to increase in number, and in 1877 there were 3270, which further increased to 10,184 in 1900.

In 1914, before the Federal Reserve Act went into operation, there were 19,240 state banks, trust companies, savings banks and private banks, with total resources of about \$15-

500,000,000; and 7,538 national banks with total resources of about \$11,500,000,000. Latest statistics show that there are now 20,423 banking institutions under state control with total resources of over 22,000,000,000 and 7,688 national banks with total resources of over \$18,000,000,000. Since the Federal Reserve Act was passed the total resources of national banks show a larger percentage of increase than that of state institutions, but in number the latter have increased more rapidly.

Since the days when Alexander Hamilton in the Federalist so ably presented his propaganda for centralized banking and Federal power down through the reaction against the Central Bank led by Andrew Jackson, we have witnessed the conflict of these two ideas, and today we face a dual system of banking which carries with it elements of weakness as well as of strength. To eliminate as far as possible these weaknesses and increase the strength and real capacity for service of our financial institutions is our problem.

Concentration of our banking resources in the Federal reserve system has been invaluable in enabling us to undertake the financial operations essential to the war, and still further to strengthen the system, a vigorous campaign has been conducted to induce state banks to join. In this connection, however, public statements have been made that seem to me to be unfortunate in that they are not only misleading, but tend rather to retard than bring about the concentration that is desired. For instance, the Comptroller of the Currency recently issued a statement that for the first seven months in 1918 there was not a single national bank failure in the United States, whereas in the same time twenty-two state banks and trust companies in fourteen different states have failed.

State bankers naturally resent an incomplete statement of that kind, as tending to discredit state institutions, and injure their standing. No accurate statistics of state bank failures are available, but reference to the files of the *American Banker*, which gives a weekly list of closed banks, shows since the beginning of the year, fourteen state banks and trust companies, with total resources of about \$3,500,000, and five state banks and three private banks, whose resources are not given in the "Bankers' Encyclopedia," failed. It is doubtful if the total resources of all defunct state banks and trust companies amount to more than \$5,000,000, or more than .02 per cent. of the total resources of state institutions. In forty-four states at least there have been no state bank failures, and in many of these states the strength of the state institutions is quite on a par with that of the national banks. It seems quite unfair and damaging to them to have such general reflections cast upon them by a government official. The service which state banks are rendering the nation seems to me to warrant greater consideration. Just as an indication of this service, I may be permitted to point with pride to the fact that a state chartered institution has led the country in subscriptions to the last two Liberty Loans. These are certainly days in which it is fitting to encourage harmonious co-operation among all banks to meet the nation's needs.

Although we have evidence daily that the patriotism of state banks is just as ardent as that of national banks, lack of patriotism has at times been imputed to state banks that have not joined the Federal reserve system. Some recent public utterances urging membership in the system have implied that there are about 20,000 state banks which, through prejudice or selfishness, refuse to ally themselves with it. As membership in the system depends on many considerations, it is obviously unfair to attribute it to lack of patriotism, without a full knowledge of all the facts in each case.

Out of the 20,423 state institutions in the United States, only about 8,000 are eligible for membership in the system according to the Federal Reserve Board, so we have over 12,000 banks that could not join even if they would. Some of these banks have indicated that they would join if it could be done without increasing their capital, as increased capital would be a basis only for increased taxation, without being of any use in their business; but under the act there can be no departure from the requirement that member state banks

must have the same minimum capital as national banks, in the same localities, are required to have. All national banks are, of course, members of the Federal reserve system, and of the 8,000 state institutions said to be eligible, 752, including some of the largest state banks and trust companies, have become members, with the result that the system now controls about 70 per cent. of the total banking resources of the country.

The functions of banking are to act as an intermediary in bringing together capital, and employing it where it can be most useful in industrial development; and also to facilitate the current exchange of commodities. The latter function is exercised by commercial banks, but to give effect to the former, there is in existence a great variety of financial institutions. If all the banks in the country were to organize under the National Bank Act, we would be faced with immediate financial chaos, for a great deal of business that is offered to national banks must be refused on account of the legal restrictions on their operations. National banks have wider powers under the Federal Reserve Act than before, but they cannot exercise the functions of investment banks such as dealing in stocks and bonds, or the functions of mortgage banks in the same manner as trust companies, savings banks and savings and loan associations.

Such powers were denied to national banks because it was considered unsafe to combine commercial banking with any other type, but the operations that are being performed by our large trust companies prove that a combination of commercial, investment, and mortgage banking is not necessarily dangerous. Under the Federal Reserve Act, national banks have been authorized to exercise trust powers, and to act as insurance agents, neither of which are even incidental to banking, but they are prohibited from dealing in stocks and bonds—financial operations of the first magnitude on which our whole industrial structure is based. Until we have a broad Federal Bank Act, authorizing banks under proper restrictions to engage in all kinds of financial operations, we cannot have complete concentration and mobilization of our banking resources.

In England, banks are organized under the General Companies Act, and the principal restriction on what a banker can do is his own good judgment as a banker. The restrictions imposed by our state and national banking laws have resulted in benefits to bankers and depositors alike, but restrictions should be on the manner of exercising banking functions, and not on the functions themselves. If we make that our policy, there is apparently no good reason for restricting the financial operations of our banks. That tendency was evident in the Federal Reserve Act, but the widening of national bank powers was not so much a matter of policy as it was the result of expediency and compromise.

In the natural evolution of banking in this country, it is quite certain that our vision must extend beyond the state—beyond the nation—out into the world at large. Branches of American banks are being opened in foreign countries from time to time; and not only American finance, but American merchant marine and commerce, will be greatly promoted thereby—and, with the co-operation of our authorities in Washington, the development of our interest in foreign trade and industry may at this psychological moment be most rapid.

It is certain that we shall need united effort to meet the competition we shall face, and in lieu of a branch-banking system and banking amalgamations, American banks must work together on a basis of common interest and in the general interests. With courage we must face the future, confident that with a better understanding of our local and national problems, and with a closer and more sympathetic co-operation between the governing authorities and financial institutions, continuing progress will be assured. These are not the times for jealousies, prejudices or selfishness, but with largeness of heart and bigness of vision we must unite in a common effort to help America achieve its manifest destiny.

FEATURES OF PRESIDENT HUXFORD'S ADDRESS

Any attempt on the part of an individual at this time to form an opinion or come to a conclusion as to the final effect of the worldwide whirlpool of international events, would seem to be presumptuous. The magnitude and rapidity of the ever-changing shift produces a sense of numbness when we attempt to analyze the effect upon the individual nations or humanity. Events of the morning take on a different hue at noon tide, are again recolored in the twilight hour, and the

canvas of today representing the fate of nations has little resemblance to that of yesterday or the one of to-morrow. The period of upheaval through which we are passing may be more pregnant with good or evil than the French Revolution or the downfall of the Roman Empire, but the development of a new sense of America's duty to humanity in the mind and conscience of her people has been by far the most momentous event of ancient or modern times, and one thing is sure, that the battling hosts of democracy will never let up on the heathen Hun until the dove of a righteous and permanent peace lights in the pool of blood produced by the rotten Hohenzollern nation ruled by the new devil of the twentieth century.

For a number of years I have been impressed with the thought that the lack of publicity covering the total volume of business of state institutions is responsible for public opinion that the banks under Federal supervision were in a certain sense safer and of more importance than those under state supervision. The following item published under date of August 15 in all of the Associated Press papers is an example of the publicity periodically put out by the Comptroller of the Currency, and which at least by implication leads the general public to conclude in view of the absence of any other information that the totals and business of state institutions are of little consequence: "Washington, August 15. Resources of all national banks on July 29 totaled \$17,830,502,000, exceeding by more than a billion dollars the whole world's production of gold from the time of the discovery of America to the year 1917, the Comptroller of the Currency announces this afternoon."

The effect on the public mind of the recurring periodical items similar to the above is not difficult to ascertain, and in view of this it would seem that if state institutions expect to impress on the public the real merit and strength of banks operating under state charter and the importance of their part in the affairs of this country, then some concerted effort must be put forth to have the totals of these institutions published at stated intervals.

If the superintendents of banks of the various states would unite and make their calls on the same dates, and the totals be given the same publicity as those issued by the Comptroller of the Currency, it would seem that state institutions would receive substantial benefit, and if state institutions would unite in an educational campaign covering the history and importance of these institutions, in place of the narrow self-interest advertisements that are run year in and year out, it would perhaps stimulate greater confidence in this class of banks.

The effect of twenty thousand state institutions on the same date publishing certain facts, covering the history, service and importance of state chartered institutions, would be an educational campaign, and result in placing before the public the fact that state institutions are entitled to some credit for the part they have assumed in the financial affairs of this country.

In view of the fact that state chartered institutions comprise almost 70 per cent. of the total number of chartered banks in the United States, and also in view of the further fact that during the past seven years the capital and number of such institutions have increased, while the capital of Federal chartered banks has decreased, is it not important that this be recognized as an indication of the future development of banking lines? The remarkable characteristic of state chartered institutions, as shown by a study of their history, seems to be that in every crisis when Federal chartered institutions have failed to accomplish the purpose for which they were organized, state institutions have occupied the field, and after every reverse and through every trial have emerged and continued to exist.

State banks operating under laws of the various states are adapted to the needs of their communities, have powers necessary to transact the business of these communities commensurate with their requirements, and have restrictions placed upon their operations demanded by the character of the risks in the different localities, whereas Federal chartered institutions must cover the entire United States with powers and restrictions which prove too narrow in some sections and too broad in other sections, as experience has demonstrated. The Federal Farm Loan Act is a recognition of the restricted powers of national banks, and an attempt to provide a substitute to cover the needs of agricultural communities, and their competition will in time have to be taken into considera-

tion by state institutions in the rural communities. The success of the Federal Farm Loan Act up to this time seems to be based on the tax exemption feature of the bonds, which makes them a preferred security in war times with high taxes, and this feature is an unjust discrimination against and a detriment to other lines of business and even against the government bond issues not having tax exemption provisions.

When Federal Farm Loan Banks are firmly established, may we not expect the next move to include some provision for a "Federal Manufacturing Loan Bank," or "Federal Packers Loan Bank," or a "Federal Railroad Loan Bank," and so on until the fifty-seven varieties are fully covered by Federal chartered institutions, and "every little business has a bank all its own," favored by special tax exemptions?

The attempt to inaugurate a uniform interest rate on real estate mortgages under the Federal Farm Loan Act seems to disregard the established principle that rates are based on the character of the security, and the sections of the country where time has proven that almost uniform returns are received from the crops and values are stable or increasing, are placed on the same basis as the new and experimental sections. It will take time to determine the wisdom of this experiment, but one thing is sure in the final analysis, the rate will be based on the confidence the investor has in the reliability of the security to produce a uniform and steady income.

Does not a careful consideration of the tendency of Federal legislation indicate that in the near future we may expect additional Federal chartered institutions with powers broad enough to cover the field now denied to national banks, and as this tendency continues to increase and come in competition with state chartered institutions, will the different states accept the new order of things without protest? This is a question that involves not only the small state institutions, but also the national banks in the rural communities, and, in view of this, are we not justified in the statement that there will come a demand for a system of banking that will contemplate only state chartered institutions?

COMMITTEE REPORTS

The membership committee, consisting of C. B. Hazlewood, J. L. Williams and F. W. Ellsworth, reported in part as follows: "The campaign for membership that has been made by your committee with the assistance of Secretary Allen during this past year has been directed toward state banks who were previously not members of the American Bankers Association, and no attempt has been made to induce state chartered institutions previously affiliated with either the Trust Company Section or Savings Bank Section to transfer their active membership to the State Bank Section. Our campaign has been conducted by mail and by personal solicitation and we have communicated in some way with all non-member state banks in the country, asking them to join the American Bankers Association and affiliate with the State Bank Section. The following results have been secured. On August 31, 1917 the voting membership in the section was 7,381 banks and on August 31, 1918 there was 8,606 banks, making an increase of 1,225 for the year. The associate membership, August 31, 1917, was 1,070, and this year 1,231, representing a gain of 161 banks. The total membership last year of state chartered institutions was, therefore, 8,451 and this year 9,837—a total gain of 1,386. The percentage of gain of State Bank Section membership for the year was 16.1 per cent.

"It will be of interest to note that during the same period, that is, from August 31, 1917 to August 31, 1918 the total membership of the American Bankers Association was increased from 17,328 to 19,043, a net gain of 1,715 members. Of the total number of new members obtained in the American Bankers As-

sociation during the year 1,225 are affiliated with the State Bank Section; in other words our section increase in membership represents 71.4 per cent. of the total increase in membership of the American Bankers Association for the year. It is further interesting to note that the membership of the State Bank Section is now 45.2 per cent. of the total membership of the American Bankers Association."

E. C. McDougal, chairman of the State Legislative Committee, reported: "The members of the section have not called upon your committee to take up any special work in relation both to the state and national banking laws of the various states. Because the legislative machinery of the country, both state and national, has been and is so busy, getting war measures in shape, and passing laws looking to the carrying out of our plans for getting a maximum army in the field, properly equipped, at the earliest possible moment, your committee is of the opinion that all ordinary legislation should be postponed until after the war. The Negotiable Instruments Law has been passed in a large majority of states, and as it applies as well to one state as to another, needing no special adaptation to the different needs of different states, it well might be made an exception to the above outlined policy. A uniform Negotiable Instruments Law in all states is most desirable. Your committee feels that the first state legislation to be promoted, and to which all other legislation should give way, should be legislation empowering state banks and trust companies to hold stock in the Federal Reserve Bank and to be vested with all powers conferred upon member banks by the Federal Reserve Act and amendments thereto, together with such collateral legislation as may be necessary to perfect details, especially providing that state supervision over state bank and trust company Federal reserve members shall continue. State banks and trust companies should be left perfectly free to join or not, as each shall elect. No state bank or trust company should try to prevent another from joining. No over-zealous pressure or influence should force or over-persuade one to join."

D. M. Armstrong, chairman of the General Service Committee, submitted a report congratulating the members of the State Bank Section upon their patriotic service in connection with war activities, supplemented by the following recommendation: "We do feel that we should recommend and vigorously champion the trade acceptance cause. Bankers should exert their influence to establish the custom among merchants and manufacturers of closing the open account, representing purchase of merchandise and products, by acceptance, and thereby create a volume of self-liquidating paper, two-name in form, and largely reduce the amount that has been hitherto granted as lines of credit on single-name paper. At this time of stress, when the government is using such a large part of the nation's man-power, calling upon the banks for so many clerks, and existing conditions that require a large increase in the amount of gratuitous service, it occurs to the members of our committee to recommend the banks unite and make a reasonable charge for handling the small checking account. The time might not be propitious to follow the practice of charging for each check drawn, but

we might institute the general practice of charging so much per month for the checking account that averages a credit balance under a certain specific amount, say \$100. We feel like recommending that banks interchange credit information, but it strikes us as only fair that a small fee should be paid to banks, particularly to country banks that are asked daily by merchants and manufacturers, agencies, etc., to furnish credit information about parties living perhaps in their county, or maybe the section of the state in which the bank is located, without regard to whether the party asked about is a patron of the bank or not. It is manifestly just as unfair to impose upon the banker's time for writing such letters, as it is to ask him to present drafts and handle collections without remuneration. We should think that the amount of this fee should be standardized, and that eventually members of the American Bankers Association asked to furnish information would receive a certain fixed fee for credit information and service rendered."

In the absence of chairman J. W. Butler of the Executive Council and chairman J. H. Puelicher of the Committee on Federal Legislation, Secretary George E. Allen made a verbal report of their activities. "The Executive Committee," said Mr. Allen, "has performed its duties like the board of directors of a first-class bank. The affairs of the section have been conducted in an efficient and economical manner, and the success of this convention is an evidence of the Executive Committee's practical work. If Mr. Puelicher were here, he would tell you some of the activities of the committee on Federal legislation. To get legislation in Washington requires activities of somewhat different character from those usually employed. There is only one way to do it. That is to lay all the cards on the table and never ask anything from Congress that is not for the good of the people of the United States as well as for bankers. Mr. Puelicher and his associates undoubtedly obtained the amendments that were made over a year ago to give additional rights and privileges to the state banks. They did that without any ostentation, and the amendments were much more sweeping than originally contemplated, but the credit was given wholly to the Federal Reserve Board and certain members of Congress, and the activities of the State Bank Section in that way have never been advertised or appreciated, but they did in their quiet way greater things than are usually done by bankers who present their needs to Congress. In the future they will undoubtedly work along the same lines. As you know, heretofore the American Bankers Association has not permitted any section to act independently of the main organization, and as a result various matters in which various sections have been interested have not been properly presented. The American Bankers Association is now disposed to let any section act independently in such matters, provided it is something that the entire Association cannot take up. Now, that, gentlemen, would have been the substance of the reports of the executive committee of this section, and the Federal Legislative Committee, if Mr. Butler and Mr. Puelicher had been here. They both send their regrets and their felicitations to this organization, and wish you god speed in your proceedings."

The committee on Simplified Reports reported that progress had been made but that the size of the subject had prevented them from reaching specific conclusions.

PRACTICAL BANKING SESSION

The session of the State Bank Section Wednesday afternoon was devoted to practical banking topics. George Lewis of the American Bankers Association delivered an interesting and instructive address on "Printing and Lithography," and General Counsel Thomas B. Paton described in his own clear and forceful way "Hazards in Everyday Banking." George W. Rogers, vice-president of the Bank of Commerce of Little Rock, Arkansas, spoke on the subject of "State Banks and the Cotton Crop." He illustrated his talk with specimens of cotton in every state of development from seed to warehouse certificates. Walter E. Sprecher, cashier of the State Bank of Independence, Wisconsin, appealed to the business instincts of the audience by advocating "Charges for Presenting Drafts and Furnishing Credit Information." Dr. B. F. Berkeley, president of the Alpine State Bank of Alpine, Texas, made a comprehensive address on the "Characteristics of Live Stock Paper" in which the audience manifested particular interest. The foregoing addresses will be published in full in the book of proceedings of the convention, and may also be used, wholly or in part, in subsequent issues of the JOURNAL.

The following resolutions were adopted:

RESOLUTIONS

On the occasion of the forty-fourth annual convention of the American Bankers' Association, the State Bank Section has been particularly fortunate and specially honored in having as speakers the men who have entertained and instructed us so well and so eloquently. It is therefore,

Resolved, That this section extends its thanks to the speakers and those who have participated in the discussions.

In view of the importance of centralizing the nation's stock of gold and placing this metal where it may be used most economically and to the best advantages for the common welfare, it is

Resolved, That it is the view of the State Bank Section that all the gold in the possession of the banks, whether members or non-members of the Federal reserve system, when not contrary to state law, be shipped to the Federal reserve banks, where only it is of value in providing the basis for note issues and upholding the monetary and general financial structure of the country.

The State Bank Section regards as unfortunate and greatly deprecates the recent statement given out officially by the Comptroller of the Currency in which the absence of failures of national banks for a stated period was contrasted with the number of failures of banks chartered under state laws. Such statements, either directly or by inference, tend to shake public confidence in state banks and create a false impression as to the condition and stability of state banks. In a time of war, it is of vital importance that co-operation be encouraged and confidence be stimulated. It is important that state banks and trust companies be given credit for their achievements in supporting the war to the end that they maintain their efforts and be not discouraged by either intentional or unintentional statements which might be interpreted as reducing public confidence in them or their work. It is, therefore,

Resolved, That the State Bank Section deprecates these recent official statements and calls upon all state-chartered institutions to continue their efforts in behalf of the war, the Liberty Loans and the Treasury Certificates of Indebtedness.

The State Bank Section believes that every state bank having a capital of \$100,000, or over, and doing a considerable

commercial business, is in duty bound to make a careful study of its condition in relation to the Federal reserve system. Realizing that this problem of membership can be solved only by the bank concerned, but in the belief that the question of membership should be given close study, it is,

Resolved, That this section believes it the duty of every bank of the class mentioned, to look into this question again, and give due weight to all the arguments and its own condition as it is related to the question of adequate service to its community.

It would be of great advantage if the statistical information of the condition of state banks could be made public at the same time as similar information as to national banks is published. Complete figures showing the condition of all banks, if given advertisement simultaneously, permits a more exact knowledge of conditions and a basis for comparisons. In such critical times as these, it is important that accurate figures be had at all times, it is, therefore,

Resolved, That it is desirable that state bank supervisors or commissioners make their calls for statements of condition at the same time and of the same date as those of the Comptroller of the Currency, which coincide approximately with the time of such calls, and further, that the Secretary send a copy of this resolution to each state bank commissioner.

The State Bank Section went on record as approving the Wisconsin plan of making charges for presenting drafts and furnishing credit information, described by Mr. Sprecher, in accordance with the following resolution:

Resolved, That collections and requests for ratings will have our prompt attention provided same are accompanied by the following fee in advance:—Collections, 15c. each; requests for rating, minimum fee, 25c. each. Unless such fee accom-

panies request for this service the item will be returned without presentation or attention. This rule does not apply to Drafts with Bills of Lading attached, or to Notes.

The meeting was honored by a visit from President Charles A. Hinsch of the American Bankers Association, who commended the work of the State Bank Section, and explained the plan of giving additional representation to state bankers on the Administrative Committee of the Association and its Federal and State Legislative Committees. Mr. Hinsch was received with marked demonstrations of cordiality.

The following section officers were elected for the ensuing year:

President—Craig B. Hazlewood, vice-president of the Union Trust Company of Chicago, Illinois.

Vice-President—J. W. Butler, president of the Guaranty State Bank of Clifton, Texas.

Members of the Executive Committee to serve three years—Walter E. Frew, president of the Corn Exchange Bank of New York, and Fred Collins, cashier of the Milan Banking Company of Milan, Tennessee.

Member of the Executive Committee to serve one year—J. E. Shepard, cashier of the Cache Valley Banking Company of Logan, Utah.

Subsequently the Executive Committee met and elected as chairman E. C. McDougal, president of the Bank of Buffalo, N. Y. George E. Allen was re-elected secretary.

Proceedings of the Savings Bank Section

The Chicago meeting of the Savings Bank Section on Tuesday, September 24, was the most successful in its history in point of attendance and the interest manifested. The able discussions of the railroad securities problem by two such authorities as Francis H. Sisson and Samuel Untermeyer naturally called to the meeting representatives of all classes of banking institutions. About twelve hundred were present at the meeting and fully five hundred were turned away. Mr. Untermeyer's and Mr. Sisson's addresses excellently represented two divergent points of view. Mr. Sisson was the assistant to the Chairman of the Railway Executives Advisory Committee, and with Mr. Untermeyer representing the railway security owners, their discussion of the railroad contract, particularly, will be manifested in a better knowledge on the part of members of the section. Mr. Untermeyer's address comprehended the answers to the questions:

Does the contract conform to the President's proclamation on which the roads were taken over? If not, to what extent is it a departure?

What assurance does the contract furnish of the continuance during Federal control of (a) interest payments (b) of dividends?

What may be and what is likely to be finance condition of the roads upon their return to private control, if they are returned?

Are they likely to be returned? Or is Federal ownership to be the probable outcome?

If we are to have Federal ownership, what will be the probable basis of compensation payable to the roads for their properties, and to what extent will the measure of compensation be injuriously affected by the provisions of the contract?

In answering these questions Mr. Untermeyer stated:

There is a reasonable assurance that the fixed charges will be met in most cases where the annual standard return, which is to be written into the contract in so many dollars and cents, is sufficient to pay them. The certificate of net operating revenue during the test period, which the law provides shall be given by the Interstate Commerce Commission, is to be the basis of the standard return. That in turn will be based upon the figures that have been from month to month filed by the carrier with the Interstate Commerce Commission and published by it, except that where there have been clerical errors in accounting or the figures have been arrived at by violating or ignoring the Interstate Commerce Commission Rules of Accounting, they will be corrected accordingly. They will not, however, be subject to change, as was at first insisted by the government, by revision or readjustments of the accounts by the commission either on the subject of depreciation or maintenance.

As the contract was originally framed and as was for a long time demanded, expenditures for additions and betterments might be deducted in priority to fixed charges, but this was changed so that all these charges are now still deductible out of the standard return when not made for the benefit of the United States, in priority to dividends but after fixed charges. As the result of a final hearing before the Director-General, after protracted and unsuccessful negotiations with his representatives, charges for excess maintenance that were likewise deductible in priority to fixed charges, are now placed behind such charges but still in priority to dividends.

There were many other conditions that made the future payment of fixed charges an uncertain and undependable factor that were eliminated in the last two or three drafts of the contract, so that it may now be assumed with reasonable safety that where interest charges were fully earned during the test period they will continue to be paid during Federal control, provided the carrier is able to re-finance its maturing obligations.

The continuance of dividend payments rests upon an entirely different basis. There are a few roads whose margin of standard return over fixed charges is so generous and whose ability to finance the onerous government requirements for additions and betterments is so unquestioned that their future dividends are reasonably assured so long as they consider it sound business policy to continue their payment; but as to the others, my own guess is that they will be forced to gradually reduce and finally to discontinue their payment and that this will apply to roads that have paid dividends continuously for many years.

There is not in my judgment the remotest prospect of increased dividends as to the solvent roads that have been paying dividends nor in any case in which the contract has been based on the standard return—no matter how largely the return may exceed the dividends heretofore paid, except possibly from revenues from sources outside the operating properties. In no case are increased dividends permissible, even from outside resources, without special dispensation from the railroad administration, which is not likely to be forthcoming, in view of the right reserved to the government by the contract to use the entire standard return over fixed charges for additions and betterments not chargeable against the United States and the authority it acquires by the same document to commandeer the entire financial credit and resources of the carrier for its war and other purposes.

The probable operating and financial condition of the roads at the end of Federal control are of course the chief concerns of those interested in them, vastly more important to them than the amount of compensation payable during the uncertain tenure of Federal control. There is room for all manner of speculation on these subjects. That the roads that are continued in operation will be in at least as good physical condition as when taken over to the extent to which they are not dismembered, except as to the business that is diverted from them may, I think, be reasonably assumed. The danger is rather that many of them will be in better condition and with more equipment, better roadbed and heavier rails than they can afford and better than their normal requirements demand. How are the security holders of the railroads likely to fare under government ownership in the light of this contract, if I am right in assuming that they will be in a helpless condition because of its sweeping powers and of what is necessarily intended to be done under it?

Here again the entire field of conjecture is open but there are signposts along the road. Reference has already been made to the possible effect of the provisions of the contract on those properties, the operations of which are destroyed, abandoned or materially curtailed. Not only will the government be able to return the properties bereft of their chief element of value and be furnished the basis for valuing them for the purpose of acquisition on that quasi-confiscatory basis but far more serious in its results may be the valuation placed upon the tangible assets in the light of these provisions.

It may well be doubted that the courts would hold that as to properties the operations of which have been abandoned, the rails, yards, shops, stations, roundhouses, elevators, warehouses, etc., would be valued at their scrap value, and yet this is not beyond the range of possibility having regard to the fact that the carriers that have signed the contract have thereby agreed to such abandonment and have given express permission for their return in that condition. It was largely in order to avoid that construction that a persistent effort was made to safeguard against such a contingency, the result of which is embodied in the document but on a somewhat equivocal form that is far from satisfactory.

Certain principles have been tentatively announced by the commission which, if adhered to and upheld by the courts, will seriously impair property values as at present understood but I do not believe that they will be sustained. The subject is exceedingly technical and complex and there is neither time nor inclination to complicate this discussion by attempting to explain the many important questions that are at issue. Suffice it to say that if the views of the commission as to values and elements of value as there announced are adopted in the acquisition of the roads the recovery may be limited mainly to replacement cost, which does not begin to represent the present cost of acquisition.

Having ascertained the basis of compensation, in what way is the government likely to offer to pay for the properties? To pay outright in cash would seem impracticable in

view of our financial condition at the end of the war, nor would it be necessary or profitable to either party. The most logical and probable method would seem to be to guarantee interest and dividends on the outstanding securities to an amount that would yield a reasonable rate of return on the values of the properties, or for the government to issue in exchange its own long term securities at rates of interest that would give to them a par value having regard to their greater market and intrinsic value as government obligations.

If, for instance, a high class 4 per cent. railroad bond normally sells at 90, a long term government bond or guarantee at 2½ per cent. should under peace conditions have an equal value. If a stock paying 6 per cent. and earning an average of twice that amount over a long series of years has commanded an average price of par, shareholders would doubtless be willing to accept a 4 per cent. or even a 3 per cent. government obligation as an equivalent in market value. There should be no difficulty in carrying out such a plan as to the prosperous road. It would be fair to the security-holders and highly profitable to the government. If a road has been paying, say, 4 per cent. on \$50,000,000 bonds and earning and paying 6 per cent. on an equal amount of stock, or \$5,000,000 in all, and the government would guarantee 2½ per cent. on the bonds and 4 per cent. on the stock, the annual charge to the government would be \$3,500,000, leaving it an annual profit of \$1,500,000 or equal to a profit of 30 per cent., and the securities would have at least as great a market value as those of the company paying the higher rates. I am assuming that the value of the properties is fairly represented by the outstanding securities inasmuch as rates are supposed to be based upon a fair return on capital investment.

The difficulties will be encountered when it comes to fixing values on properties representing capital investment that are out of proportion to their net operating revenues. Will their compensation be regulated by the investment or the returns? Probably by a combination of both elements. Whatever the result, they could also be compensated by government guarantees equivalent to a return on whatever is found to be the selling or condemnation value.

In any event even if the government pays generously for the properties its net revenues will be greatly augmented by reason of the greater value of the low interest bearing securities it may issue by way of payment or guarantee on acquiring the properties. If ten billion dollars par value of securities of privately owned roads now yielding an average return of \$400,000,000 per year have a market value of, say, five billion dollars, would not six billions of these securities with a government guarantee of 3½ per cent. have an equal or greater aggregate value? Assuming a continuation of the same net operating revenues this would leave to the government a net profit of \$190,000,000 per year.

Mr. Sisson ably discussed the questions:

Will railroad securities rise or fall under the changed conditions?

Will Federal administration of the railroads improve or injure their status of economic factors?

Will private or public ownership follow the present anomalous situation?

Can the present merger ever be "unstranded?"

In part Mr. Sisson stated:

The fact need hardly be emphasized that the probable future course of railroad securities is of most vital interest to bankers, to investors, and to the general public. Railroad securities make up a considerable part of the assets of banks, particularly savings banks, life insurance companies, and trust estates. The extent to which the public is interested in the position of railroad securities is indicated from the fact that more than 600,000 individuals own the capital stock of American railways, and perhaps 300,000 hold their bonds. More than 11,000,000 citizens of the United States deposit their savings in the savings banks of the country, the security for whose investments rests to a degree in railroad bonds, while more than 34,000,000 life insurance policy holders in this country depend in a measure upon railroad bond investments as security for their premiums and policies, and consequently are vitally interested in their earnings and prosperity.

Official reports to the comptroller of currency in 1917

showed that the National banks of the United States held about \$500,000,000 of railroad bonds, and that state banks, savings banks and trust companies held approximately \$1,500,000,000 of such securities.

While the form of contract finally offered the railroads is not entirely satisfactory to the owners of securities it appears, that it is the real intention of the Railroad Administration to assure a return to the individual companies which will enable them to pay their fixed charges, interest, taxes, sinking funds, etc., and also regular dividends where justified, and to invest their surplus earnings in their properties under conditions which will increase their earning capacity and value. Furthermore, it appears to be the intention of the Railroad Administration, so far as industrial and labor conditions will permit, to maintain the physical properties adequately, and in case of failure to do so, to pay the companies enough to offset the deferred maintenance. A great deal of latitude is left to the authorities in the interpretation and execution of the contract, but there is every reason to believe that this will be fairly made, and the security holders' interest will not suffer seriously thereby.

This contract has been generally approved by the Railway Executives and their counsel, and formal announcement to that effect has been made public through their advisory committee representing more than 90 per cent. of the important lines of the country. It will doubtless be executed as it now stands by most of the lines. This approval was regarded as a warrant for an improvement in the railroad security market, and, as the likelihood of harmonious agreement increases between the owners and the Federal administration, a greater improvement, subject to other conditions, should follow.

The future value of railroad securities will not be determined, even during the period of government operation, and still less in the period of transition from government back to private operation, by the compensation which the government may pay the companies, or by the way in which it may maintain the properties. As the prospect of the return of the railways to their owners as the act contemplates, becomes more imminent, the ratio between earnings and expenses will become a more and more important factor in determining the value of the securities.

It seems reasonably certain that after the contract has finally been executed by the roads, railroad stocks will be placed in about the same class as railroad bonds, since, with their earnings definitely limited and guaranteed, speculative possibilities will be largely eliminated from them and their prices should not greatly fluctuate.

From the short term viewpoint, that of the period of government regulation, the position of the security holder is fairly definite. He has assured for him a definite guaranteed return and need not be disturbed about the uncertainties that might arise during this period. He has thus been greatly served by governmental intervention.

However, it is clear that government operation will undoubtedly make it very difficult for some roads to have returned to them the same kind of a railroad that they had before the government took over its operation. Through the re-routing of traffic and the common use of terminals the business that certain roads had developed will be affected, and they have insisted upon their right to recover damages for such losses, in order to protect the interests of their security holders.

On the whole, it would appear that the advances in rates which have been made will be no more than sufficient to cover the increases in operating expenses, and that, therefore, after paying operating expenses the government will not have much more net return than will be required to pay the standard return to the companies. It would appear, therefore, that, in the absence of further advances in rates, the margin between railway earnings and expenses during the period of government control will not be sufficient to cause any considerable effect upon the value of railway securities. It must be assumed that a large part, if not all, of the advances in expenses which have occurred under government control, and in the period immediately before government control was adopted, will continue for a long period after the railways are returned to private management.

It obviously follows that if railroad securities are to be adequately protected we must look forward to a continuance of rates, freight and passenger, upon the present basis for

an indefinite time after the railways are returned to private management.

The question of rates has been in the past the very heart of the railroad problem, and if the railways are to be returned to private management it will be the heart of the railroad problem in the future. It may be flatly stated that the decline in the value of railway securities in the past has been chiefly due to the refusal of the Interstate Commerce Commission and other regulating bodies to permit the railways to charge adequate rates, and, under private management of the roads, the value of railway securities cannot be maintained in the future unless the Commission will allow the companies to charge adequate rates.

Investors have generally assumed, that the government's guarantee of compensation will be fulfilled in good faith, and that the entrance of the government into the transportation field foreshadows the solution of its problem on some basis which will be equitable to them. This assurance certainly seems warranted as the government has recognized and expressed both in respect to the legislation and also the contract formulated in pursuance of it, both the justice and the importance of according to owners of railroad securities the protection to which they are justly entitled.

President Wilson in taking control of the railroads issued a statement to the public in which he said: "Investors in railway securities may rest assured that their rights and interests will be as scrupulously looked after by the government as they could be by the directors of the several railway systems."

Admitting that a fair contract has been worked out, and that the immediate future is assured we still face the problem of what is then to follow in the reconstructing of our railway system. The public and the railway security owners both have much to gain from a more satisfactory solution of the railway problem which will retain all of the advantages of co-ordination and also of individual ownership.

There are three ways in which the railway system of the country can be handled at the end of government operation. The first is the present plan of returning the roads to their individual companies; the second is that providing for complete government ownership, and operation, while a third plan is possible, that of modifying the old system of individual companies into one of regional railways under private ownership which will insure all of the advantages that would come from a co-ordination of railway facilities and the advantages that would come from retaining private ownership and private enterprise in the management of the roads with government co-operation and guaranty. The security holder is vitally interested in all of these possible solutions, and the future of railway securities is dependent upon the course taken.

It should be planned to have the ownership of these companies under Federal incorporation rest in the hands of individual holders who at the time of transfer would represent the owners of the existing railway system. In taking over existing securities of the railways, and in consolidating them with the regional system, a broad viewpoint of value based on fair, average market prices should be taken. In any plan of reconstructing our railways it must be assumed that the rights and equities of the present holder of railway securities will be recognized. In effecting the exchange of securities a government commission should take cognizance of these claims and make proper adjustments for them. Some plan providing for guaranteed dividends and a profit-sharing arrangement with the government above the guarantee, together with government representation on directorates would cement public and private interests in this consolidated enterprise.

Insofar as the regional road would lead to an economic use of capital and thereby eliminate the wastes under the competitive system, the equity back of the various railroad securities should increase over a period of time. The development of a rate structure for each regional railroad on the basis that rates should be high enough to assure the proper standard of service, should improve the earning position of the road. Placing railroad credit upon its proper basis, that of the industrial and economic needs of its territory, provides the soundest basis for security values.

It may be stated without reserve, that the private owners of these properties cannot take them back on the old terms. In spite of the fact that the public will in many respects be inconvenienced, there is every reason to believe that ultimately Federal administration of the roads will be successful. Its freedom from restrictions, its extraordinary powers,

together with patriotic support, should insure popular success, but, be it not forgotten, at high cost and at the sacrifice of much that has been deemed essential in service and operation.

At the afternoon session the paper of Professor David Friday was read by Secretary Harrison. It discussed the question of "Has America Sufficient Capital to Finance the War?" Then followed an interesting address by Wm. E. Knox, Comptroller of the Bowery Savings Bank, New York, on "War Work of the Savings Bank." The remainder of the afternoon was devoted to an open discussion on "Is the Short Term Liquid Security an Essential to the Proper Operation of a Savings Bank?" Professor Edwin W. Kemmerer of Princeton University delivered the opening address. This discussion in full will be published in next month's JOURNAL. The following resolutions were then presented and adopted:

Resolved, That the Executive Committee of the Savings Bank Section recommends to the annual meeting of the Savings Bank Section, the organization of an advisory council, consisting of state vice-presidents of the Savings Bank Section for every state of the union to meet on call of the president at the annual meetings, of the Savings Bank Section, at the time of the convention of the American Bankers Association.

Whereas, Need for economy and savings is most imperative in the proper financing of the war; and,

Whereas, It is desirable to minimize inflation in the practice of individual economy throughout the country; now, therefore, be it

Resolved, That the Savings Bank Section earnestly proposes to the secretary of the treasury that he conduct a continuous educational campaign to further money economy through suggesting to the people ways and means of producing greater economy in their domestic life.

Resolved, That the Savings Bank Section, with its membership of 4,155 Savings Banks contribute its hearty support to the proper and successful flotation of the Fourth Liberty Loan, and will go the limit with its resources and facilities to that end.

Resolved, That the Savings Bank Section gratefully appreciates the fine support of the British government in preparing and exhibiting the splendid British Economy Exhibit in connection with this convention.

Further Resolved, That this section heartily commends the personal effort and appreciates the association of Col. G. G. Woodwark, and Messrs. Walter M. Grant and T. H. Lyon. The grateful thanks of the section is also given to the British Bureau of Information through its chief, Hon. Geoffrey Butler, C. B. E.; and

Resolved, That the sincere thanks of the Savings Bank Section is given Hon. Samuel Untermyer, Prof. Edwin W. Kemmerer, Mr. Francis H. Sisson, Prof. David Friday, and Mr. Wm. E. Knox for their most interesting and instructive addresses at this meeting.

Resolved, That the Savings Bank Section heartily commends the excellent co-operation of the Congress Hotel and Annex in extending all its facilities to the end that our various meetings have been successful.

Resolved, That the services of the past year rendered so efficiently by the officers and Executive Committee of the Savings Bank Section are commended and sincerely appreciated.

The following officers were elected: President, Victor A. Lersner, comptroller Williamsburg Savings Bank, Brooklyn, N. Y.; vice-president, S. Fred Strong, treasurer Connecticut Savings Bank, New Haven, Conn.; secretary, Milton W. Harrison. The new Executive Committee is as follows: 1916-1919, W. S. Webb, cashier, Missouri Savings Association Bank, Kansas City, Mo.; John R. Haven, active vice-president First State Bank, Denison, Texas; Myron

T. Herrick, president Society for Savings in the City of Cleveland, Cleveland, O. 1917-1920, John J. Puley, president Emigrant Industrial Savings Bank, New York; B. F. Saul, president Home Savings Bank, Washington, D. C.; W. A. Sadd, president Chattanooga Savings Bank, Chattanooga, Tenn. 1918-1921, Samuel H. Beach, president Rome Savings Bank, Rome, N. Y.; Frederic B. Washburn, president Worcester Five Cents Savings Bank, Worcester, Mass.; R. R. Frazier, president Washington Mutual Savings Bank, Seattle, Washington. Ex-officio, Jos. R. Noel, president Noel State Bank, Chicago, Ill.

In all seven meetings of the Executive Committee were held at which important matters were discussed. On Monday afternoon there was a meeting of the Executive Committee with state vice-presidents and mutual savings bankers. Sixty-five in all were present. The meeting became of such great interest that it was adjourned until Wednesday, September 25, and the consideration of the subjects presented for discussion continued during the entire morning.

The following resolution was adopted at a meeting of the Executive Committee held on Thursday afternoon, September 26:

Whereas, President Joseph R. Noel in his annual address has invited attention to the need for the application of some systematic plan of amortization of real estate mortgage loans and states that it is a subject deserving the attention of this section, and

Whereas, The Executive Committee of the Savings Bank Section is unanimously agreed that it is the province of savings banks to encourage systematic saving by all classes; and

Whereas, It is desirable that savings banks should adjust their investments in a manner to insure a steady inflow of cash to the end that such banks may not be embarrassed by the absence of funds necessary to meet emergencies in war as well as in times of peace, and

Whereas, Savings institutions should lead all others in the work of encouraging the liquidation of indebtedness, thereby encouraging thrift and increasing the wealth of the nation; therefore be it

Resolved, That a committee on amortization be organized to make a study of the most practical plans of amortization, and acquaint all members of this section with their findings, together with the recommendations of this Executive Committee on the subject, and report the results of their activities at the next regular meeting of this committee.

The annual address of President Joseph R. Noel in an interesting way reported the activities of the section during the past year, as well as the present savings bank situation. It follows:

The passing of another year discloses that our institutions have been equal to the many perplexing problems they have been confronted with, and abundantly able to meet the tremendous demands made upon them incident to the war. Herculean efforts to increase production and to decrease consumption and waste, in order that the huge sums necessary for the flotation of government obligations might be available, have been required. Public opinion has had to be molded. Public sentiment in favor of adjusting ourselves to a war basis and carrying on the war to a victorious conclusion has had to be crystallized. In all these respects savings bankers, coming in contact with over twenty-four million customers, have performed a great patriotic service, and their energies and the machinery of their banks have been unsparingly devoted to the purposes of the government.

Someone has said, "A new day brings a new duty." The "new day" we have experienced since our government has been compelled to float such huge loans, during which our customers have regarded time deposits which are subject to notice, for all practical purposes, as demand deposits, has brought us the "new duty" and necessity of securing greater

liquidity of our assets. Government, state and municipal securities probably always will maintain a high place as savings bank investments; the banks of the country hold more than \$1,700,000,000,000 of railroad bonds, and radical changes in the railroad situation have brought with them perplexing problems, the satisfactory solution of which no doubt the future holds in store for us; when normal conditions are restored public utilities should continue to enjoy favor, and the real-estate first mortgage probably will continue to constitute the ideal form of investment for a large percentage of savings, but all these forms of investment lack the degree of liquidity so essential to meet present day conditions, and since undoubtedly we shall continue to encounter tremendous demands as long as the war lasts, and well into the period of reconstruction which will follow, we shall be compelled to readjust our methods and invest a certain percentage of our available funds in short-time securities of a self-liquidating character. For some time certain states in the union have recognized this situation and have enacted legislation permitting their savings banks, under proper restrictions, to invest in bankers' acceptances and commercial paper. It is gratifying to note that during the current year New York State took an advanced step in this direction. The discussion upon this subject at our session this afternoon, we are confident, will convince every one who attends of the logic of the situation and will suggest ways and means of attaining the desired end.

During the year most harmonious relations have existed in the section's affairs and among the personnel of its officers and members of its executive and other committees.

A meeting of the Executive Committee was held at Atlantic City directly after the last convention, several were held at Hot Springs, Arkansas, last May and two were held in Chicago immediately prior to this convention.

The Special Advisory Committee, consisting of three members of the Executive Committee located near the association's headquarters, has held two meetings in New York. It has been your president's pleasure to attend these meetings and those of the Executive Committee previously referred to.

The work of the section's committees has been most productive as will be shown by their reports. Membership has increased satisfactorily. Our expenses have been kept within our income.

During the past year the section was afforded a valuable opportunity to serve the government in connection with the War Savings Campaign. For five months Secretary Harrison aided in that campaign. He organized the schools and educational institutions of the country and assisted Mr. Jerome Thralls, the secretary of the National Bank and the Clearing House Sections, in organizing the banks of the nation for War Savings. At the request of one of the Federal War Savings Directors he aided in the organization of nine states of the south for that campaign. During this time, however, with the aid of a competent office assistant, Secretary Harrison was able to keep in close touch with the section's affairs so that no serious curtailment of our activities resulted. For the past eighteen months a number of questionnaires, each containing ten to twenty questions concerning the condition of our member institutions, have been mailed. Over eighty per cent of the banks communicated with responded. The secretary has made a careful analysis of the answers in each case and has reported the result of this to those banks that answered the questionnaire. Especially that part referring to greater liquidity of savings bank assets has had a wholesome effect in crystallizing sentiment in favor of that movement.

We are deeply grieved over the loss by death during the past year of George E. Edwards and Newton F. Hawley, both of whom were ex-presidents of the section, in fact the last two to serve us in that capacity. Their administrations were most creditable to them, and profitable to the section. Our dependence on them at all times for advice and counsel made their services highly valuable and their loss will be difficult to replace.

E. L. Robinson, of Baltimore, one of the pillars of our section, during the year resigned as a member of our Executive Committee and our Committee on Savings Legislation, because of his election as vice-president of the Citizens National Bank of Baltimore and the necessity of applying him-

self to his new duties, to the exclusion of his former ones. While we regret his loss, we were fortunate in being able to secure Ex-Governor Myron T. Herrick, president of the Society for Savings of Cleveland, to serve the unexpired term on our Executive Committee.

The British Economy Exhibit in the Elizabethan Room of the Congress Hotel will give a good idea of a feature of this convention which it was hoped might be accompanied by exhibits from other sources having a similar object, but which for causes beyond our control could not be given. Lord Balfour, the British secretary for foreign affairs, is directly responsible for the donation of the exhibit. It was prepared by the British Bureau of Information at New York under the direction of the Hon. A. H. Goode, and Mr. Walter M. Grant. The primary intention of the exhibit is to show the actual living conditions of the people of Great Britain after four years of war; in other words, the economies necessary in order adequately to provide the labor and materials essential to win the war. We in this country have not as yet begun to feel the sacrifices experienced in the countries of our Allies, and which will probably yet come to us. The military spirit and the imperialistic aims of Germany must be forever crushed, and America and her Allies will not countenance any peace except a victorious and conclusive one. Even though this means that America must make the same sacrifices Great Britain and France have in order to give unto posterity universal peace, amity and goodwill among the nations of the earth, a world-wide respect for smaller nations, international integrity and stability, and the happiness and freedom of the world's people, whatever the sacrifices may be, we will make them.

Certain changes in the interest of larger representation of state banks on the Administrative Committee of the association, also better co-ordination of association activities, will be proposed at this convention. The Administrative Committee is the governing body of the association in the interim between meetings of the Executive Council, and it is proposed that this committee shall hereafter be composed of nine members, consisting of the president, the past-president and the vice-president of the association, the president of each of the four sections representing the various classes of banking institutions, namely, the Trust Company Section, the Savings Bank Section, the National Bank Section and the State Bank Section, and two members appointed by the executive council. If this proposed change is made, the effect undoubtedly will be greater harmony in and co-ordination of various association activities. Another proposed change contemplates giving to the sections greater independent action in respect to Federal and state legislation. Regardless of what action the convention may take on this subject, it seems desirable for our section in future to have a committee on Federal Legislation and one on State Legislation in lieu of the one on Savings Legislation which now exists.

On account of the odium that attaches to the word "propaganda" resulting from the experience this country has had with the German variety bearing that name, it would seem that the name of our Committee on Propaganda might appropriately be changed to "Committee on Service to Members," the additional advantage of which being a more comprehensive designation than the former.

Another matter which might properly receive your attention is the organization of Savings Bank Sections of state associations in the same manner as State Bank and Trust Company Sections are being formed within certain of the state associations. It may not be possible to have Savings Bank Sections of every state association, but there are many states in which conditions are favorable for such.

The need for the application of some systematic plan of amortization of real-estate mortgage loans is becoming increasingly apparent and many communities have taken proper steps in this direction. This seems to be a subject which our section should study for the benefit of its members.

My sincere thanks are due to the officers and members of the committees of the section and of the association, and to members of our section, a number of whom I have called upon during my term of office, for their many evidences of courtesy and co-operation which have permitted me to enjoy the high and responsible honor of being your president for the association year now drawing to a close.

Proceedings of the Trust Company Section

The twenty-third annual meeting of the Trust Company Section was held in the Congress Hotel, Chicago, Ill., on Tuesday, September 24. Frank W. Blair, President of the Section, presided.

At the morning session, the invocation was pronounced by the Rev. James G. K. McClure, president of the McCormick Theological Seminary of Chicago. This was followed by an address of welcome by Lucius Teter, president of the Chicago Savings Bank and Trust Company and president of the Chicago Association of Commerce, to which Henry M. Campbell, chairman of the board of directors of the Union Trust Company, Detroit, Mich., replied.

In the absence of Lynn H. Dinkins, president of the Interstate Trust and Banking Company, New Orleans, La., and Chairman of the Executive Committee, the Secretary presented the report of the Chairman which outlined the activities of the Executive Committee during the past year and the subjects considered by that body in its deliberations from time to time. In reporting upon the last meeting of the Executive Committee, which was held at the Congress Hotel on Monday, September 23, the report states that, "it was decided to recommend to the Section the formation of a standing Committee on Standardization of Trust Forms and Charges and also to make the Publicity Committee a standing Committee of the Section."

The report also refers to the joint meeting of the Executive Committee with the State Vice-Presidents on Monday, the 23d, at 11.30 A. M., at which time the need of closer co-operation of the Executive Committee with the State Vice-Presidents in matters of mutual interest was fully discussed. The plan to have the Executive Committee meet jointly with the State Vice-Presidents was inaugurated by the Trust Company Section at this convention, and the results obtained at this first meeting fully demonstrated the desirability of continuing these joint meetings as a regular part of the section program at succeeding conventions.

The report of the Chairman was approved and its recommendations adopted as the action of the meeting.

The following reports were then presented and approved: Committee on Legislation, Henry M. Campbell, chairman of the board, Union Trust Company, Detroit, Mich., Chairman; Committee on Protective Laws, Theodore G. Smith, vice-president International Trust Company, Denver, Col., Chairman; Special Committee on Publicity, James M. Pratt, vice-president Guaranty Trust Company of New York, Chairman; Secretary, Leroy A. Mershon.

The reports of the last named committees and the Secretary were presented to members in booklet form and are available for distribution.

Following these reports there was a roll call of State Vice-Presidents which was answered by the State Vice-Presidents serving the section during 1917-1918. The reports of these officers were also printed in the booklet and distributed to members present. Any members desiring a copy may secure the same upon request to the Secretary at Five Nassau Street, New York.

The reports of the committees, the Secretary and State Vice-Presidents revealed a year of marked activity and accomplishment along the line of legislation of a protective and constructive nature as well as other lines of importance and interest to trust companies in all parts of the country.

The President appointed a Nominating Committee, as follows: Messrs. Teter of Chicago, Bausman of Philadelphia, Smith of Chicago, Kemper of Kansas City and Hall of Buffalo.

A statement was then made by James M. Pratt of New York, Chairman of the Committee on Publicity, in reference to the Bulletin No. 1 circulated among the members of the section in August. The plans and purposes of the committee were discussed at length, after which Oliver C. Fuller, president of the Wisconsin Trust Company, Milwaukee, presented a resolution commending the work of the committee and providing that it be continued and the committee enlarged to not exceeding five members. This motion was carried, after which the President announced the reappointment of Mr. Pratt as chairman of the committee.

Peter W. Goebel, ex-President of the American Bankers Association, was then invited to address the section. Mr. Goebel spoke briefly on patriotic issues.

The next order of business was an address by Dr. Eugene Lyman Fisk, medical director of the Life Extension Institute of New York, on the "Conservation of Man Power."

Just before the close of the meeting R. La Motte Russell, president of the Manchester Trust Company, South Manchester, Conn., introduced the subject of distributing the proceedings of the meetings while they are fresh in the minds of members in attendance at the meetings and prior to the publication and distribution of the regular proceedings of the Association. After a full discussion, it was resolved, "that the matter of distributing the proceedings of the Trust Company Section meetings at an early date be referred to the officers with power."

At the afternoon session President Hinsch addressed the section, bringing greetings from the Association at large. He closed a brief but inspiring message with the words of President Wilson: "The supreme test of the nation has come, and we must think, work and serve together to one common end."

President Blair, in opening his annual address, stated:

Quietly, as is becoming of those upon whom responsibility rests, and efficiently and intelligently, the trust companies of the United States are adapting themselves from day to day to changes wrought by the needs of a country at war. War is a voracious thing and its appetite is not easily satisfied. It asks for men, and more men, and still more men; it requires munitions, and more munitions, and still more munitions; it demands money, and more money, and still more money. War is terrible and brutal, but war successfully waged for Liberty's sake yields a profit so great that no sacrifice of blood, toil or money is too much to pay. Freedom, opportunity, confidence—these are the most precious possessions of mankind—these are the profit victory offers. In this realization the trust company official finds strength when the days seem dark and the outlook dreary.

We have learned—and the lesson is being impressed upon us more and more each passing day—that the supreme effort

demanding by a great war, requires for its realization the maximum effort of each of the component parts of the nation, individual and corporate. No man is truly and wisely patriotic who is not serving where and how he can serve best—be it on the firing line or at his desk. So, too, each corporation—each bank and trust company—should be so placed that it can give its utmost.

He appealed for membership in the Federal reserve system, where such membership could add to the strength or efficiency of the system, and further stated:

All must serve together. Co-operation there should be. Co-operation there must be—state bank with national bank; non-commercial bank with commercial bank; non-member bank with member bank. "Going it alone" does well enough in time of peace, but won't do now.

The effect of the passage of the Phelan Bill would not be to increase the powers of national banks but to clear up doubt as to their limitations.

He dwelt at length on the intermingling of administrative and legal questions in the handling of trusts, both from a practical viewpoint and from an economic one, and recommended the appointment of a Special Committee to make a study of this subject and to propose such protective and remedial measures as are deemed necessary. He further recommended that when this committee's report is received it be referred to the executive committee of the section and that the committee last named be authorized to take such action as is necessary, either by promoting or opposing legislation, to put into effect the recommendations of the Special Committee. Following President Blair's speech, a Special Committee as hereinafter mentioned was appointed.

Further reference was made by the President to the contemplated changes in the Constitution of the American Bankers Association, which were adopted at the convention and provided for the representation of each section through the membership of its president upon the Administrative Committee and for independent action when necessary in reference to legislative matters.

In closing, President Blair stated:

If we are interested in business we must be interested in politics—and acutely and actively interested. A popular form of government is good, or bad, or indifferent, in exact accord with the desires of the people. The people are the government, and they always have exactly the kind of government they want. If bankers and business men have been indifferent about politics, then politics has provided what, from their viewpoint, is an indifferent sort of government. Political leadership has not usually been in the hands of business men. When the government, under pressure of war, went into business, it began to recruit business men, but the commanding positions have not, of course, come to them; and we must have business men in control of government, if government is going to be in control of business; otherwise we are doomed to failure.

Politics, therefore, has a new meaning for us. It no longer invites our serene contemplation as a category of ideals, whose realization would bring us at once to Utopia. It is a category of stern actualities to be reached, not merely to be reached for. If we are to get results and find satisfaction in the getting of them, every single one of us has got to get into politics and try to inject into that sphere, the business intelligence which we assume is not now there. Business has grown so great in the world, that it can no longer exist side by side with politics, and leave room for both. For many years business has been supplanting government as the occupation which made the strongest appeal to men of education and intelligence. Government has resisted. Politics has been jealous. Under pressure of a war, which is after all a business, in that it is a struggle for economic survival, government has taken over business. Is

business going to surrender abjectly, or is business—the new business, the business that is conducted for service as well as for profit, the business that regards social conditions and gives equal heed to the obligations, as well as the privileges of capital and labor, which writes success in terms of general welfare—is this new business going to surrender, or is it going to take over government?

At the meeting of the Executive Committee with the State Vice-Presidents, held on Monday morning, the recommendations to be made in the President's address were discussed and a special committee, composed of Ralph Stone of Detroit and L. H. Roseberry of Los Angeles, were appointed to prepare a resolution, which was presented immediately after the reading of the President's address and adopted by the section as follows:

RESOLUTION

Whereas, There has apparently been growing in the minds of some members of the American Bar, as well as of some of our own members, a misconception and lack of understanding of the true and necessary functions of a trust company and its relations, in the administration of its authorized business, with the legal profession; and

Whereas, The trust companies of the United States, as public service institutions, and the American legal profession are mutual co-ordinating activities, having common interests and public duties to perform, therefore, be it

Resolved, That it is the sense of this section that it is to the advantage of both the legal profession and the trust companies of the country that mutually helpful relations be established between them; and be it further

Resolved, That the President of this Section appoint a special committee of five members to fully investigate this whole subject and devise and recommend to the Executive Committee of the section, plans for cultivating more friendly relations and more harmonious working plans with the American Bar, with the view of permanently establishing cordial and mutually advantageous relations, co-operative activities in their common field, betterment of corporate trust service and joint advancement of the paramount interests and rights of the public; and that the Executive Committee, in such manner as to it may seem best, is hereby instructed to put such plans into effect.

The President appointed the following as a Committee on Co-operation with the Bar: Francis H. Sisson, vice-president Guaranty Trust Company of New York (Chairman); L. H. Roseberry, trust attorney, Security Trust & Savings Bank, Los Angeles, Cal.; Ralph Stone, president Detroit Trust Company, Detroit, Mich.; G. F. Clark, vice-president Union Savings & Trust Company, Seattle, Wash.; William S. Miller, vice-president Northern Trust Company, Chicago, Ill.

As authorized at the morning session the President also announced the appointment of a Committee on Standardization of Forms and Charges, as follows: J. A. House, president Guardian Savings & Trust Co., Cleveland, Ohio (Chairman); George D. Edwards, vice-president Commonwealth Trust Company, Pittsburgh, Pa.; John H. Coverley, trust officer, Title Insurance & Trust Company, Los Angeles, Cal.

"The Work of the Capital Issues Committee" was presented by John S. Drum, president of the Savings Union Bank & Trust Company, San Francisco, Cal., and a member of the Capital Issues Committee. Mr. Drum stated in part as follows:

In your report just read, President Blair, you have outlined very fully what the functions of government are in war time. The work of the Capital Issues Committee is merely carrying out one of those functions. The purpose at this time of government is to make the business of war the first

business, not only of the government as such, but of every man, woman and child in this great nation of over one hundred million people. There is no other way in which our soldiers at the front can prosecute the war for our protection, and eventually for the freedom of the future, unless every one of us at home contributes, each according to his or her share, which share is in a measure self-sacrifice, some of the help that is necessary to make the work of our boys at the front effective. Government, therefore, in these times of war, is to take practically every activity that constitutes in normal times the activity of the community, or the individual, or the corporation, and analyze those activities and grasp within itself all of those activities and make them its own, so that by the exercise for war purposes of all the civic powers of its people, it can prosecute the war so effectively that it can take the resources of the country and the industries of the country, and then bend those industries and resources to its will for the purpose of carrying on to a triumphant conclusion the business of the war. It, therefore, must take those things for the carrying on of the war, and see to it that the business of war is the first thing in the thoughts and minds of the people. To do that, it must build up and develop different agencies and activities that can bring that message home to the people. The American people as such are the most receptive and willing people on the top of this earth, in co-operation with their government. But we must consider, as President Blair said in his report, that the American people have been enjoying the greatest measure of prosperity, and have in their ownership probably the greatest resources of any nation on earth. The American people have been proud in their prosperity, and they have been to a certain extent self-centered in their prosperity. Now that war has come, there is only one way in which the American people can be divorced from the individual thoughts of their own welfare, and made to think and act in national terms; and that is for the government to build up such agencies as can lead the people and educate the people, and make the people aware of what the prosecution of war means. War, and the business of war, calling as it does, as you all know, upon practically one-third of the productive power of this country, calling upon it here and now—not next month or next year, but here and now; and calling upon it, not merely by taking to itself sums of money, whether those sums are billions or millions, but seeking to take to itself those things which money buys, those things in the shape of goods produced by labor, which exists now in limited quantities only, and which can be produced only by the passage of time, and those things which do either exist in limited quantities, or do not exist at all, must be produced here and now if the fighting millions are to be equipped and transported and maintained at the front in France—all this, I say, is the business of war. That is why your government, through one agency after the other, is asking for the first call upon all of those things that constitute the material wealth and resources of this great country, and for the first call upon its industries, its commerce, its transportation and its finance; and that is why we have been asked, at the appointment of the President, to sit in Washington and determine in these times of war what is and what is not compatible with the national interests. It is a hard task; it is a task that is difficult for men who must engage in it during the war, whose entire experience has been just the reverse; whose business has been that of seeking to create, construct and develop things, but who must, during this period of war, restrict, divert and change from one channel into the other, the uses of all of the material, resources and labor of this country. It not only is difficult, so far as the facts themselves are concerned, so far as the experience of the men is concerned, but it is also extremely difficult to determine in a discretionary way, here and now, upon the spur of the moment, that which does constitute compatibility and that which does not. When we think that we must as a people go on with our production, and go on with the uses of the production for the purpose of stimulating our commerce and our industry, even though a great amount of our labor and material is diverted for war purposes; when we think that those things must continue, and then when we think that a group of men in Washington, aided by other groups all over the country who are giving their advice and counsel are seeking to say that this corporation cannot use for new purposes this labor or this material, but that this other corporation may—when it comes to the question as to whether a business is essential or non-essential, the problem is a great

one. We do not seek to say whether one business is essential or not, or that another business is non-essential. On the contrary, we seek to say only that we must not interfere with the going concern of this country, but that we must consider only the use of capital for new purposes, whether those purposes be the extension of existing plants and industries, or whether the creation of new plants and industries; and that is the measure of the responsibility which we have been exercising in Washington. We determine the question of compatibility entirely on this basis: Does it or does it not aid in the prosecution of the war?

After explaining in detail the method of analyzing the applications to the committee, Mr. Drum called attention to the great extent to which holders of Liberty Bonds and War Savings Stamps had been induced to exchange their holdings for worthless securities and made a plea for trust company and bank officers to assist in destroying this illicit commerce in government securities. Following Mr. Drum's address, it was moved that the President appoint a committee to draft a resolution in accordance with Mr. Drum's suggestion. President Blair appointed Breckinridge Jones, president of the Mississippi Valley Trust Company, St. Louis, Mo.; H. A. Rhoads, president of the Dorchester Trust Company, Boston, Mass., and John H. Coverley, trust officer, Title Insurance and Trust Company, Los Angeles, Cal. The committee presented the following resolution which was unanimously adopted:

RESOLUTION

Whereas, The Capital Issues Committee has assumed as a war duty of office, the work of stamping out the sale of fraudulent securities to the American people, and

Whereas, As a part of such work it is trying to prevent the further exchange of such fraudulent securities for Liberty Bonds, which has already reached the enormous sum of Five Hundred Millions of Dollars, and

Whereas, This campaign has the enthusiastic support and approval of the Secretary of the Treasury, now therefore be it

Resolved, That the Trust Company Section of the American Bankers Association pledges its support and co-operation to this vital effort to destroy this improper commerce in Liberty Bonds and the sale of fraudulent securities, and calls upon its individual members to aid and co-operate with the Capital Issues Committee in every way to accomplish these ends; and recommends similar action by the American Bankers Association.

ADDRESS BY RALPH STONE

Ralph Stone, president of the Detroit Trust Company, Detroit, and ex-director of the Bureau of Trusts Alien Property Custodian, addressed the section on "Uncle Sam as Custodian of Enemy Property." Mr. Stone, in explaining the functions of the Alien Property Custodian, said:

The Alien Property Custodian is a United States Government official whose function it is to take into his possession all property in the United States and its insular possessions belonging to the enemy. It should be made plain, at the start, what constitutes an "enemy" for this purpose. Without attempting a definition with legal precision, it may be said that an enemy is a person, without regard to citizenship, who resides in an enemy country or in territory occupied by the military or naval forces of the enemy. This is a general statement, and it will be seen that residence rather than nationality is the test. Before this was clearly understood, it was quite generally supposed that subjects of Germany, for instance, living in the United States, were enemies, and when the Alien Property Custodian was appointed and publicly called for reports of enemy property to be subsequently taken into his possession, there were slight "runs" on banks in a number of cities throughout the country, caused by withdrawals of deposits made by German and Austrian subjects living here.

The term "enemy" under the law, includes also persons resident outside the United States who are doing business within enemy territory. Central and South American persons and business houses transacting business, directly or by indirect means, through neutral countries, with Germany and Austria, come within this description, such as those on the Enemy Trading List, the "Black List," so called, published by the War Trade Board. Subjects of enemy nations imprisoned or interned are also enemies; also the governments of Germany and Austria, their officials and agents, and other persons or classes of persons designated as enemy by presidential proclamation.

The office of Alien Property Custodian is created under the Trading with the Enemy Act enacted by Congress and approved October 6, 1917, and amended March 28, 1918. President Wilson appointed to this office the Honorable A. Mitchell Palmer of Stroudsburg, Pa., formerly a Congressman from that state. He is a lawyer by profession, owner of newspapers, interested in public utilities and other lines of business, and, what is of especial interest to this gathering, is a trust company official, being director of the Scranton Trust Company of Scranton, Pa. Because of his legal, business and financial training and experience, as well as his wide knowledge of governmental affairs acquired during his public career, he is well qualified to discharge the difficult duties of this office, and I am happy to be able to testify from my association with him, also by temperament and mental attainments.

After referring to several concrete cases where attempts had been made to conceal enemy property, Mr. Stone presented to the members a chart showing the organization of the office of the Alien Property Custodian and gave a statement of the various kinds of property, cash, stocks, bonds, etc., comprising 16,448 of the 25,000 properties seized as follows:

Cash deposited with Secretary		
Treasury:		
Invested in Government		
Securities	\$47,551,027.82	
Uninvested	4,748,086.40	\$52,299,114.22
Stocks		163,331,211.76
Bonds—other than investments made by		
Sec'y Treas.	57,408,355.08	
Mortgages	10,507,710.57	
Notes Receivable.....	5,962,525.60	
Accounts Receivable.....	56,672,335.63	
Real Estate.....	7,217,373.79	
General Business.....	83,811,677.37	
Enemy Vessels.....	34,193,690.00	
Total.....		\$471,403,994.02

F. H. Sisson, vice-president Guaranty Trust Company of New York, in talking on "Trust Service and the War," gave a comprehensive résumé of the activities of trust companies in promoting war plans. He presented a list of prominent trust company men in government service; a statement of the participation of these institutions in the various Liberty loans, War Savings campaigns and Red Cross activities; the service of trust companies to men on the firing line; the inauguration by these companies of the "service check"; the extension without charge of trust facilities to men in uniform; the custodianship of enemy property; the conservation of the nation's credit through promoting the mobility of gold reserves; the pre-war service of trust companies as financing agents for the Allied governments; and "the greatest of all service" which Mr. Sisson set forth as follows:

But the trust companies have done infinitely more for the country than that represented by any or all the services which I have cursorily reviewed here. They have generated an unseen but powerfully effective and extremely vital force for the achieving of victory by the United States and its Allies in this war. And that force is exerting itself on the firing

line wherever American troops are going into action. It is a psychological and moral force of incalculable value for it is relieving countless thousands of our soldiers and sailors of anxiety regarding the welfare of their dependents, as well as of concern about the proper care of business resources suddenly left behind at the imperative call of duty. This is the highest possible kind of trust service.

And, through easing the minds of those dependent on our soldiers, this service is being reflected in the tone of the letters which go over the sea to cheer our men in the trenches. Just how important this factor is from a military point of view was recently emphasized by General Pershing in a special message to the American people, urging them to write encouraging letters to their boys in France.

A soldier's fighting efficiency necessarily is dependent on his mental state, quite as much as on his physical condition. He is a far better soldier when he feels assured that the home fires are going to keep on burning whether or not God decrees that he shall return from the great adventure. And his morale is subtly transmitted to those about him, and thus to the whole army.

Through the exercise of their trust functions, the trust companies are affording that comfortable assurance to thousands of our men on the far-flung battle-line of freedom. Many trust companies have accepted large number of trusts gratuitously, waiving all fees. In other cases, where the trusts warranted, the companies have accepted them at reduced fees. And every dollar of return which is possible from the investments and property of these trusts will be forthcoming for the beneficiaries.

The economic phase of this service, as regards the conservation of personal and real property, which might otherwise be dissipated through mismanagement by relatives or other designated persons, is beyond calculation, both for the individuals directly concerned and for the country as a whole.

If, as has been declared, morale is winning the war, then the trust companies of the United States have just reason to feel that they are contributing directly and potently to the great cause. They may rightly feel, also, that they have fully appreciated their responsibilities, and that they are wholeheartedly performing their patriotic duty to the full extent of their opportunities, ability and resources. They may well be proud of the fact that they have come to be known not only as trust companies but also as *trusted* companies. And they may look forward to the future—whatever that future may bring forth—confident that they will be able to render still greater service to the government and to the people of the United States; confident, too, that they will demonstrate that the trust which has been reposed in them will be merited and that, true to their ideals, they will help speed the dawn of a brighter day.

Following the address of Mr. Sisson, H. C. Robinson, vice-president the Guardian Savings & Trust Company, Cleveland, Ohio, moved that a War Service Committee to investigate, aid and assist in promoting the fiduciary welfare of men at the front or expecting to enter war service, be appointed by the President. The motion was carried and President Blair appointed the following Committee on Fiduciary Protection for Men in Service: H. C. Robinson, vice-president Guardian Savings & Trust Company, Cleveland, Ohio (Chairman); Arthur V. Morton, vice-president Pennsylvania Company for Insurance on Lives and Granting Annuities, Philadelphia, Pa.; Fred W. Ellsworth, vice-president Hibernia Bank & Trust Company, New Orleans, La.; George W. Holmes, secretary First Trust Company, Lincoln, Neb.

"A Banking System in the Making" was discussed by A. D. Welton, manager of the Department of Public Relations and editor of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION.

John W. Stites, president Louisville Trust Company, Louisville, Ky., called the attention of the section to the fact that the Trust Company Section, organized for twenty years and representing one-fifth of the in-

vestment and liquid wealth of the United States, had not during the time of its existence been represented on the official staff of the American Bankers Association. He moved that a Committee of Three be appointed with the president as chairman, to appear before the Nominating Committee of the Association, in order to secure if possible some recognition of trust company men. The motion was seconded and carried and the president appointed Mr. Stites and Mr. Roseberry of Los Angeles as the other two members of the committee.

John W. Platten, president of the United States Mortgage Trust Company of New York, was then placed in nomination as president of the section for the coming year and unanimously elected. Mr. Platten in accepting the office of President said: "To be elected President of the Trust Company Section of the American Bankers Association is a very great honor. I fully appreciate the responsibility and do not for a moment underestimate the obligation. It would be impossible for me to make a success of this important position without the co-operation and help, not only of every individual member of the section, but officers and executive committee especially. Again I thank you for the recognition and pledge you my very best efforts in filling the duties of the office. It is very late and time is the essence. I have no special remarks to make other than to say that we have some advance figures to give you with reference to the growth of the trust companies of the country. The figures compiled as of June 30 now round out \$9,380,000,000 of resources, an increase of \$422,000,000 over last year, and that in spite of a considerable drain upon our deposits, due, as you all know, to government loans, charitable contribu-

tions and other causes. The section is certainly indebted to President Hinsch for the work he has done regarding the better recognition of the Trust Company Section, and I predict this year that your President, who will occupy a place on the Administrative Committee, will be exceedingly busy. That is why I court and request your hearty support."

Lynn H. Dinkins, president of the Interstate Trust & Banking Company, New Orleans, La., was then placed in nomination as First Vice-President of the Section and unanimously elected.

The Nominating Committee made the following report:

Your Committee on Nominations submit their recommendation of the following named gentlemen for members of the Executive Committee to serve three years:

Charles H. Sabin, president Guaranty Trust Company of New York; J. A. House, president Guardian Savings & Trust Company, Cleveland, Ohio; S. Davies Warfield, president Continental Trust Company, Baltimore, Md.; Isaac H. Orr, vice-president St. Louis Union Trust Company, St. Louis, Mo.; C. J. Bell, president American Security & Trust Company, Washington, D. C.

The gentlemen named by the Nominating Committee were unanimously elected.

At a meeting of the Executive Committee held at the close of this session E. D. Hulbert of Chicago was elected Chairman. Leroy A. Mershon was re-elected Secretary of the Section.

A list of the new State Vice-Presidents and digest of the reports of these officers will be published in the November issue of the JOURNAL.

Annual Meeting of the National Bank Section

A conference of state vice-presidents (including those who have served for the past year and those who are to serve during the coming year) and the various committeemen of the National Bank Section, was held in the Florentine Room, Congress Hotel, Chicago, Monday, September 23, preceding the third annual meeting of the section, for the purpose of rounding up the activities of the section during the past year and arranging plans covering the activities for the coming year.

Arrangements were made whereby every state vice-president, every committeeman and every officer of the section will be given active duties to perform during the year. It is believed that through a more closely knitted organization much additional service of value to the members of the section can be rendered.

First Session

President J. Elwood Cox called the first session to order in the Elizabethan Room at 10 o'clock Wednesday morning. Rev. W. S. Plumer Bryan of Chicago invoked the blessings of God upon the assembly. The address of welcome and response thereto were dispensed with in order to conserve time.

ADDRESS OF PRESIDENT

President J. Elwood Cox in his address covered

in an admirable way the many important problems now confronting the national bankers as well as those to which they have given their attention during the past year. This and the other important addresses delivered before the National Bank Section will appear in full in the annual proceedings. They will prove of interest and value to every national banker. Mr. Cox said in part:

Great as our efforts have been, signal as has been our success, the next fiscal year presents problems which dwarf them both. The Secretary of the Treasury has announced that our war expenditures for the next year will be approximately twenty-four billion dollars. This stupendous figure is approximately half the entire yearly income of the American people. It is equal to the entire value of all American manufactures for 1914. The savings of a nation have been placed at nine billion dollars yearly by competent authorities. Can this be increased to twenty-four billions with which to pay our taxes and buy Liberty Bonds? Can we reduce our private demands on the productive power of the nation, so that our industries can produce the great volume of war supplies to be purchased by ourselves and our Allies with the gigantic fund we shall attempt to raise? Success or failure rests largely in the hands of the members of the National Bank Section. There are few Liberty Loan Committees on which national banks are not represented. There are few communities of manufacturing importance in which national banks do not exert a powerful influence.

The extent to which the national bankers of America grasp these problems, appreciate their gravity and the extent to which proper energy is applied to their solution, will largely

determine the proper handling of the greatest crisis in the world's history.

Those who were most interested in the formation of the National Bank Section realized that America was growing to proportions, which for the future development and safety, required a unification of the banking system. They had in mind that the section should be a machine through which the banks of this nation aligned with the Federal reserve system might exercise their full moral power and strength on all problems that might arise of common interest. The section has accomplished much; the results to date are small as compared to what I foresee for the future.

The one great lesson of the war is that co-operation is the least expensive and most valuable influence at the command of bankers and business people of any nation. It is the hope that the section shall include every national bank in its membership before the expiration of the fiscal year.

The fact that during these trying times for the period of nine months, no national bank in the United States has failed, must give us all great satisfaction. This is due not only to the direct management of the banks but the supervision thereof and the operations of the Federal reserve system. This great system has responded to the needs in a most admirable way. Who would trust himself to imagine what might have happened to our financial structure had we not been blessed with this magnificent system? Although a great bulwark of strength, the Federal reserve system has yet a number of important functions that are to be developed and should receive the careful attention of every banker. The response of the national banks in all wartime activities has been 100 per cent. efficient.

Let us not forget that we owe much to the future and that our preparations for the present must have due regard for our future welfare.

Every bank and trust company in America that is eligible to membership should become a member of the Federal reserve system. You gentlemen can wield a great influence in getting those who are non-members to join, if you will take pains to explain to the state bankers in your community the real benefits that accrue from membership. The system is doing a great service but cannot be prepared for the maximum of responsibility until it presents a solid front, including in its ranks every bank and trust company in this nation that can, under the terms of the law, be admitted.

The program of strict economy and saving may not be an easy way but it is the sure way in which we can finance this war and leave America in a strong financial condition at its close and enable us to take a most important part in the reconstruction of the other countries that have been devastated by war, as well as develop not only our domestic but our foreign business.

One of the big developments of the year is the awakening of the business people and bankers to the merits of the trade and bankers acceptances. Through these instruments the credit system is being improved and the banking position of the entire country is being strengthened.

Let us look the situation squarely in the face. We are at war; our people are united; our soldiers are doing valiant service. We have pledged every ounce of energy and every dollar's worth of resources at our command to the cause of justice and freedom. We have to make good this pledge—one hundred million of the best people in the world, two hundred and fifty billion dollars of resources and an annual income estimated at fifty billion dollars.

In addition to war needs, we have our industrial needs to look out for. Our post-war demands, it is estimated, will be in the neighborhood of ten to twelve billion dollars per annum. The banks of the country should keep their decks clear not alone for the purpose of financing the war but with the view of properly handling the situation after the war when we will be confronted with these great demands. Let us proceed with our best judgment to direct credit into the channels that are productive of essentials to war, health and efficiency of our people. Let us curtail, and if need be, decline the granting of credit to any corporation or individual that is not directly or indirectly producing essentials.

It is the part of our business to educate our people to the idea that they must not exchange their Liberty Bonds for other securities of doubtful value, with the promise of higher returns. Promulgate the idea that before making any investment or exchanging their holdings of government bonds,

the investors who are not experienced should consult with their bankers. Urge constant and consistent saving. It is the greatest safeguard against inflation.

Hon. George Bryan, general counsel of the Virginia Bankers Association, presented in a most interesting way the subject "State Taxation of National Banks." He pointed out the inequities and the injustices that now exist in many of the states. These will receive the attention of the Executive Committee of the National Bank Section during the coming year.

Hon. Arthur E. Bestor, chairman of the Speakers Division of the Committee on Public Information at Washington, spoke on the subject "Mobilizing the Mind of America." He cautioned the bankers against the danger in the desire of many people to forsake their present positions of usefulness in order to take the more spectacular posts because of their glamour of war activities. This address was one of the most valuable and instructive that has ever been delivered before the National Bank Section. It will appear in full in the annual proceedings.

REPORT OF CHAIRMAN

In the absence of Chairman McKee, Walter W. Head, member of the Executive Committee, presented the report of the chairman. It covered the policies and detail operations of the section during the past year and contained the following suggestions:

1—That the problems confronting the members of this section are of such character as to render it essential to the welfare of each bank that our organization be strengthened and rendered more serviceable in every way possible.

2—That the interest of every national bank in the United States in behalf of our section should be aroused through the service which the section can, with an effective organization, give its members.

It was further suggested in this report that in order to further these propositions it might be well to consider (a) To undertake to bring about the organization of a National Bank Section in each state association. (b) Organize the state vice-presidents of the National Bank Section into a council to meet with the Executive Committee at the annual convention and at such other times as it may be deemed necessary to call them together. (c) Define the activities of the state vice-presidents and have the outgoing and the incoming vice-presidents meet at each annual convention. (d) The organization of a committee on legislation with full authority to act on behalf of the national banks (that is, on matters pertaining strictly to national banks). (e) Request that the Federal Legislative Council of the American Bankers Association be enlarged by the addition thereto of the vice-presidents of the American Bankers Association and vice-presidents of the various sections in each state. The chairman of the council in each state to be appointed by the Executive Council of the American Bankers Association as now provided and to have authority to add to the council such other bankers as he may elect. (f) Arrange for the opening of an office at Washington or for representation there, which will enable the section to render service to its members in connection with their transactions with the various departments of the government, etc.

President Chas. A. Hinsch, of the American Bankers Association, entered the meeting at this juncture; received a rousing cheer of welcome—delivered an inspiring message of encouragement and extended his thanks for the hearty co-operation and assistance which he had received from the section during the past year.

The secretary's report was distributed in printed form to those in attendance.

Second Session

The afternoon session was opened by a splendid address, "Great Britain for Democracy" delivered by Colonel G. G. Woodwark, Minister of Information for the British government. Colonel Woodwark had twenty-one years active service in the British army, two years of which were spent on the Western front. He was put out of commission by a shell; was confined to a hospital for five months. After his recovery he came to America, where he is doing splendid service for the Allied Cause.

He covered in his address, first, the raising and the training of the British armies for service. Second, his experience with the British armies in France. Third, the British naval and military contributions to the war. Fourth, the industrial reorganization of Britain for the war. Fifth, the war organization of Britain for domestic economy and sixth, the British financial organization for the war.

In closing he said: "Was it not a financial problem also that gave our British forefathers the heritage of Magna Charta, upon whose principles both our countries base their constitutions of freedom, and of equality before the law? And was it not a temporary aberration from those Anglo-Saxon principles on the part of a stubborn British government opposing its will to the clear sympathies of the majority of the British people, which, a hundred and forty-two years ago, gave rise to a subsequent Declaration of Independence by Britishers who then became the founders of these United States?"

"And is it not possible, as Major George Haven Putnam so aptly turned the thought, as the representative of your nation speaking at the epoch-making commemoration of Independence Day in London last July 4, that the war we are now waging, side by side, may bequeath us jointly a third and still richer heritage—a Declaration of Inter-Dependence as between the United States of America and the British Commonwealth of Nations? Rich, indeed, would our heritage be should such an informal Declaration of Inter-Dependence between the English-speaking nations lead, in turn, to the realization of the greater Magna Charta of the Nations of the World, so grandly conceived and so eloquently defined by the President of your country. Then, indeed, would the blood of our youth not have been shed in vain."

ADDRESS OF GOVERNOR HARDING

Hon. W. P. G. Harding, governor of the Federal Reserve Board, addressed the convention on the subject "National Banks in Wartime—their Problems and Work." He said in part:

For three years the burden of supporting the Federal reserve system was borne almost entirely by the national banks. It is gratifying to note, however, that henceforth the responsibilities and privileges of membership will be shared by the state institutions which are now coming over in constantly increasing numbers and that today about 750 state banks and trust companies are members, with total resources of nearly six and three quarter billions of dollars.

One of the most important functions of any bank is the granting of credits. This is a power which should be exercised with prudence and discretion in any circumstances, but under present conditions there are many new and perplexing features to be considered. As the paramount business of this country at present is war, and as the government is the largest purchaser of all essential commodities, it is

clear that the banks of the country should do their part, not only in aiding the government to obtain the funds and credits needed but that they should so readjust their own lending operations as to contribute most effectively toward supplying the government with necessary articles and commodities. Therefore the question of credit conservation has been a vital one for months past. War expenditures are essentially different from any which are ordinarily made in times of peace. Instead of contributing toward a permanent addition to the national wealth, the large payments which the government is making for the maintenance and equipment of our military and naval establishment involve waste and destruction—inevitable concomitants of war.

This process necessarily tends to inflation, which, together with concentrated demand and the need for quick deliveries, brings about rapid advances in the price of necessities. The supply of credit, of goods, and of man power is limited, and as far as possible these resources should be conserved and set aside for the use of the government, whose abnormal demands—inevitable and necessary in the present circumstances—must be counteracted by greater economy on the part of our civilian population, whose efforts should be directed toward decreasing the normal waste incident to our business pursuits and to our every day life.

Credit extended for non-essential purposes involves the use of labor, of transportation, of material, and of reserves which ought to be kept free for purposes of the government. Unrestricted credit means unnecessary competition with the government, and tends to impede and delay its operation, and needlessly advances prices.

At the time when the supreme business of the country is war, it is idle to talk of business as usual, for our accustomed business and personal habits cannot in many cases be continued without interfering with the government's work and the consequent infliction of serious injury upon the nation. Uncle Sam, at this time, is a world banker—he is extending credits in large amounts to foreign countries associated with him in the war and his power to continue to play the part of "Uncle" in the financial sense depends upon the extent of his resources in men, goods and gold, and the avoidance of unnecessary credit. Needless recourse to the facilities of the Federal reserve banks weakens proportionately his gold reserve, and this gold reserve is the financial backbone of civilization. Any waste of the raw materials and manufactured products of the country adds to our financial burdens by increasing the amount which we must import from other countries, and such waste at the same time reduces the volume of goods which should be available for export purposes—the best means of paying for imported commodities.

The far sighted banker does not content himself by considering merely present problems, but he turns his eyes to the future and endeavors to lift the veil in order that he may see the shadow of coming events and make his plans accordingly. Many thoughtful bankers feel, therefore, that the preservation of our economic strength is of the greatest importance in making provision for that period of readjustment which will follow inevitably the re-establishment of peace. By refraining from buying luxuries and by restricting the use of necessities to the actual requirements of health and reasonable comfort, a reserve purchasing power can be created which will be of the greatest value in bridging over our industries during the period of reaction and reconstruction which will follow the war, when "swords will be beaten into plow shares" and Mars will give place to Mercury and Ceres.

ADDRESS OF MR. CHAPMAN

Joseph Chapman, vice-president of the Northwestern National Bank of Minneapolis, in presenting the subject "Relations that should exist between Federal Reserve Banks and their Members" said in part: "This year there are more than a billion bushels of wheat passing through Duluth, and they are being handled without straining our finances and without incident. In 1907, before the Federal reserve law, we had a big wheat crop—but not by any means so big as this year. Yet in that year the financial structure of the nation broke down absolutely, and grain buying had to be stopped for ninety days because of it. Think what

would have happened to us if that had been the case this year."

He then asked for the privilege of introducing a surprise to the convention, and presented Signaller Tom Skeyhill, of the Australian army, one of the best soldier orators in the world, who for more than an hour held the fifteen hundred people assembled spell-bound with his inspiring narrative of his experiences during his two years fighting on five different fronts. He was bayoneted, shot and blinded. His address will appear in the annual proceedings.

The following telegram was read and received a rousing applause from the entire convention:

To Jerome Thralls, Secretary National Bank Section.

I have your letter of the 21st and regret sincerely that I cannot accept your invitation to meet the bankers of America at this convention. It would be a real pleasure for me to look into the faces of the men who are doing such magnificent work in holding the nation steady in this time of unprecedented test and in making possible the victorious offensive of our fighting men "Over there." It has been long evident that the decision in this world conflict will depend almost as much upon the financial strength of the Allies as upon their courage and man power. Through the admirable operations of our banking system, our country has been enabled to supply to an extent seemingly unlimited the sinews of war for our Allies and ourselves, although our people in a little more than twelve months have subscribed and paid for more than ten billion dollars of government bonds. The resources of our banks instead of being diminished are several billion dollars greater than they were before the first Liberty Loan was launched. The country is proud of its heroes in the trenches but it also has abundant reason to be proud of the home workers through whose self denial and unsparring zeal and efforts the men on the fighting line are being supplied.

I am happy to inform you that the records of this office show that the national banks of the United States are stronger and more efficiently and more strictly administered than they ever have been. For the first time in the history of the national banking system since 1870 with the exception only of the year 1880, nine months of the year have passed without the failure of any national bank in any one of our forty-eight states.

I offer you my most cordial congratulations upon this extraordinary and deeply encouraging record. We are at this peak of the greatest epoch of all history. When the story is written for all the coming generations of the human race to read the achievements of the brains and patriotism of the American bankers of today will be told for the world to wonder at and for all Americans to glory in.

(Signed) John Skelton Williams,
Comptroller of the Currency.

The following officers and members of the Executive Committee of the National Bank Section, were elected and installed:

President, Oliver J. Sands, president American National Bank, Richmond, Virginia. Vice-President, Walter W. Head, vice-president Omaha National Bank, Omaha, Nebraska. Chairman Executive Committee, H. H. McKee, president National Capital Bank, Washington, D. C. Secretary, Jerome Thralls, No. 5 Nassau St., New York City. Members of Executive Committee for three year term: N. P. Gatling, vice-president Chatham and Phenix National Bank, New York City; Nelson N. Lampert, vice-president Ft. Dearborn National Bank, Chicago, Ill.

RESOLUTIONS

Presented by Waldo Newcomer, chairman.

"The only resolution we present is the one which I am now about to read and which we present with our recommendations that it be approved.

"Whereas, The financial necessities of the country demand the mobilization and conservation of all legitimate commercial credits and their most efficient utilization, in order that the fighting activities of the nation and of our allies may be fully and continuously supported by the largest possible production of materials and supplies essential to the winning of the war, and

"Whereas, An enormous volume in the aggregate of commercial credit is being dissipated or utilized only imperfectly in the form of secretly assigned accounts, a condition which constitutes a menace alike to sound merchandizing and to sound commercial banking, and one in which a very large measure of added safety and flexibility can be achieved by the substitution of trade and bankers acceptances in the place of open book accounts, whether assigned or unassigned, secretly or openly.

"Therefore, Be It Resolved, By the National Bank Section of the American Bankers Association, that this convention expresses its unqualified disapproval of the practice of secretly assigning accounts and accords its hearty endorsement to the growing practice of substituting trade acceptances for open book accounts wherever and whenever the conditions of the industry, business or transaction permits of such substitution, and be it further

"Resolved, That when because of some local or temporary situation the assignment of an account becomes necessary or advisable, it shall become legally incumbent upon the parties concerned to record such assignment with the appropriate local office of record.

"We had also referred to us two recommendations or two questions which I understand have the approval of your Executive Committee. One of them relates to securing the privilege of working on legislative matters concerning the section, which may be in conflict with some other section. It was the opinion of our committee that subject was fully covered by the recommendation of the Committee on Co-ordination of activities submitted to the council and approved, and which will come before the convention. It was, therefore our opinion that it was not necessary for the section to act separately on it. The other is a suggestion requesting the Executive Council of the American Bankers Association to pass a resolution providing for the inclusion in the Federal legislative counsel of the American Bankers Association, the vice president of the American Bankers Association in each state and the various state vice presidents of the National Bank Section. Your committee did not feel justified in acting upon this suggestion. We felt that there is no objection to it, but thought the subject was covered in the changes that are taking place.

"I am also informed that it is within our province and our duty to recommend to you a vote of this assembly expressing the appreciation of this body to the Rev. W. S. Plumer Bryan for his courtesy in coming here today and taking the time to be with us and pronouncing the invocation; to Judge Bryan for his address on 'State Taxation of National Banks'; to Arthur E. Bestor for his address on 'Mobilizing the Mind of America,' which won the approval of everyone present; also to Col. G. G. Woodwark, for his splendid picture of the work being done by the British government; to Hon. W. P. G. Harding, governor of the Federal Reserve Board; and to Joseph Chapman on the 'Relations that should exist between Federal Reserve Banks and their Members,' and I can now add very heartily that we desire to include Signaller Tom Skeyhill because of that wonderful, excellent and most remarkable address he made."

Annual Meeting of the Clearing House Section

PRECEDING the twelfth annual meeting of the Clearing House Section, its Executive Committee, various other committees and state representatives held a conference at the Congress Hotel, Chicago, for the purpose of reviewing the work for the past year and formulating a tentative outline of activities for the coming year. Plans were evolved whereby every officer, every committeeman and every state representative will be given valuable work to do.

President John McHugh called the first session to order in the Florentine Room at 9.30, Tuesday, September 24. It was attended by delegates representing over sixty clearing house associations.

The usual preliminaries were dispensed with. One moment was devoted to silent prayer, then President McHugh delivered his annual address, an extremely interesting, inspiring and valuable appeal to the associated bankers of America, urging close co-operation, intelligent and unselfish effort on the part of all to the end that the most effective and efficient aid shall be accorded to the government in its financial and general war program and that the entire nation shall be in a position to wield the greatest possible influence during the reconstruction period that will follow the war.

President McHugh covered briefly the development of the Clearing House Section and the many important functions that it has evolved and fathered. He spoke of the invaluable results obtained through the clearing house examiner system, which is now being operated in nineteen cities. It was because of the watchfulness and influence of this department of the Clearing House Association that John W. Wilson of San Francisco was warranted in making the statement that during the past ten years no depositor has lost a single dollar through the failure of any bank operating under the supervision of a clearing house examiner. He also suggested that no clearing house association which has enjoyed the benefits of clearing house examiner supervision would now abandon it for any other plan.

Mr. McHugh mentioned the great value of the universal numerical system evolved and developed by the section; also the plan of total bank transactions recently taken over by the Federal Reserve Board and through which it is hoped that statistics representing the actual business transacted throughout the United States may be acquired. He also paid high tribute to the county clearing houses, showing the value of that device to the banking and business interests of the country.

He also showed that through the formation of gold pools and other instrumentalities of the clearing house associations, the exchange market of this country has been protected and the value of the American dollar sustained and the gold supply of the nation relieved from undue withdrawals. Further, that through the Clearing House Association activities during panics and other trying periods, the business of the country was saved from tremendous losses and the experience gained through such operations was the forerunner of and proved very helpful in constructing the Federal reserve system.

Mr. McHugh made a number of statements which are of vital interest to every banker. The full text of his address will later be printed and placed at the disposal of every clearing house.

Fred B. Brady, vice-president Peoples Trust Company, Chillicothe, Mo., delivered a splendid address on the subject, "County organization plan—clearing houses in smaller centers."

Mr. Brady showed that the experience of the clearing houses in the smaller centers prove conclusively that they are of value not only to the banks but to every interest in the respective communities they serve. They afford protection to the bank, protection to the people and more efficient service, greater profit, sounder and safer methods, systems and practices among the banks.

Address of Wm. A. Law, president of the First National Bank of Philadelphia, on the subject "The Clearing House as a Power in War and in Peace," contained information and suggestions of great value to every banker. This address will be published in full in the Annual Proceedings.

He pointed out the valuable aid the clearing houses of the country had rendered to the business interests of the nation during depressions and panicky times, and how at times the clearing houses had saved the credit of the government when it was imperilled.

The Secretary's report was distributed to the delegates in printed form.

REPORT OF CHAIRMAN

Chairman Thos. B. McAdams, in his admirable report which will be distributed among the clearing houses, outlined to the convention the work accomplished by the section during the past year as well as the work which it proposes to do during the coming year. The latter includes:

1. ENCOURAGEMENT:

a. The inauguration and extension of the Clearing House Examiner System.

b. The establishment of credit departments in clearing houses.

c. The formation of new clearing houses—city, country and county—making special effort on county organization plan.

d. The organization of efficiency and publicity committees in clearing houses. These committees to give their attention to (1) The development of labor-saving devices; (2) training new employes who displace men who have been called into government service; (3) handling the community publicity and bank advertising; (4) control donations to charitable and public purposes and to handle such other matters as might properly be referred to such committees. An arrangement might be made for an exchange of advertising and publicity material among the various committees through the agency of the Clearing House Section.

e. The establishment of country clearing houses in the important cities not served by a Federal reserve bank or branch thereof.

2. Accord all possible aid to the treasury, contract division and various other departments of the government in the financial and general war program.

3. Create a committee to make a study of interest rates, service, exchange and collection charges. This committee to report to the Executive Committee at the earliest possible date.

4. Campaign of education and publicity designed to inform the public as to the true functions of banks and the objects and purpose of clearing houses.

5. Assist and encourage in every way the national movement to create new savers and to drive home to all America the lesson of thrift and industry.

6. Assist the Capital Issues Committee in its campaign to minimize the fake, bogus and worthless securities evil.

7. Aid in the direction of credit into the channels of essential production.

8. Aid the Federal Reserve Board and the Federal Foreign Exchange Committee in their efforts to stabilize and protect American exchange relations with other countries.

9. Co-operate with the Committee on Federal reserve and state legislation on matters of common interest to the associated banks of America.

10. Introduce symbol to convey instructions to wire non-payment.

11. Encourage the use and standardization of the No-Protest Symbol Plan.

12. Encourage the widest possible use and the proper application of the Universal Numerical System.

13. Create a committee charged with the responsibility of studying world conditions, with the view of preparing and submitting to the Executive Committee plans under which the various clearing houses may serve to best advantage in order to give the nation its greatest financial and commercial strength.

The President was, by resolution, authorized to appoint a Committee of Three to devote its attention to the formation of country clearing houses and county organizations; also a Committee of Three to devote its attention to the development of the country clearing house or country collection department idea.

President Charles A. Hinsch of the American Bankers Association on entering the room was greeted with a most hearty cheer of welcome. He made a short address, impressing upon the delegates the tremendous responsibilities that rest upon their shoulders, the privilege that the clearing houses have for serving their respective communities, the state and the nation. He also extended thanks to the section for the co-operation and effective assistance which it had accorded to him during the past year.

SECOND SESSION

The early part of the afternoon was devoted to discussions of practical questions.

James Matthews, assistant cashier of the National City Bank of New York, led the discussion of Condensed Statements. The form of statement submitted by a special committee of the Clearing House Section and presented by Mr. Matthews in his discussion was unanimously adopted. It is for use in connection with firms whose paper is floated in the open market by note brokers. A copy of this statement will be given in the next issue of the JOURNAL.

SERVICE, EXCHANGE AND COLLECTION CHARGES

The subject Service, Exchange and Collection Charges was sub-divided: C. W. Ailendoerfer, vice-president of the First National Bank of Kansas City, Mo., led the first division—that is, handled the subject as it affects banks in Federal reserve and Federal reserve branch cities. Clay H. Hollister, president of the Old National Bank, Grand Rapids, Mich., handled the subject from the viewpoint of the banker located in other so-called reserve cities. Fred Collins, cashier

of the Milan Banking Company, Milan, Tenn., covered the country bankers' viewpoint. The addresses of these three leaders included information of tremendous value and will be printed in full in the book of Proceedings.

The subject of Cost Accounting in Banks was led by Chas. F. Hoerr, chairman of the Committee on Operating Costs, Cook County Bankers Club, Chicago, Ill.

Hon. C. Frank Reavis of Washington, D. C., member of Congress from Nebraska, aroused to the highest pitch the spirit of patriotism in everyone who was privileged to hear his address, "Experiences in the War Zone."

The following officers and executive committeemen were elected and installed: President, Stoddard Jess, president First National Bank, Los Angeles, Cal.; vice-president, Thos. B. McAdams, vice-president Merchants National Bank, Richmond, Va. Chairman Executive Committee, Raymond F. McNally, vice-president National Bank of Commerce, St. Louis, Mo.; Secretary, Jerome Thralls, 5 Nassau Street, New York City; Executive Committee: For one year, James Ringold, vice-president United States National Bank, Denver, Colo., to succeed Stoddard Jess, resigned. For two years—A. A. Crane, vice-president First & Security National Bank, Minneapolis, Minn., to succeed Thos. P. Beal, Jr., resigned. For three years—Francis Coates, Clearing House Examiner, Cleveland, Ohio; Joseph Wayne, Jr., president Girard National Bank, Philadelphia, Pa.

More than 800 people attended the afternoon session.

RESOLUTIONS

Your Committee on Resolutions wish to express the thanks of this conference to those who have taken part in this program, to commend to your attention the instructive statement of Mr. Fred Brady, containing so much of interest upon the methods of harmonizing the country bankers with themselves through county clearing houses.

To express appreciation of the somewhat historical paper of Mr. Law of Philadelphia, which brought vividly back to us the financial condition of the country at the opening of the present world's war.

We desire to urge that our Executive Committee follow out the many suggestions made by Secretary Thralls in his admirable report summing up the work of this section, and ask that particular emphasis be laid during the year on furthering of:

(Items 1, 2, 3 and 4 of the Chairman's report, and then the following):

We recommend that the problems of exchange, collection and service charges be referred to the standing committee of the general association handling this subject, that they may gather from the papers and discussion here something of what is in our minds, and may be helped by these suggestions to formulate a tangible program of education and legislation if need be, that the whole subject may be better understood and more scientifically handled for the benefit of banks.

We have listened to Mr. Matthews and Mr. Hoerr's constructive discussions on condensed statements and cost accounting with much interest and believe they will be a valuable contribution to the records of our section.

We thank our distinguished guest, Congressman Reavis, for showing us a type of statesman who is doing well his part in this great crisis.

We also desire to thank Messrs. Ailendoerfer, Collins and Hollister for the admirable manner in which they have handled their respective divisions of the Exchange, Collection and Service Charge problem.

Conventions of State Associations

ILLINOIS

The twenty-eighth annual convention of the Illinois Bankers Association, at Springfield, September 4-6, will go down in the history of the organization as most interesting and unique. President Robert R. Ward presided at all the sessions and gave satisfactory account of his stewardship during the year.

The program was unusually strong. The big features were: Peter W. Goebel, president of the Commercial National Bank, Kansas City, Kan., and former President of the American Bankers Association; Dr. H. Parker Willis, former secretary Federal Reserve Board, Washington; Hon. Ben B. Lindsey, judge of the Juvenile Court, Denver, Colo., and Charles H. McNider, president First National Bank, Mason City, Iowa.

Under the title "Carry On," Mr. Goebel made a patriotic appeal which aroused great enthusiasm. Dr. Willis covered the subject of "Bank Reserves and Investments in Time of War," and the address of Judge Ben B. Lindsey, recently returned from the Allied fronts, held the entire audience long after the luncheon hour. Mr. McNider, who will be remembered as the Director of Sales for the state of Iowa, and has been termed a "Liberty Loan Hypnotizer," made a splendid address on "The Banker's Duty to the Nation."

Other speakers were: John C. Thomson, vice-president of the American Institute of Banking; Jerome Thralls, assistant secretary of the American Trade Acceptance Council and secretary of the National Bank Section of the American Bankers Association; Fred N. Shepherd, manager of the Field Division of the Chamber of Commerce of the United States of America, who outlined some of the business plans the necessities of war have forced upon us, which will enable us to cope with after the war needs; Hon. Orrin N. Carter, Chief Justice Illinois Supreme Court, who spoke on "The Centennial and the New Constitution," and Harrison B. Riley, Federal Director of the National War Savings Committee and president Chicago Title & Trust Company, who talked on "The Volunteer System in Finance."

Sergeant Matthew Wayman of the 60th Canadian Regiment gave an interesting talk describing life in the trenches, where he spent some thirty-three months.

Reports of the various committees gave evidence of active, efficient service rendered. Favorable action was taken upon the amendments to the constitution and by-laws which had previously been approved by the executive council. In brief, these amendments provide for the elimination of a chairman of the council, the president of the association to be the presiding officer at all meetings; the elimination of the ten vice-presidents elected by the groups, and that the administrative committee shall consist of the president, vice-president and last living ex-president. The amendments to the by-laws also provide for various rules and regulations in the operation of the protective department.

The following resolution relative to the restriction of non-essential credits was adopted:

Convention Calendar

DATE	ASSOCIATION	PLACE
Oct. 1-2-3	Farm Mtge. B'kers,	Kansas City, Mo.
Oct. 23-24	Nebraska	Omaha
Nov. 8-9	Arizona	Nogales
Nov. 18-19-20	Investment Bankers...	St. Louis, Mo.

The Illinois Bankers Association pledges its unqualified support to the government in the efforts now being made to control and restrict non-essential credits, and recommends to its members that they and their customers should co-operate to accomplish this result.

To this end, discrimination should be exercised favorably to accommodation for war purposes or for the health and actual necessities of the people; bank credits for other purposes should be closely investigated and granted only where refusal would bring about hardship or serious embarrassment to the applicants.

It is recommended also that banks throughout the state co-operate with the Capital Issues Committee to the extent of reporting to such Committee all prospective issues of stocks, bonds, or other securities for capital purposes, whether they be municipal, public service, or industrial; and further, that except in cases where there is urgent need or the public health and welfare is concerned, they use their best efforts to secure the postponement of such issues until after the close of the war.

Resolutions were also adopted pledging support and co-operation to the President and the Governor in their efforts to win the war, endorsing the \$60,000,000 bond issue for the purpose of building a system of hard roads throughout the state, favoring a constitutional convention and recognizing the American Bankers Association as the logical medium through which full co-operation and efficiency of national and state banking systems may be secured.

The annual banquet occurred Wednesday evening, September 4, at the Leland, and was termed a "Centennial Commemoration." Omar H. Wright, Director of Finance, presided and introduced the speakers and guests of honor; Governor Frank O. Lowden, Hon. Hugh S. Magill, Director of the Illinois Centennial Commission, and Peter W. Goebel.

The Governor's address was largely devoted to the war. In that connection he complimented the bankers for their war activities, stating, "that the great undertakings of our Treasury Department could not have been fulfilled had it not been for your earnest and devoted work." He mentioned specifically the bankers' assistance in the Liberty Loan and other war work fund campaigns.

Mr. Goebel made a short patriotic talk. Mr. Magill spoke at some length, bringing out many interesting incidents in the early history of Illinois. There were between four and five hundred present at the dinner.

Thursday evening the delegates and their ladies were given a theater party at the Majestic Theatre, followed by an informal reception and dance at the Leland Hotel.

The following officers were elected for the ensuing year: President, Charles H. Ireland, cashier Wash-

burn Bank, Washburn; vice-president, Nelson N. Lampert, vice-president Fort Dearborn National Bank, Chicago; treasurer, Edward A. Hintz, assistant cashier Peoples Trust and Savings Bank, Chicago.

Immediately following the adjournment of the final session the Executive Council held its organizational meeting and elected Wm. C. White of Peoria, chairman; M. A. Graettinger, Chicago, secretary, and Olive S. Jennings, Chicago, assistant secretary.

The three new members of the American Bankers Association Executive Council elected by the Illinois members at their meeting are: John F. Hagey, vice-president First National Bank, Chicago; John D. Phillips, vice-president Green Valley State Bank, Green Valley, and W. S. Rearick, of Skiles Rearick & Company, Ashland. E. E. Crabtree, of F. G. Farrell & Company, Jacksonville, was elected member of the Nominating Committee with George W. Meyer as alternate. John R. Pogue of the Farmers & Merchants Bank, Decatur, was made vice-president of the State Bank Section for Illinois; J. W. Bailey of Macomb was made vice-president of the National Bank Section; Edwin F. Geist of the Joliet Trust & Savings Bank, Joliet, vice-president for the Trust Company Section, and Virgil W. Johnson of the Illinois Trust & Savings Bank at Champaign, vice-president of the Savings Bank Section.

WEST VIRGINIA

The twenty-fifth annual convention of the West Virginia Bankers Association was held at Huntington, September 19 and 20. The convention was fortunate in its list of speakers, which included Ex-President Taft, Governor Cornwell, President Henry O. Aleshire, Herbert Fitzpatrick of Huntington, C. T. Hiteshew of Parkersburg, and others.

James A. Sigafoose, cashier Marshall County Bank, Moundsville, was elected president of the Association for the ensuing year, and L. A. Hooper, cashier First National Bank, Bluefield, vice-president. The election of the secretary-treasurer was left in the hands of the executive council.

The A. B. A. elections were as follows: Vice-president, H. O. Aleshire, vice-president Day and Night Bank, Huntington; member Nominating Committee, L. F. Haller, vice-president and cashier Citizens and Peoples Trust Co., Wheeling; alternate member Nominating Committee, James A. Sigafoose, cashier Marshall County Bank, Moundsville.

OHIO

The annual convention of the Ohio Bankers Association was held at Columbus, September 4 and 5. The meetings were well attended and the patriotic addresses aroused great enthusiasm. The speakers of the convention were Charles A. Hinsch, Hon. W. P. G. Harding, W. F. H. Koelsch and others. The following officers were elected for the ensuing year: President, M. R. Denver, president Clinton County National

Bank, Wilmington; vice-president, F. S. Stever, cashier Merchants National Bank, Defiance; secretary, Robert H. Schryver, president First National Bank, Mt. Sterling (re-elected); treasurer, W. C. Mooney, president Monroe Bank, Woodsfield.

The A. B. A. elections were: Vice-president, John H. McCoy, secretary and treasurer Peoples Banking and Trust Company, Marietta; member Nominating Committee, W. P. Sharer, president First National Bank, Zanesville; alternate member Nominating Committee, George A. Coulton, president Union Commerce National Bank, Cleveland.

KENTUCKY

The twenty-sixth annual convention of the Kentucky Bankers Association was held at Louisville, September 5 and 6. Mayor George W. Smith gave the address of welcome to which Max B. Nahm of Bowling Green responded. President Ormsby's address dealt with the Fourth Liberty Loan and the Federal reserve system. He also expressed a desire to have the association more closely connected with the American Bankers Association in its agricultural work. William McC. Martin, chairman of the Board, Federal Reserve Bank of St. Louis, appealed to all non-member banks to join the system. Other speakers of the convention were State Banking Commissioner G. G. Speer, Rev. Chas. W. Welch, Major A. A. Pruden and John W. Barr. The convention was entertained at Camp Zachary Taylor.

The following are the officers for the coming year: President, E. T. Franks, president United States National Bank; secretary, J. C. Cardwell, Paul Jones Building, Louisville (re-elected); treasurer, H. R. Prewitt, president Exchange Bank of Kentucky.

The A. B. A. elections were: Vice-president, D. L. Bell, cashier Bedford Loan & Deposit Bank; member Nominating Committee, J. C. Utterback, president City National Bank, Paducah; alternate member Nominating Committee, W. M. Bright, cashier Lincoln County National Bank, Stanford.

WYOMING

The tenth annual convention of the Wyoming Bankers Association was held at Laramie, September 6 and 7. The officers elected for the ensuing year are as follows: President, A. D. Johnston, cashier First National Bank, Cheyenne; vice-president, A. K. Lee, president First National Bank, Basin; secretary, Harry B. Henderson, cashier Wyoming Trust & Savings Bank, Cheyenne; treasurer, J. E. Dowling, president Powell National Bank, Powell.

The A. B. A. elections were: Vice-President, S. C. Langworthy, cashier Stockgrowers Bank, Buffalo; member Nominating Committee, A. H. Marble, president Stockgrowers National Bank, Cheyenne; alternate member Nominating Committee, A. C. Fonda, president Guernsey State Bank, Guernsey.

The Institute Convention

First Session—Tuesday Morning

THE sixteenth annual convention of the American Institute of Banking was opened with the singing of the "Star Spangled Banner." President R. S. Hecht then said: "I do not know of any more fitting manner in which we could possibly begin our proceeding this year than by a silent tribute to the many members of our organization who are not with us, but are on the other side fighting our battles, in order that we may continue our business in peace. I therefore ask you to stand for thirty seconds in honor of the boys 'Over There.'" The audience stood in silence for half a minute, as requested, whereupon a large Institute service flag back of the stage was unfurled, visualizing the fact that 3382 Institute men are now fighting in the United States Army and Navy. The convention was electrified and broke into a rousing cheer that could have been heard from Denver to Berlin. The program of the first session was as follows:

INVOCATION.—Rev. P. V. Jenness of Denver.

GREETINGS.—J. A. Marsh, City Attorney of Denver; A. A. Reed, vice-president of the First National Bank of Denver; Sever Daley, president of Denver Chapter.

RESPONSE TO GREETINGS.—J. C. Thomson, Vice-President of the American Institute of Banking.

"ONE YEAR OF SERVICE."—Annual address by the President of the Institute, R. S. Hecht, vice-president of the Hibernia Bank & Trust Company of New Orleans. President Hecht paid a fine tribute to the Institute boys in the army and navy. "Having in mind that the supreme need of the hour is to win this war, and win it quickly, and decisively, some of our able and energetic leaders felt earlier in the year that our membership would be certain to decrease materially, and that our educational activities would, of necessity, be curtailed. The contrary has been true; notwithstanding the fact that several of the smaller chapters lost practically their entire membership as a result of the draft, and consequently discontinued their existence—at least for the period of the war—the total number of active chapters is now eighty, which is one more than we had a year ago, and our total membership is almost unchanged and now amounts to 21,454, of which 17,323 are members of city chapters and 4,131 are members of the Correspondence Chapter. Our educational work has again been productive of excellent results, the most tangible evidence being the fact that 312 names have been added to the list of graduates during the year, thus bringing the total number of certificate holders up to 2,802."

"AMENDMENTS TO THE FEDERAL RESERVE ACT."—Address by J. H. Puelicher, vice-president of the Marshall & Ilsley Bank of Milwaukee. Mr. Puelicher said in part: "At the convention of the American Bankers Association at Kansas City, September, 1916, a large number of state bankers organized what has since grown to be the largest section of the American Bankers Association. I had the honor of being

elected its first president. War conditions soon demonstrated the desirability that state banking institutions should become members of the Federal reserve system. Governor Harding hit upon the means. It was he who thought of the blanket amendment that would permit all state banks and trust companies with a capital equal to the capital requirements of the national bank act to join the Federal reserve system without surrendering their state bank rights; without surrendering the privileges of examination by their state banking departments if these departments were efficient. This was a gratifying solution of a difficult problem. The amendments as they were agreed upon at the Briarcliff meeting of the state bank section, a meeting at which I presided, became a law June 21, 1917. Governor Harding expressed the hope that a year hence would find \$2,500,000,000 of state bank assets supporting the Federal reserve system. The amount thus set by Governor Harding was doubled."

"THE PEOPLE AND THE BANKS."—Address by Frank C. Mortimer, assistant cashier, National City Bank of New York. Mr. Mortimer urged that there should be a better understanding between bankers and the public and urged that Institute members should make a special study of the subject.

COMMITTEE ON CREDENTIALS.—President Hecht appointed as the Committee on Credentials Messrs. Henry H. Aehele of St. Louis, Charles W. Stevens of Boston, Paul G. Taylor of Dallas, Guy Shanks of Cleveland and Andrew T. Matthew of Portland.

COMMITTEE ON RESOLUTIONS.—The President appointed as the Committee on Resolutions Messrs. Frank C. Mortimer of New York, E. V. Krick of San Francisco, W. H. Potts of Kansas City, Ralph G. Spaulding of Chicago and W. W. Allen, Jr., of Philadelphia.

Second Session—Tuesday Afternoon

The principal feature of the second session of the convention was an address on the subject of "War and the Interest Rate," delivered by E. W. Kemmerer, a member of the Board of Regents of the American Institute of Banking, and incidentally Professor of Banking and Economics in Princeton University. Mr. Kemmerer thinks in the present and future, as well as in the past, and possesses a rare faculty of irrigating subjects that might otherwise be arid.

EXECUTIVE COUNCIL REPORT.—The report of the Institute Executive Council was read by Educational Director George E. Allen. In accordance with the new plan of publishing the Institute *Bulletin*, the Executive Council recommended that Section 4 of the Institute By-Laws be amended so as to read as follows, which amendment was adopted by the convention:

4. Members of the Institute shall consist of duly authorized chapters whose individual members shall subscribe for the official publication of the Institute through their respective chapter treasurers at the rate of not to exceed fifty cents a year. Duly

enrolled students and graduates of the Institute outside the confines and suburbs of chapter cities and not members of any city chapter shall constitute the Correspondence Chapter.

The Executive Council further recommended that all members of the Institute, now in or hereafter entering the service of the United States, be relieved of the payment of dues to the national organization. The convention adopted a resolution accordingly.

The Executive Council also submitted the following resolution, which after some debate was adopted by the convention:

Resolved, That it is the sense of the Executive Council of the American Institute of Banking that women should be admitted to full membership in Institute chapters.

INSTITUTE STUDY COURSES.—The Educational Director submitted the following condensed description of the Institute study courses arranged for the ensuing year:

ELEMENTARY STUDY COURSES

ELEMENTARY BANKING.—The course of study in "Elementary Banking" consists of (1) a text-book entitled "Elementary Banking"; (2) a series of ten sets of practical exercises arranged in accordance with the respective chapters into which the text-book is divided; (3) a final examination in general review of the subject.

ELEMENTARY ECONOMICS.—The course of study in "Elementary Economics" consists of (1) a text-book entitled "Elementary Principles of Economics"; (2) a series of seven sets of practical exercises arranged in accordance with the respective topics into which the text-book is divided; (3) a final examination in general review of the subject.

STANDARD STUDY COURSES

COMMERCIAL AND BANKING LAW.—The course of study in "Commercial and Banking Law" consists of (1) a standard text-book; (2) a series of twenty-six sets of practical exercises arranged in accordance with respective chapters into which the text-book is divided; (3) a final examination in general review of the subject.

MONEY AND BANKING.—The course of study in "Money and Banking" consists of (1) a standard text-book; (2) a series of twenty-two sets of practical exercises arranged in accordance with respective chapters into which the text-book is divided; (3) a final examination in general review of the subject.

COST AND CONDITIONS

TUITION FEES.—In City Chapter study classes the cost of instruction is determined by local circumstances. The cost of Correspondence Chapter instruction in each of the Elementary and Standard courses of study, including text-books and serial and final examinations, is \$15, less one-third to officers and employees of institutions that are members of the American Bankers Association.

TIME REQUIRED.—In City Chapter classes each of the Institute Elementary and Standard courses of study is designed to occupy one school year from September to May inclusive. Correspondence students should complete each of the Institute study courses in from six months to a year.

ENROLLMENT AND GRADUATION

REQUIREMENTS FOR ENROLLMENT.—The Institute Elementary study courses are open to everybody. Enrollment in the Institute Standard courses of study is restricted to (1) students who have completed the Institute Elementary study courses and (2) students who have either had three years of experience in a banking institution or three years of study in a high school.

INSTITUTE CERTIFICATES.—To students who pass final examination in both "Elementary Banking" and "Elementary Economics" the Elementary Certificate of the Institute is awarded. To students who pass final examination in both "Money and Banking" and "Commercial and Banking Law" the Standard Certificate of the Institute is awarded.

The Educational Director further reported that the Institute had prepared an advanced study course in accounting, which would be available for the use of chapters during the coming year. The proposed advanced courses of study in investments and international trade are receiving due consideration, but conditions incident to the war will delay their completion another year.

REPORTS OF COMMITTEES.—The following committees presented reports which were received and filed: Public Affairs, J. C. Thomson, chairman; Public Speaking and Debating, W. W. Allen, Jr., chairman; Military Affairs, Oliver C. White, chairman; Publicity, F. W. Gehle, chairman; Membership, Victor Klinker, chairman; State Chapters, J. H. Daggett, chairman.

PRESIDENTS' CONFERENCE.—The conference of chapter presidents was conducted by Gardner B. Perry of Albany. Various matters pertaining to chapter welfare were discussed in a more or less confidential manner.

Third Session—Wednesday Morning

Vice-President J. C. Thomson presided at the third session of the convention Wednesday morning. The invocation was by Rabbi William S. Friedman. Following is an outline of the program:

"RESPONSIBILITIES OF OUR BANKING OPPORTUNITIES."—Address by James Rattray of the Guaranty Trust Company of New York, and member of the Institute Executive Council. Among many good things, Mr. Rattray said: "Without going into the realm of speculation as to the effect of peace, it is evident that an era of intensive industrial development is beginning. Industry and commerce are preparing for new conditions, but their ability to meet them is dependent to a large extent on banking co-operation. With increased facilities for production and transportation, our manufacturers and merchants are fully equipped for the trade expansion that seems inevitable, and as our enlarged banking powers will permit of all necessary financing, there must be many new banking opportunities. The prosperity of the whole country is dependent on the manner in which we take advantage of these opportunities, and unless we fully realize the serious responsibility that rests upon us, and equip ourselves to respond to the needs of business, we shall be seriously handicapped in competing with the trained bankers of other countries."

"THE WOMAN IN THE BANK."—Address by Mrs. Evelyn Aldrich of the American International Corporation of New York City. Mrs. Aldrich captivated the convention inasmuch as she not only described what a business woman should be but in herself furnished a concrete example. In concluding her address, Mrs. Aldrich said: "Next to practical application comes the importance of technical training. For bank work we must study banking. No matter how much we may think we know, there is always much to be learned by study. The clerk who goes forward to higher and higher positions, passing her associates with leaps and bounds, is the clerk who will be found to be studying on the side as well as applying herself to the daily routine. The American Institute of Banking offers an opportunity for education in all helpful subjects. This is woman's hour. The whole world looks to us for help. There is need for us everywhere. Life is before us; time is ours; opportunity is ours; capability is ours; what we shall do with them, that too is ours to decide. We are face to face with a great emergency, but we have the power to meet it. We will rise to the best that is in us; we will be all that is expected of us; we will meet every need unflinchingly; we will forget self and remember only the great need before us. God has made us women that we may sympathize and love and help. This is the hour of greatest need; the responsibility is ours and we shall not fail."

"HOW THE BANKS ARE MEETING THE EMPLOYMENT PROBLEM."—Address by Carl H. Chaffee, assistant cashier of the First National Bank of Philadelphia. Mr. Chaffee made the following eloquent plea for co-operation: "We have got to realize that possibly we can accomplish more in our banks by a very hearty spirit of co-operation of every employee in the bank. Can we get our employees to work with us rather than for us? Can we impress upon our department heads? Can we impress upon them that we do not want our employees to work for them, but for the bank; and, won't you get your employees in your department to work with you? And, they should understand that the success of the bank depends upon the success of their department. Impress upon them that they are the archway of their bank, and if your department is not successful the arch is impaired. Impress upon the employees of your department that the success of that department depends upon them, and their efforts, and that you want their individual co-operation, and that therefore the bank depends upon their individual co-operation throughout the different departments."

"EDUCATION OF INJURED SOLDIERS AND SAILORS."—Address by A. T. Matthew of Portland. Mr. Matthew described the systematic plans of the United States Government to provide vocational education for soldiers and sailors injured in the war in order that they may become efficient citizens. Some of the victims of the war might be transformed into excellent bankers and Mr. Matthew urged members of the Institute to co-operate with the government in such educational efforts. The Institute has already taken preliminary steps in this direction.

Fourth Session—Thursday Morning

The fourth session of the Institute convention was devoted largely to international banking in accordance with the following program:

"AMERICA THE NEW CREDITOR NATION."—Address by John E. Rovensky, vice-president, National Bank of Commerce in New York. "By the time the war is over," said Mr. Rovensky, "America will be one of the leading creditor nations of the world, a financial center from which a large part of the world's economic forces will be directed, where the debits and credits of the world's trade will to a large extent be cast up and settled. World banking on a scale hitherto undreamed of will be the order of the day. The star of financial and economic supremacy that has been traveling westward since the dawn of civilization, from the Orient to Greece, Rome, Western Europe, and that now rests over London, will again move onward in its course and—cross the Atlantic. In contemplating this picture there spreads before our eyes a vista of a world of boundless opportunities which await young American bankers of the present generation."

"AMERICAN MERCHANT BANKING IN SOUTH AND CENTRAL AMERICA."—Address by Jason A. Neilson, vice-president Mercantile Bank of the Americas of New York. Among many good things, Mr. Neilson made the following suggestion: "The duty of the

American domestic banker in connection with foreign trade is no small one, and he can be an important factor in developing the business of his clients if he wishes to do so. Very little training is necessary. All the domestic banker has to do is to know where to go to obtain good advice and service. The facilities mentioned are at the full disposal of all independent banks throughout America. If one man in each bank is directed by his officers to make it his business to know how to advise with manufacturers, a good step forward will have been taken. The day has gone by when any progressive bank of deposit and discount, which has manufacturers as clients, can afford not to be of assistance to the manufacturer by ignoring the trend of the times toward sales of our manufactured products abroad, and the service to be obtained through the two non-competing foreign trade banks would appear to be worthy of careful consideration in this connection."

"EDUCATIONAL PREPARATION FOR FOREIGN SERVICE."—Address by Glen Levin Swiggett, chairman, Government Committee on Educational Preparation for Foreign Service. Mr. Swiggett described the work of the United States government in preparing courses of study to train students for various fields of foreign, commercial and financial activity, and suggested the co-operation of the American Institute of Banking.

"ACCEPTANCES."—Discussion led by W. W. Allen, Jr., of the Philadelphia National Bank of Philadelphia. Mr. Allen is a conscientious student and not a doctrinaire and considered the subject of acceptances from various practical viewpoints. The lateness of the hour, however, prevented such general discussion of the subject as its importance would under other circumstances have warranted.

Fifth Session—Thursday Afternoon

The fifth session of the Institute convention was opened with an interesting address on "Co-operation of Institute in Liberty Loan Campaigns," by Gardner B. Perry, vice-president of the National Commercial Bank of Albany. Mr. Perry described the efficient and disinterested manner in which the members of the Institute assisted the government in Liberty Loan campaigns, and gave a number of concrete examples of efficient service. While the Institute as an organized body cannot be recognized as a distinct division in the American army of finance, Institute members take pride in being among the privates that "go over the top."

CONGRATULATIONS FROM COLONEL FARNSWORTH.—The following telegram from General Secretary F. E. Farnsworth of the American Bankers Association was received and cordially applauded: "Hearty congratulations to officers and members of the American Institute of Banking who have given so impressive a demonstration of their patriotism during the past year in many phases of war activities and work. It goes without saying that you will continue this excellent showing and you certainly have my best wishes for a successful convention and throughout your new year."

WOMEN IN BANKS.—A special committee appointed by President Hecht at a previous session of the convention and consisting of Mrs. Evelyn Aldrich of New York, Mrs. E. C. Erwin of New Orleans, Mrs. Bruce Baird of Chicago, John H. Puelicher of Milwaukee, R. H. MacMichael of Seattle and C. H. Chaffee of Philadelphia, submitted the following preamble and resolution, which were adopted at the convention by a practically unanimous vote:

Whereas, the banks of the United States have been and in increasing degree will be faced with the necessity of employing women to carry on the work of banking, which necessity focuses the attention of this organization on the question of woman's place in the Institute and of the banks of the country upon questions among others of granting women equal opportunity and equal recognition, and

Whereas, full consideration has been given to Mrs. Aldrich's able address before this convention, in which she stated that the best results for the banks can be secured and at the same time the earnest desire of the women can be met by treating them in exactly the same manner as men are treated and that in the matter of hours they desire no special consideration.

Now, *Therefore*, be it resolved that it is the sense of this convention:

1st. That women be admitted into all the educational work of the several chapters in the knowledge that eventually full membership should be granted them, and

2nd. That the best interests of the banks and the women will be served by placing them on an exact equality with men in the work required and the recognition accorded them.

RESOLUTIONS.—The Committee on Resolutions submitted the following report which was unanimously adopted:

THE WORLD IS AT WAR. All our thoughts and energies are concentrated upon hastening a decision. It is our purpose to bring into our lives every energizing influence at our command in order that there may be lasting peace on earth and good will toward men.

Realizing that money and credit supply in part the sinews of war and that the success of the allied nations is largely dependent thereon, we pledge ourselves to work untiringly for the successful flotation of government loans.

We pledge ourselves to continue in co-operation with the several organizations having as their object the relief of mankind and the alleviation of suffering.

Our government being interested in education concerning foreign trade and foreign service, we pledge our hearty co-operation in connection with this important feature of our national welfare.

Ours is an educational organization, the object of which is to advance the educational qualifications of its members. During the past year this work has been broadened. Realizing this, we shall return to our homes intent upon availing ourselves fully of the advantages offered by the Institute.

To the United States Railroad Administration and to the officials of the railroad lines running into Denver we tender our cordial thanks for the excellent service which greatly added to the comfort and convenience of the delegates.

We cordially appreciate the generous hospitality extended to us by the officers and members of Denver Chapter and by the bankers and citizens of Denver, and especially to the ladies of Denver do we express appreciation for courtesies so graciously tendered.

We fully appreciate the cordial reception and enjoyable entertainment extended to the delegates en route by Cincinnati, Chicago and St. Louis Chapters.

To the several speakers who so ably presented their subjects we extend our grateful thanks for addresses which have contributed to our educational advancement.

We approve the acts of our officers and committees and commend them individually and collectively for the excellent work they have accomplished during a time when unusual demands have taxed their energies.

These, then, constitute the sentiments of the delegates

assembled in Sixteenth Annual Convention of the American Institute of Banking at Denver, Colo., September 17, 18 and 19, 1918.

COMMITTEE ON RESOLUTIONS,

E. V. KRICK,
W. H. POTTS,
RALPH D. SPAULDING,
W. W. ALLEN, JR.,
FRANK C. MORTIMER, *Chairman.*

NEW INSTITUTE OFFICERS.—The following named officers were duly elected:

President—J. Cameron Thomson, Northwestern National Bank, Minneapolis, Minnesota.

Vice-President—Gardner B. Perry, National Commercial Bank, Albany, New York.

Members Executive Council—John S. Curran, Anglo & London Paris National Bank, San Francisco, California; Thomas H. West, Ladd & Tilton Bank, Portland, Oregon; Sever Daley, Pioneer State Bank, Denver, Colorado; Louis C. George, Fifth-Third National Bank, Cincinnati, Ohio; and Frank B. Mellen, Union Commerce National Bank, Cleveland, Ohio.

CONVENTION CITY.—The selection of a convention city for 1919 was referred to the Institute Executive Council. The sentiment of the delegates seemed to be that if the war should continue another year the Institute convention should be held in some central city, and would be similar in character to the convention held in Chicago last year. Should the war be won during the coming year, however, the next Institute convention will doubtless be something of a celebration.

Entertainment Features

The thoughtful and careful planning of the Denver boys was first brought to the attention of the delegates at Wray, Colorado, 125 miles east of Denver, where George A. Brown and G. A. Askling, representing the reception committee and Otto E. Kiene, Newland K. Vincent and James L. Strong, representing the hotel and registration committee, boarded the train and proceeded to register the delegates, so that no time would be wasted in this preliminary after our arrival in Denver. The ladies were entertained at teas and theatre parties during the convention sessions and on Tuesday night the delegates and the ladies attended a theatre party at "Bauers."

A sightseeing tour of Denver by automobile, preceded a trip to Lookout Mountain, where a luncheon was served. The return trip was made by moonlight, the delegates and ladies stopping at the Lakewood Country Club for dancing.

On Thursday evening the delegates were entertained at a "Hooverized Dinner" in the tower of Daniels & Fishers. J. W. Kelley, of the Denver Bar, was the toastmaster. Sergeant Albert Holt, Lawrence A. Whipp and Madam MacGrew furnished songs and music, while addresses were made by Hon. Julius C. Gunter, Governor State of Colorado; John J. Arnold, vice-president First National Bank, Chicago; Rev. Chas. L. Meade, D. D., Pastor Trinity M. E. Church, Denver, and George E. Allen, Educational Director of the Institute.

Title Changes Among Bank Officers

Following is a list of officers' title changes in institutions which are members of the American Bankers Association, reported to the JOURNAL from August 26 to September 25, inclusive. Members will confer a favor by notifying this department immediately of any such changes. Publication will be made only on receipt of information direct from members.

ARKANSAS

Centerton—J. C. Faris, Jr., appointed cashier Bank of Centerton, succeeding S. J. Anderson.

CALIFORNIA

Richmond—Fred Caudle elected cashier Richmond Savings Bank, succeeding Arba J. Heald, resigned.

COLORADO

Colorado Springs—J. A. Barton elected treasurer Colorado Title and Trust Company, succeeding George E. Nolte.

CONNECTICUT

Hartford—J. O. Enders, formerly vice-president, elected president United States Bank, succeeding Henry L. Bunce.

Winsted—William H. Phelps, formerly cashier, elected president Hurlbut National Bank, succeeding A. L. Clarke, deceased; George L. Smith, formerly assistant cashier, now cashier.

FLORIDA

Boca Grande—Mart Hammond appointed cashier State Bank of Boca Grande, succeeding Ira Rigdon, resigned.

Orlando—I. W. Phillips elected vice-president Peoples National Bank, succeeding Benj. Drew, resigned.

Winter Haven—J. H. Ross, formerly vice-president, now vice-president and cashier Snell National Bank, succeeding W. R. Snell as cashier.

Zolfo—Ira Rigdon, formerly cashier State Bank of Boca Grande, elected president State Bank of Zolfo, succeeding D. L. Shipper, resigned; Florence H. Meliza, formerly assistant cashier State Bank of Boca Grande, appointed cashier State Bank of Zolfo, succeeding R. C. Peterson, resigned.

GEORGIA

Atlanta—H. Warner Martin, formerly cashier, elected vice-president Lowry National Bank; E. A. Bancker, Jr., formerly assistant cashier, appointed cashier.

IDAHO

Lewiston—B. C. Barbor elected cashier Empire National Bank, succeeding Fred N. Shepherd.

ILLINOIS

Chicago—Willard F. Hopkins elected secretary Chicago Savings Bank & Trust Company, succeeding Edward J. Prescott, resigned.

East Moline—W. I. Taze elected president Manufacturers State Bank, succeeding George W. Ross; E. H. Guyer elected first vice-president; F. H. Railsback, second vice-president; F. J. Vermeulen, cashier.

Manito—E. E. Ethell, formerly vice-president, elected president Peoples State Bank; Fred Ramkin now vice-president.

IOWA

Rockwell City—R. C. Gray elected vice-president Security State Bank, succeeding F. E. Burnham, resigned.

Spirit Lake—A. Hurd elected vice-president Spirit Lake National Bank, succeeding Marcus Snyder.

KANSAS

Jamestown—Cora Garder elected cashier Farmers State Bank, succeeding J. H. Mott.

Lebanon—L. J. Knoll, cashier Lebanon State Bank, resigned.

KENTUCKY

Walton—D. B. Wallace elected president Equitable Bank and Trust Company; Jno. L. Vest, vice-president; Jno. C. Miller, cashier.

LOUISIANA

New Orleans—Adam Prentis Frymire appointed cashier American Bank & Trust Company, succeeding J. S. Voochries, resigned.

MARYLAND

Havre de Grace—Charles B. Silver, formerly vice-president, elected president First National Bank, succeeding S. J. Seneca, deceased; P. Tevis Baker now vice-president.

MINNESOTA

Cloquet—C. L. Dixon, formerly cashier, elected vice-president First National Bank; Guy C. Smith now cashier.

MISSOURI

Kansas City—James F. Houlehan elected chairman of board Midwest National Bank; P. E. Laughlin, formerly cashier, elected president; Harry Warren, formerly assistant cashier, now active vice-president; J. G. Goodwin and Louis H. Wulfekuhler elected vice-presidents; M. A. Thompson, appointed cashier.

MONTANA

Polson—W. J. Burke appointed cashier Flathead County State Bank, succeeding M. A. Myhre.

Winifred—E. H. Wiper elected cashier First State Bank, succeeding George H. Kirk, resigned.

NEBRASKA

Chester—M. A. Burton appointed cashier Farmers Bank, succeeding Robt. Wilson, deceased.

Falls City—T. J. Gist elected cashier Falls City State Bank, succeeding W. A. Greenwald, resigned.

Liberty—L. J. Knoll, formerly cashier Lebanon State Bank, appointed cashier State Bank of Liberty.

Plymouth—E. C. Orth, formerly assistant cashier, appointed cashier Farmers State Bank, succeeding W. A. Letton.

NEW YORK

Liberty—F. E. Bridges, formerly cashier, elected president National Bank of Liberty, succeeding Edward W. Grant, deceased; Albert Van Dyke, formerly assistant cashier, now cashier.

Livingston Manor—Charles B. Ward elected president Livingston Manor National Bank, succeeding G. H. Lathrop, deceased.

New York—Charles M. Van Kleck, formerly secretary, elected second vice-president Fulton Trust Company; Arthur J. Morris, heretofore assistant secretary, appointed secretary.

New York—Horace Howe, formerly assistant cashier, appointed cashier Gotham National Bank of New York, succeeding Charles A. Cornell, resigned.

New York—J. A. Lewis, formerly vice-president National Bank of Commerce, St. Louis, appointed vice-president Irving National Bank; J. Franklyn Bouker, formerly cashier, now vice-president and cashier; James Hecksher, formerly manager Foreign Department, A. E. Van Doren, formerly assistant cashier, Richard J. Faust, Jr., formerly assistant cashier, Kelley Graham, formerly assistant cashier, appointed vice-presidents.

New York—Z. S. Freeman elected president Transatlantic Trust Company.

Poughkeepsie—Walter C. Fonda, formerly cashier, elected vice-president Merchants National Bank; Pelton Cannon, formerly assistant cashier, now cashier.

Rochester—Lucius W. Robinson elected vice-president and chairman of board Rochester Trust & Safe Deposit Company, succeeding E. Frank Brewster, deceased.

Syracuse—E. T. Eshelman, formerly treasurer, elected vice-president Syracuse Trust Company; J. W. Wilson, formerly secretary, now treasurer; W. P. Cutler appointed secretary.

NORTH CAROLINA

Kinston—H. H. Taylor elected president National Bank of Kinston, succeeding R. C. Strong, resigned.

OHIO

Bellefontaine—E. W. Patterdon elected president Commercial & Savings Bank Company, succeeding Robert Colton, deceased; William T. Haviland elected vice-president.

Chillicothe—Fred Hessenthaler elected cashier Citizens National Bank, succeeding H. E. Holland, resigned.

Woodsfield—W. C. Mooney, formerly vice-president, elected president Monroe Bank, succeeding W. C. Mooney, Sr., deceased.

OKLAHOMA

Custer City—J. H. Hoberecht, formerly cashier Bank of Eagle City, appointed cashier Peoples State National Bank.

Purcell—John Perry elected president Purcell Bank & Trust Co.

OREGON

Portland—E. A. Wyld, formerly vice-president, now vice-president and cashier First National Bank, succeeding E. R. Corbett as cashier.

Portland—Grant Smith elected president Peninsula National Bank, succeeding Peter Autzen, deceased.

PENNSYLVANIA

Monessen—W. S. Bumbaugh elected president Monessen Savings and Trust Company, succeeding E. M. Frye.

Philadelphia—Herbert W. Goodall elected vice-president Guarantee Trust & Safe Deposit Company.

Pittsburgh—J. T. Holdsworth elected vice-president Bank of Pittsburgh, N. A.; Alexander Dunbar, formerly cashier, now vice-president and cashier; E. M. Seibert elected vice-president.

TENNESSEE

Jackson—Arch J. Williams, vice-president Security National Bank, resigned to become cashier Memphis Branch Federal Reserve Bank of St. Louis.

TEXAS

Bryan—E. W. Crenshaw elected active vice-president City National Bank; W. H. Cole appointed cashier, succeeding A. W. Wilkerson.

Bryan—W. S. Higgs appointed cashier First State Bank and Trust Company, succeeding J. N. Dulaney.

Hereford—Roscoe L. Davidson appointed cashier Western National Bank, succeeding C. C. Chenoweth, resigned.

Laredo—Sam W. Brown appointed cashier Laredo National Bank, succeeding Louie Cohn.

UTAH

Kamas—T. A. Dananberg elected president Kamas State Bank, succeeding John B. Hoyt; Moses W. Taylor elected vice-president, succeeding Samuel W. Stewart; Moses C. Taylor appointed cashier, succeeding R. W. Barnes.

Salt Lake City—Melvin H. Sowles elected vice-president and cashier McCormick & Co., succeeding S. A. Whitney as cashier.

WASHINGTON

Connell—C. B. Unger appointed cashier State Bank, succeeding W. H. Miller, resigned.

Ellensburg—C. W. Johnson, formerly cashier, elected vice-president Washington National Bank; W. C. Fudge now cashier.

Grand View—A. L. Thiele appointed cashier Grand View State Bank, succeeding John A. Vanderpoel, resigned.

Seattle—C. E. Burnside, formerly cashier, elected vice-president Dexter Horton National Bank; C. H. Dodd, formerly manager of credits, and R. H. MacMichael, bond manager, elected vice-presidents; H. L. Merrill, formerly assistant cashier, appointed cashier.

Seattle—J. A. Swalwell, vice-president National Bank of Commerce, resigned to become president Union Savings & Trust Co.; R. S. Walker, formerly cashier, now vice-president and cashier; A. R. Morton, formerly credit manager, elected vice-president.

Spokane—Ira W. Bedle, cashier Washington Trust Company, resigned.

Tacoma—H. Berg, cashier Scandinavian American Bank, resigned.

WEST VIRGINIA

Williamson—W. P. T. Varney, appointed cashier National Bank of Commerce, succeeding C. B. Early, resigned.

WISCONSIN

Hurley—David C. Owen elected vice-president and cashier Iron Exchange Bank, succeeding W. S. Reynolds, deceased.

Oshkosh—Louis Schriber, formerly cashier, elected vice-president Old National Bank; J. P. Fitch, formerly assistant cashier, appointed cashier.

Racine—O. P. Graham elected cashier First National Bank, succeeding A. F. Erickson, resigned.

Mortuary Record of Association Members

REPORTED FROM AUGUST 25 TO SEPTEMBER 25, 1918

Binder, H. W., vice-president Council Bluffs Savings Bank, Council Bluffs, Iowa.

Cotton, Robert, president Commercial & Savings Bank Company, Bellefontaine, Ohio.

- Donald, James M., chairman of board Hanover National Bank, New York, N. Y.
 Flack, C. N., vice-president Peoples Bank, Troy, N. Y.
 Flinn, J. L., vice-president Commercial National Bank, Peoria, Ill.
 Glidden, W. S., president Charlestown Five Cents Savings Bank, Boston, Mass.
 Gray, James A., vice-president Wachovia Bank & Trust Co., Winston-Salem, N. C.
 Grout, A. H., cashier First National Bank of Wausau, Wausau, Wis.
 Hill, William, president First National Bank, Neodesha, Kan.
 Israel, Samuel H., president Knox County Savings Bank, Mount Vernon, Ohio.
 Keith, James, Jr., vice-president Anniston National Bank, Anniston, Ala.
 King, Edward, president National Bank of Lawrence Co., New Castle, Pa.
 Leuty, D., vice-president Citizens Savings & Trust Co., Cleveland, Ohio.
 Mann, C. H., president Bridgeport National Bank, Bridgeport, Pa.
 Michener, H. G., president Bank of North America, Philadelphia, Pa.
 Mooney, W. C., president Monroe Bank, Woodsfield, Ohio.
 Morrow, Eugene, president Wells County Bank, Bluffton, Ind.
 Raible, C. G., vice-president Cosmopolitan Bank & Savings Co., Cincinnati, Ohio.
 Ridgely, William, president Ridgely National Bank, Springfield, Ill.
 Seneca, S. J., president First National Bank, Havre de Grace, Md.
 Shull, L. C., vice-president Farmers Bank, Woodward, Iowa.
 Sims, Ralph, assistant cashier Bankers Trust Co., New Orleans, La.
 Smith, Frank E., vice-president and treasurer Augusta Trust Co., Augusta, Me.
 Weld, C. Minot, director National Shawmut Bank, Boston, Mass.

Registration at the Association Offices

REPORTED FROM AUGUST 26 TO SEPTEMBER 26, 1918

- Adams, Charles H., assistant treasurer Union Trust Co., Detroit, Mich.
 Adams, O. P., Los Angeles, Cal.
 Arnold, John J., Chicago, Ill.
 Biddulph, Howard, treasurer Bloomfield Savings Institute, Bloomfield, N. J.
 Bishop, A. G., president First National Bank, Flint, Mich.
 Bloedel, H., Seattle, Wash.
 Bogue, Perry D., assistant secretary Bankers Trust Co., New York, N. Y.
 Buckner, Wm. D., manager Flatbush Branch Peoples Trust Co., Brooklyn, N. Y.
 Chapman, W. B., Webster & Atlas National Bank, Swampscott, Mass.
 Chinn, Raleigh, Lawrenceville.
 Clark, Guy F., vice-president Union Savings & Trust Co., Seattle, Wash.
 Clay, Thos. F., Demopolis, Ala.
 Cox, J. Elwood, president Commercial National Bank, High Point, N. C.
 Crane, R. B., vice-president National Bank of Commerce, Toledo, Ohio.
 Davis, Eugene P., president Peoples National Bank, Paola, Kan.
 Donald, J. M., director Hanover National Bank, New York, N. Y.
 Emmons, E. J., treasurer New Milford Savings Bank, New Milford, Conn.
 Frazier, Raymond R., president Washington Mutual Savings Bank, Seattle, Wash.
 Frazier, Raywood, Yale.
 Frazier, Stuart, Amherst.
 Goldwater, Morris, president Commercial Trust & Savings Bank, Prescott, Ariz.
 Hansen, V., Baltimore Pearl Farming Co., Baltimore, Md.
 Harris, J. P., third vice-president Citizens Savings & Trust Co., Cleveland, Ohio.
 Hawk, Franklin, manager Business Department, Superior Savings & Trust Co., Cleveland, Ohio.
 Higgins, Geo. H., Merchants National Bank, Boston, Mass.
 Hill, Walker, president Mechanics American National Bank, St. Louis, Mo.
 Huegle, L. W., president Boston Chapter American Institute of Banking, West Roxbury, Mass.
 Hulbert, E. D., Chicago, Ill.
 Hyde, Fred W., Jamestown, N. Y.
 Johnston, Allen W., treasurer Schenectady Savings Bank, Schenectady, N. Y.
 Jones, Breckinridge, president Mississippi Valley Trust Co., St. Louis, Mo.
 Kemmerer, E. W., Princeton, N. J.
 King, J. H., president American Industrial Bank & Trust Co., Hartford, Conn.
 Maddocks, Sewall T., cashier First National Bank, Boothbay Harbor, Me.
 Manning, James H., president National Savings Bank, Albany, N. Y.
 Matthews, James, assistant cashier National City Bank, New York, N. Y.
 Mott, Henry S., president Northport Trust Co., Northport, N. Y.
 Norwood, Jno. D., Demopolis, Ala.
 Pugsley, C. A., president Westchester County National Bank, Peekskill, N. Y.
 Robertson, Wallace, president Beatrice National Bank, Beatrice, Nebr.
 Ryland, C., American National Bank, Richmond, Va.
 Shultz, Chas. S., president Hoboken Bank for Savings, Hoboken, N. J.
 Sigafoose, James A., cashier Marshall County Bank, Moundsville, W. Va.

(Continued on page 254)

Membership Changes

REPORTED FROM AUGUST 25 TO SEPTEMBER 25, 1918

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The General Secretary of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL-BULLETIN.

Arkansas.....	Helena.....	Interstate Banking & Trust Co. changed to Interstate National Bank.	Minnesota.....	Ellsworth.....	German State Bank changed to Ellsworth State Bank.
	Marianna.....	McClintock Banking Company consolidated with Bank of Marianna.		Fergus Falls.....	Scandia State Bank changed to American State Bank.
	Marianna.....	Peoples Savings Bank merged with Lee County National Bank.		Hastings.....	German-American Bank changed to Hastings National Bank.
California.....	Anaheim.....	German American Bank changed to Golden State Bank.		Howard Lake.....	German-American State Bank changed to American State Bank.
	Claremont.....	Claremont National Bank merged with First National Bank.		Piers.....	German State Bank changed to Farmers and Merchants State Bank.
	San Francisco.....	Bank of British North America succeeded by British-American Bank.		St. Paul.....	Scandinavian American Bank changed to Central Bank.
	Watts.....	Los Nietos Valley Bank succeeded by Farmers and Merchants Bank.	Mississippi.....	Hattiesburg.....	Bank of Hattiesburg changed to Bank of Hattiesburg and Trust Co.
Colorado.....	Denver.....	Citizens Exchange Bank merged with Broadway State Bank.	Nebraska.....	Sidney.....	Sidney State Bank consolidated with The American Bank.
	Fort Lauderdale.....	Bromard County Bank consolidated with Fort Lauderdale State Bank.	Nevada.....	Mason.....	Mason Valley Bank, Mason, moved to Yerington.
	Lakeland.....	Peoples State National Bank consolidated with First National Bank.	New Jersey.....	Long Branch.....	John G. Sacco & Sons, Bankers, merged with Long Branch Banking Company.
Illinois.....	Chicago.....	Empire Security Co. liquidating.		New York.....	Muller, Schall & Co. changed to Wm. Schall & Co.
	Hoyleton.....	German State Bank changed to Hoyleton State and Savings Bank.		New York.....	Peoples Bank merged with Chatham and Phenix National Bank.
	Moweaqua.....	Bank of Ayars Bros. changed to The Ayars Bank.	North Dakota.....	Fullerton.....	Fullerton State Bank changed to First National Bank.
Indiana.....	Gary.....	Northern State Bank in receiver's hands.	Pennsylvania.....	Philadelphia.....	Farmers & Mechanics National Bank taken over by Philadelphia National Bank.
Iowa.....	Arlington.....	German-American National Bank changed to American National Bank.		Philadelphia.....	Henry and West succeeded by West and Company, Bankers.
	Burlington.....	German-American Savings Bank changed to American Savings Bank & Trust Co.		Pittsburgh.....	German National Bank of Allegheny changed to National Bank of America.
	Carroll.....	German Savings Bank changed to American Savings Bank.		Pittsburgh.....	German Savings and Deposit Bank changed to Fourteenth Street Bank.
	Fort Madison.....	German-American State Bank changed to American State Bank.	South Dakota.....	Avon.....	Avon German Bank changed to Avon State Bank.
	Keystone.....	German State Bank changed to Iowa State Bank.		Burke.....	German-American State Bank changed to American State Bank.
	Larrabee.....	Larrabee Savings Bank consolidated with Farmers State Bank.		De Smet.....	Germania State Bank changed to American State Bank.
	Sioux City.....	Central Bank discontinued.	Virginia.....	Norfolk.....	Mercantile Bank succeeded by Bankers Trust Co.
	Waterloo.....	Security Savings Bank merged with Waterloo Bank & Trust Co.	Washington.....	Ritaville.....	German-American State Bank changed to American State Bank.
Kentucky.....	Dixon.....	Dixon Bank changed to Dixon Bank and Trust Co.	West Virginia.....	Wheeling.....	City Bank of Wheeling merged with Dollar Savings and Trust Co.
	Louisville.....	German Bank merged with National Bank of Commerce.	Wisconsin.....	Fond du Lac.....	Fond du Lac National Bank consolidated with First National Bank as First-Fond du Lac National Bank.
Louisiana.....	Baton Rouge.....	Mercantile Bank merged with Bank of Baton Rouge.	Canada.....	Vancouver, B. C.....	Northern Crown Bank merged with Royal Bank of Canada.
	New Orleans.....	Bankers Trust Company changed to American Bank & Trust Co.			
Michigan.....	Levering.....	Levering Exchange Bank, suspended.			
	Sebewaing.....	Kilmangh Bank of Frank W. Hubbard & Co., closed.			

New Members from August 26 to September 25, 1918, Inclusive

Alabama	Indiana	Louisiana
City Bank & Trust Co., Anniston 61-55.	Commercial Bank, Ashley 71-677.	Citizens National Bank, Monroe 84-32.
Federal Reserve Bank of Atlanta, Birmingham 61-19.	Peoples Loan & Trust Co., Decatur 71-1060.	Maine
North Birmingham Trust & Savings Bank, North Birmingham 61-334.	French Lick State Bank, French Lick 71-760.	Hallowell Trust & Banking Co., Hallowell 52-154.
California	State Trust & Savings Bank, Goodland 71-1011.	Maryland
United States National Bank, Dinuba 90-495.	First National Bank, Greencastle 71-402.	Equitable Trust Co., Howard & Fayette Sts. Branch, Baltimore 7-89.
First National Bank, Hardwick 90-787.	First State Bank, Hobart 71-505.	Savings Bank of Williamsport, Williamsport 65-36.
Monterey Savings Bank, Monterey 90-700.	Hobart Bank, Hobart 71-504.	Massachusetts
Colorado	Bankers Trust Co., Indianapolis 20-74.	Commonwealth Savings Bank, Lynn 53-87.
Crawford State Bank, Crawford 82-229.	Irrington State Bank, Indianapolis 20-64.	Michigan
Fleming State Bank, Fleming 82-326.	Washington Bank & Trust Co., Indianapolis 20-63.	Farmers & Merchants Bank, Chelsea 74-364.
Ignacio State Bank, Ignacio 82-255.	Clark County State Bank, Jeffersonville 71-187.	Bank of Edwardsburg, Edwardsburg, 74-629.
District of Columbia	Discount & Deposit State Bank, Kentland 71-569.	Minnesota
Anacostia Bank, Washington 15-71.	Kent State Bank, Kentland 71-570.	First National Bank, Balaton 75-576.
Florida	Citizens Bank, Montezuma 71-527.	First National Bank, Battle Lake 75-489.
First National Bank, Alachua 63-139.	First National Bank, Mooresville 71-523.	Brewster State Bank, Brewster 75-666.
Planters Bank, Cottondale 63-310.	Union Loan & Trust Co., Union City 71-418.	Caledonia State Bank, Caledonia 75-1073.
Federal Reserve Bank of Atlanta, Jacksonville 63-19.	Iowa	Scandia State Bank, Copas 75-931.
Georgia	First National Bank, Greenfield 72-498.	Delhi State Bank, Delhi 75-714.
Savings Bank, Metter 64-500.	Farmers & Merchants Savings Bank, Harlan 72-339.	State Bank of Dovray, Dovray 75-724.
Realty Savings & Trust Co., Savannah 38-55.	First National Bank, Missouri Valley 72-255.	First National Bank, Grey Eagle 75-775.
Idaho	First National Bank, St. Ansgar 72-1829.	Security State Bank, Hitterdal 75-792.
Picabo State Bank, Picabo 92-258.	Kansas	Liberty State Bank, Minneapolis 17-97.
Illinois	Farm Mortgage Trust Co., Topeka 44-59.	First National Bank, Nashauk 75-863.
First National Bank, Catlin 70-1210.	Kentucky	First National Bank, Pelican Rapids 75-349.
Farmers Exchange Bank, Elvaston 70-1752.	Lincoln Savings Bank & Trust Co., Louisville 21-58.	Farmers State Bank, Redwood Falls 75-1269.
Farmers & Merchants Bank, Geff 70-1775.	Smithfield Bank, Smithfield 73-603.	Peoples State Bank, Truman 75-1286.
Money State Bank, Money 70-1820.		Westbury State Bank, Westbury 75-1362.
Monmouth Trust & Savings Bank, Monmouth 70-253.		Missouri
Philo Exchange Bank, Philo 70-1036.		Live Stock State Bank, Kansas City 18-66.
First National Bank, Raymond 70-914.		

Missouri—Continued

Farmers Bank, Portageville 80-515.
 Menace Trust Co., St. Louis 4-88.
 West St. Louis Trust Co., St. Louis 4-84.
 Farmers National Bank, Seymour 80-665.

Montana

Edgar State Bank, Edgar 93-311.
 West Side State Bank, Great Falls 93-467.
 First National Bank, Rudyard 93-468.

Nebraska

Farmers State Bank, Ames 76-995.
 Potash State Bank, Antioch 76-1151.
 First National Bank, Beemer 76-444.
 Ranchers State Bank, Cody 76-1068.
 Farmers State Bank, Dodge 76-349.
 State Bank of Farnam, Farnam 76-463.
 Fidelity Trust Co., Fremont 76-8.
 Giltner State Bank, Giltner 76-575.
 Herman State Bank, Herman 76-548.
 Home State Bank, Kennard 76-1017.
 Farmers State Bank, Nickerson 76-1054.
 First Bank of Nickerson, Nickerson 76-821.
 Bank of Pauline, Pauline 76-836.
 Peru State Bank, Peru 76-268.
 Farmers State Bank, Scribner 76-1142.
 Farmers & Merchants Bank, Snyder 76-564.
 Logan Valley Bank, Uehling 76-614.

New Jersey

Mutual Bank of Roseville, Newark 55-19.

New Mexico

Wagon Mound Trust & Savings Bank, Wagon Mound 95-96.

New York

Corn Exchange Bank, Fulton Street Branch, New York 1-45.
 Corn Exchange Bank, Park Avenue Branch, New York 1-45.
 Emigrant Industrial Savings Bank, New York 1-179.
 Mechanics Bank, Bay Ridge Branch, Brooklyn 1-355.
 Mechanics Bank, Fifth Avenue Branch, Brooklyn 1-355.
 Mechanics Bank, Fulton Branch, Brooklyn 1-355.
 Mechanics Bank, Schermerhorn Branch, Brooklyn 1-355.

North Carolina

Richland Farmers Bank, Aurora 66-619.
 Farmers Bank, Belhaven 66-608.
 Bank of Beulaville, Beulaville 66-587.
 Watauga County Bank, Boone 66-316.
 Citizens Bank, Bryson City 66-526.
 Bunn Banking Co., Bunn 66-545.
 Bank of Candor, Candor 66-501.
 Peoples Bank & Trust Co., Charlotte 66-24.
 Bank of Sampson, Clinton, 66-253.
 Bank of Ellenboro, Ellenboro 66-349.
 Commercial & Farmers Bank, Enfield 66-245.
 Elon Banking & Trust Co., Elon College 66-350.
 Planters & Merchants Bank, Everetts 66-576.
 Citizens Bank, Franklin 66-544.
 Citizens Bank, Franklinton 66-356.
 Bank of Fremont, Fremont 66-357.
 Carolina State Bank, Gibson 66-597.
 Farmers Bank, Greenville 66-536.
 Bank of Orange, Hillsboro 66-373.
 Bank of Hollister, Hollister 66-594.
 Bank of Northampton, Jackson 66-380.
 Bank of Onslow, Jacksonville 66-286.
 Bank of Kenly, Kenly 66-383.
 Farmers Bank, Kenly 66-617.
 Boulevard Bank & Trust Co., Leaksville 66-561.
 Bank of Liberty, Liberty 66-385.
 Bank of Lilesville, Lilesville 66-386.
 Farmers Bank & Trust Co., Madison 66-612.
 Malden Bank, Malden 66-389.
 Merchants & Farmers Bank, Marion 66-229.
 Mayville Banking & Trust Co., Mayville 66-393.

North Carolina—Continued

Mebane Bank & Trust Co., Mebane 66-564.
 Merchants & Farmers Bank, Mocksville 66-553.
 Farmers & Merchants Bank, Monroe 66-482.
 First National Bank, Mooresville 66-164.
 Bank of Morganton, Morganton, 66-180.
 Mt. Holly Bank, Mt. Holly 66-404.
 Avery County Bank, Newland 66-588.
 Bank of Oak City, Oak City 66-409.
 Bank of Pembroke, Pembroke 66-520.
 Bank of Pink Hill, Pink Hill 66-539.
 Bank of Pittsboro, Pittsboro 66-418.
 Bank of Proctorville, Proctorville 66-534.
 Bank of Raeford, Raeford 66-422.
 Farmers Banking & Trust Co., Roberson 66-609.
 Farmers & Merchants Bank, Rocky Mount 66-88.
 Bank of Roseboro, Roseboro 66-429.
 Rosemary Banking & Trust Co., Rosemary 66-524.
 Bank of St. Pauls, St. Pauls 66-450.
 Bank of Saluda, Saluda 66-598.
 Bank of Sanford, Sanford 66-195.
 Banking Loan & Trust Co., Sanford 66-196.
 Farmers Bank, Seaboard 66-434.
 Sharpsburg Banking Co., Sharpsburg 66-436.
 Snow Hill Banking & Trust Co., Snow Hill 66-438.
 Bank of Spruce Pine, Spruce Pine 66-586.
 Peoples Loan & Savings Bank, Statesville 66-550.
 Jackson County Bank, Sylva 66-452.
 Peoples Bank, Thomasville 66-591.
 Peoples Bank & Trust Co., Tryon 66-607.
 Peoples Bank, Union Mills 66-458.
 Valle Cruces Bank, Valle Cruces 66-542.
 Bank of Vass, Vass 66-460.
 Peoples Bank, Waco 66-487.
 Bank of Wadesboro, Wadesboro 66-188.
 Bank of Wagram, Wagram 66-461.
 Bank of Wake, Wake Forest 66-230.
 Citizens Bank, Warrenton 66-275.
 Citizens Bank, Windsor 66-281.
 Citizens Bank, Zebulon 66-588.

North Dakota

Blabon State Bank, Blabon 77-517.
 Luverne State Bank, Luverne 77-724.
 First National Bank, Mott 77-181.
 Bank of Niagara, Niagara 77-668.
 First National Bank, Parshall 77-867.
 Citizens State Bank, Sharon 77-338.

Ohio

Farmers State Bank, Holgate 56-1272.
 Prairie Depot National Bank of Freeport, Prairie Depot 56-1279.
 Opeka Savings Bank Co., Toledo 56-21.

Oklahoma

National Bank of Billings, Billings 86-1100.
 First National Bank, Blanchard 86-515.
 First National Bank, Forgan 86-1102.
 City National Bank, Guymon 86-324.
 City National Bank, Hollis 86-398.
 Home State Bank, Mill Creek 86-1091.
 Liberty National Bank, Oklahoma City 86-19.
 Central National Bank, Okmulgee 86-110.
 Peoples Bank & Trust Co., Wann 86-909.

Pennsylvania

Lehigh National Bank Catasauqua 60-727.
 First National Bank, Claysburg 60-1422.
 Elizabethtown Exchange Bank, Elizabethtown 60-871.
 Central Trust Co., Harrisburg 60-89.
 Merchants National Bank, Harrisburg 60-87.
 Hershey Trust Co., Hershey 60-1188.
 Title Trust & Guarantee Co., Johnstown 60-109.
 Union Bank, Nanty-Glo 60-1482.
 Cement National Bank of Slegfried, Northampton 60-1338.
 Roxborough Trust Co., Ridge Avenue at Green Lane, Philadelphia 3-152.
 First National Bank, Stoneboro 60-1353.

South Carolina

Farmers & Merchants Bank, Andrews 67-509.
 Charleston Trust Co., Navy Yard 67-507.
 Citizens Bank, Taylors 67-446.

South Dakota

First National Bank, Bridgewater 78-173.
 Live Stock Bank, Draper 78-434.
 First National Bank, Gregory 78-122.
 Lennox State Bank, Lennox 78-193.

Tennessee

Bank of Adams, Adams 87-313.
 D. W. Dinges Banking Co., Alexandria 87-256.
 Peoples Bank & Trust Co., Bellbuckle 87-298.
 Benton Banking Co., Benton 87-324.
 Farmers & Merchants Bank, Bethpage 87-326.
 Pickett County Bank & Trust Co., Byrdstown 87-338.
 First National Bank, Cookeville 87-190.
 Citizens Bank & Trust Co., Decherd 87-519.
 Weakley County Bank, Dresden 87-265.
 Miners State Bank, Ducktown 87-258.
 Erwin National Bank, Erwin 87-226.
 Peoples Bank, Etowah 87-198.
 Graysville Bank, Graysville 87-391.
 American National Bank, Knoxville 87-56.
 National Bank of LaFollette, LaFollette 87-146.
 Peoples Bank, LaFollette 87-603.
 Farmers Bank, Livingston 87-415.
 Federal Reserve Bank of St. Louis, Memphis 26-3.
 Oakdale Bank & Trust Co., Oakdale 87-524.
 Bank of Ooltewah, Ooltewah 87-445.
 Bank of Philadelphia, Philadelphia 87-581.
 Prospect Bank & Trust Co., Prospect 87-454.
 Union Bank & Trust Co., Pulaski 87-136.
 Riceville Bank, Riceville 87-509.
 Robbins Bank & Trust Co., Robbins 87-456.
 Sevier County Bank, Sevierville 87-276.
 First National Bank, Sweetwater 87-616.
 Citizens Bank & Trust Co., Wartburg 87-486.

Texas

Citizens National Bank, Jasper 88-1655.
 American Savings Bank, San Antonio 30-63.
 Citizens National Bank, Saint Jo 88-770.
 State Bank & Trust Co., San Marcos 88-254.

Utah

First National Bank, Van Alstyne 88-576.

Washington

Army Bank of Greene Park, Camp Lewis 98-401.

West Virginia

Peoples Trust Co., Martinsburg 69-69.

Wisconsin

Adams County State Bank, Adams 79-799.
 Portage County Bank, Almond 79-437.
 Dairyman's State Bank Arpin 79-826.
 Bank of Athens, Athens 79-443.
 Avoca State Bank, Avoca 79-446.
 Citizens State Bank, Boyd 79-422.
 De Forest State Bank, De Forest 79-502.
 Denmark State Bank, Denmark 79-503.
 Ferryville State Bank, Ferryville 79-740.
 Friesland State Bank, Friesland 79-841.
 Farmers State Bank, Granton 79-544.
 Farmers Bank, Lone Rock 79-589.
 First National Bank, Mayville 79-860.
 Teutonia Avenue State Bank Milwaukee 12-65.
 Mt. Hope State Bank, Mt. Hope 79-616.
 State Bank of Radisson, Radisson 79-946.
 State Bank of Sauk City, Sauk City 79-671.
 Suring State Bank, Suring 79-692.
 Waunakee State Bank, Waunakee 79-710.
 Republic of Panama, Banco Ramon Arias-Feraud, Panama.

Registration at the Association Offices

(Continued from page 252)

Sigafoose, James D., Moundsville, W. Va.
 Stalker, J. N., vice-president Union Trust Co., Detroit, Mich.
 Stevens, Charles W., assistant cashier Old Colony Trust Co., Boston, Mass.

Strong, S. Fred., treasurer New Haven Savings Bank, New Haven, Conn.
 Trowbridge, F. L., cashier First National Bank, New Haven, Conn.
 Walkup, A. M., Richmond, Va.

