

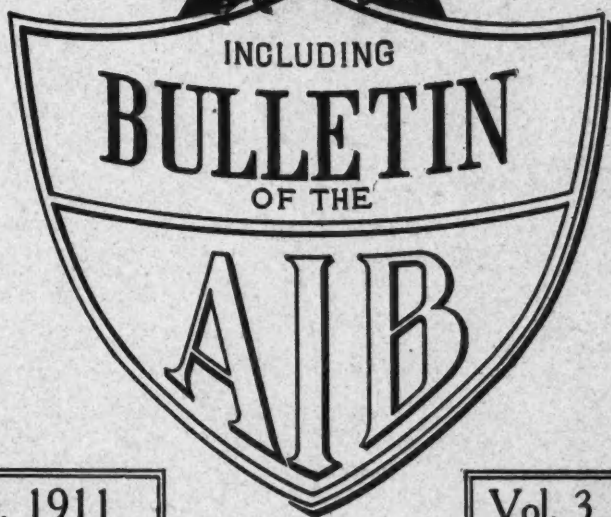
Spring Meeting Executive Council, Nashville  
Currency Commission's Report on Aldrich Plan as Modified

# JOURNAL

OF THE

AMERICAN BANKERS

ASSOCIATION



May, 1911

Vol. 3, No. 11

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Vol. 3.

MAY, 1911.

No. 11

## OFFICERS AMERICAN BANKERS ASSOCIATION, 1910-1911.

<p><b>PRESIDENT:</b> F. O. WATTS, President First National Bank, Nashville, Tenn.</p> <p><b>FIRST VICE-PRESIDENT:</b> WILLIAM LIVINGSTONE, Pres. Dime Sav. Bank, Detroit, Mich.</p> <p><b>CHAIRMAN EXECUTIVE COUNCIL:</b> CHARLES H. HUTTIG, Pres. Third Nat. Bank, St. Louis, Mo.</p> <p><b>GENERAL SECRETARY:</b> FRED. E. FARNSWORTH, Eleven Pine Street, New York City.</p>	<p><b>TREASURER:</b> ARTHUR REYNOLDS, Pres. Des Moines Nat. Bank, Des Moines, Ia.</p> <p><b>ASSISTANT SECRETARY:</b> WILLIAM G. FITZWILSON, Eleven Pine Street, New York City.</p> <p><b>GENERAL COUNSEL:</b> THOMAS B. PATON, Eleven Pine Street, New York City.</p> <p><b>MANAGER PROTECTIVE DEPARTMENT:</b> L. W. GAMMON, Eleven Pine Street, New York City.</p>
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## EXECUTIVE COUNCIL MEETING AT NASHVILLE.

The regular Spring Meeting of the Executive Council of the American Bankers Association was held at the home city of President F. O. Watts—Nashville, Tenn.—on Tuesday and Wednesday, May 2d and 3d. Of the eighty members comprising the Council, there were few absentees, from whom regrets were received, sickness in many cases being the cause of their absence. At the roll call, every member of the Council in Nashville responded.

Two special trains de luxe conveyed the members of the Council and committees accompanied by their ladies, one train leaving New York City Saturday morning, April 29th, the other train leaving Chicago the same day, both arriving in Nashville on Sunday. The trains were as finely equipped as any that ever went out of these metropolitan cities; the first mentioned being under the personal supervision of W. R. Barnett, Assistant General Passenger Agent of the New York Central lines, and the latter under the personal supervision of General Agent A. B. Schmidt of the C. & E. I. Railway.

On arrival at Nashville the parties were welcomed by President Watts and members of the Entertainment Committee of the Nashville Clearing House Association, and were conveyed in automobiles to the Hotel Hermitage, which was headquarters. Sunday afternoon the visitors were entertained by automobile rides to The Hermitage—the home of Andrew Jackson, and to many other points of historical interest in the vicinity of Nashville. They also attended receptions at the beautiful country residences of Mr. and Mrs. Williams and Mr. and Mrs. Caldwell, as well as at the Country Club.

Many members of the Council are golf enthusiasts, and when not attending business sessions, spent a great deal of time on the golf links. President Watts arranged for a golf tournament at the Country Club, the winner to be presented with a cup offered by him. J. B. Forgan and George F. Orde tied, and on the toss of a coin Mr. Forgan won.

The various committees of the Association and Sections held meetings on Monday, May 1st, at which their reports were prepared for presentation to the Council on the two following days.

Monday evening a banquet was tendered by the Hotel Hermitage, at which two hundred people, including ladies were seated. Charles H. Huttig, Chairman of the Executive Council, acted as toastmaster. J. B. Forgan of Chicago made an address on "The Possibilities of Senator Aldrich's Suggestions for Monetary Legislation." Addresses were also made by John Bell Keeble, a prominent lawyer of Nashville; President F. O. Watts and Vice-President William Livingstone.

A resolution was adopted at the meeting on Tuesday, extending the thanks of the Council to James B. Forgan for his able and comprehensive address delivered at the banquet, and was ordered published in the Journal Bulletin.

The Tuesday sessions of the Council were devoted to the reports of the Sections and Committees.

As will be seen by the action on the report of the Currency Commission of this Association by Vice-Chairman Forgan, the Council adopted unanimously, a resolution offered by Mr. Watts heartily approving the Aldrich plan for Monetary Legislation as amended

by the Currency Commission in its report, including resolutions presented by the Trust Company Section and Savings Bank Section, which were made part of the report. (See page 649.)

The National Monetary Commission and the Currency Commission of the Association, realizing the importance of a thorough understanding of the proposed bank and currency legislation, will co-operate to send speakers competent to talk on the subject, to every convention of State Bankers Associations. A letter was sent out some time ago by the General Secretary to all Secretaries of State Associations to that effect, and requesting them, if they wished speakers, to communicate with the National Monetary Commission at Washington.

The question of different phases of bank taxation in connection with the Central Reserve Association, when organized, was debated. This subject was referred to the General Counsel with the request that he prepare a brief and submit same to the Currency Commission for their consideration at the proper time.

Tuesday evening a reception and dance was given at the residence of F. O. Watts, automobiles conveying the visitors from the hotel. They were royally entertained by Mr. and Mrs. Watts, and the function was thoroughly enjoyed by everyone present.

At Wednesday's session of the Council the following resolution, which is self-explanatory, was offered by Lewis E. Pierson of New York, and unanimously adopted:

"Whereas, Twenty-six States have considered it wise public policy to provide by law a special standard of investment for savings deposits, and

Whereas, Ten of these States, namely, California, Connecticut, Idaho, Massachusetts, Michigan, New Hampshire, Ohio, Rhode Island, Texas and Vermont have made their respective standards effective by providing that they shall apply to the investment of all savings deposits whether held by savings banks, State banks or trust companies, and

Whereas, The responses to an inquiry circulated by the Federal Legislative Committee of this Association in February, 1910, among the national banks of the country indicate a very general and widespread approval of the principal underlying such legislation; therefore be it

Resolved, That the Standing Law Committee be instructed to investigate the subject fully and report to the Executive Council at its next meeting,

(1) The conditions in the ten States above mentioned which led to the general adoption of the principle of special investment for savings deposits;

(2) The opinion of the Committee as to the conditions under which the adoption of the principle in other States is practicable;

(3) The opinions of as many members of this Association as it may be feasible to obtain whether the further adoption of the principle is advisable and practicable;

(4) Any recommendations which their investigation of the subject may lead them to make."

The admissibility of the appointment of a Committee to consider Credit Information or the Registra-

tion of Commercial Paper was referred to the Clearing House Section.

The Administrative Committee was authorized to appoint a Special Committee to consider amendments to the Constitution.

The question of fixing a meeting place for the next Convention of the Association was referred by the Convention at Los Angeles to the Executive Council, but, the Council feeling unprepared at that time to vote upon the various invitations extended, not knowing the facilities for handling such a body, referred the invitations to the Administrative Committee for investigation and to report their findings to the next meeting of the Council with its recommendations.

The Administrative Committee went thoroughly into the matter, and in order that every city might feel that its invitation was being given the serious consideration that such courtesy on their part warranted, instructed the General Secretary to visit each of the cities. The invitations considered were from San Antonio, Richmond, New Orleans, and Atlantic City.

President Watts made a verbal report for the Administrative Committee, which was adopted, New Orleans being unanimously selected as the place for holding the next Convention; the date and all other details being referred to the Administrative Committee, with power. The date will probably be about the middle of November, and the St. Charles Hotel, headquarters.

The associated banks and trust companies of Detroit, and the Chamber of Commerce, extended an invitation to the Association through Vice-President Livingstone, to hold the 1912 Convention in that city. It was heartily endorsed by Emory W. Clark of Detroit, member of the Council. The invitation will be referred to the next Convention for action.

George H. Russel of Detroit, for many years an earnest worker in the affairs of the Association and an ex-President, is now in Johns Hopkins Hospital, Baltimore, convalescing from a serious illness. The Council adopted a resolution instructing General Secretary Farnsworth to send a telegram to Mr. Russel extending their sincere sympathy in his sickness, and congratulations upon his rapid recovery—two dozen American Beauty roses to accompany the delivery of the telegram with the compliments of the Executive Council.

The Governor of Tennessee extended a cordial invitation to the Council to visit him at the Executive Mansion on adjournment of the meeting, of which courtesy the Council availed themselves.

An invitation was extended by the Mayor of Chattanooga, the Clearing House Association, the Chamber of Commerce, and the Chattanooga Manufacturers' Association to visit Chattanooga and spend a day in that city. Owing, however, to the fact that the party would return on the special trains, they were prevented from availing themselves of the courtesy extended.

The proverbial hospitality of the South was more than exemplified in that extended by the citizens of Nashville to their visitors from the time of their arrival to their departure. Automobiles galore were at the hotel at all times for the use of the visitors;

the social clubs of the city, including the Hermitage Club and the Golf and Country Club held open house; the Board of Commerce furnished souvenirs in the way of handsome views and postal cards, ready stamped for mailing; the telephone company installed special service in the hotel for the Council without expense; the management of the Hotel Hermitage, in addition to the banquet, extended many courtesies; and the entertainment furnished by the ladies of Nashville to the ladies of the party was continuous. While the generous entertainment provided by the citizens of Nashville was in honor of the body of men gathered there, yet it was a glowing tribute to their fellow-citizen President F. O. Watts and his estimable wife, bearing testimony to the high esteem in which they are held.

Several special resolutions of thanks offered are

practically covered in the following resolution, which was unanimously adopted:

Resolved, That the Executive Council extend its hearty thanks to the citizens of Nashville and the ladies for their bountiful hospitality and constant courtesy; also to Mr. and Mrs. F. O. Watts, the Hermitage Club, Golf and Country Club, Hotel Hermitage, and to all those who contributed to the pleasure of the visitors.

President Watts expressed his appreciation of the distinguished compliment paid him by the Council in visiting Nashville.

The special trains left Nashville for the return trip about midnight Wednesday.

The following are the reports presented to the Council and the action on same.

## REPORTS.

### Administrative Committee.

F. O. WATTS, *Chairman.* WILLIAM LIVINGSTONE,  
CHARLES H. HUTTIG.

(In Part.)

The Committee attended the meeting of the Currency Commission held in Washington, D. C., March 27th, and meetings of the National Monetary Commission, March 28th and 29th.

At each of these meetings various communications were presented from members as well as from different bodies and were acted upon by the Committee, or referred to the Executive Council for action.

The various committees, provided for in the Constitution, were named, the appointive power being vested in the committee as per amendment to the Constitution adopted at the Los Angeles convention.

The Committee approved several bills of the Law Committee which it was proposed to introduce into the legislatures of the various States, said bills having been prepared by General Counsel Paton.

Other routine business was transacted.

(Report received and adopted.)

### General Secretary Farnsworth.

New York City, April 29, 1911.

As your General Secretary, I wish to allude only briefly to the routine work of the Association, covering the period since the last Council meeting held at Los Angeles.

The amendment to the Constitution, adopted at the Los Angeles convention, provided for the appointment of an Administrative Committee to be composed of the President, the Vice-President and the Chairman of the Executive Council. To this committee the General Secretary has acted as Secretary, and special business of the Association which may have been covered in the past in the report of the General Secretary, will be embodied in the report of the Administrative Committee. I believe this provision was a wise one for it gives the General Secretary a responsible body on whom he may call at any time for counsel and advice. The frequent meetings of the committee enable the executive officers to keep in close touch with the work of the Association.

The reports of the various Sections and committees will show that these adjuncts are alert and active, and interested in the general welfare of the Association and its membership.

As the season of conventions has not yet arrived, the General Secretary has confined his outside activities to committee meetings, State Group meetings and banquets, and chapter meetings and banquets, including a visit to Washington, D. C., Richmond, Va., New Orleans and Nashville. The trips to New Orleans and Richmond were for the purpose of secur-

ing, on the ground, the necessary information regarding these cities as points which will be considered for the next convention; and the trip to Nashville was to look into the accommodations and arrangements for the Council meetings. The General Secretary also visited San Antonio last year to investigate its qualifications as a convention city, but was sufficiently familiar with Atlantic City so that a visit there was not necessary.

It is not necessary to more than allude to the changes brought about in our Protective Department. This work is moving along smoothly and very satisfactorily. Our Protective Committee and our Protective Department are securing results, and never in the history of the Association has the work been better performed than it is to-day. The change in our Detective Agency was made several months after the end of the fiscal year, 1909, and thereafter our former agency established a bank protective department of its own. It was among the possibilities that this action on the part of our former agency might lead to the withdrawal of some of our members who were subscribing for both protections. The records, however, do not show that this was the result. Our drafts sent out on September 1st of last year were more promptly paid than ever before, and now that we are at the end of our period of collecting dues for the past year, the delinquent list is no greater than formerly, taking into consideration the increase in our membership. These figures will be shown in the statement of membership which follows:

Time has developed the wisdom of the consolidation of the Bulletin with the Journal. I have yet to interview a member of the Institute or a member of the Association who does not express himself much pleased with the combination. The joint publication now has a subscription list of about 25,000. The members of the Association, and likewise the members of the Institute, are thus brought into contact fully with the work of both organizations, and I do not believe there is any other one feature of our work which gives more general satisfaction to the greatest number than the Journal-Bulletin. Among the various departments, information in regard to which is disseminated through this publication, two of the strongest are the Legal Department and the Protective Department. Before the advent of the Journal, information regarding criminals, their pictures and handwriting was issued to members only quarterly. Now with each month's publication there goes forth up-to-date information in regard to criminals of the country, with the additional advantage of placing in the hands of sheriffs in many places, as well as the Chiefs of Police in the larger cities, a record which is invaluable. This point in the Journal-Bulletin's usefulness has been demonstrated time and again by the results obtained through the channels of officers and paying tellers in banks, and city and county officials above enumerated.

The organization of the Secretaries' Section, making it a part of the American Bankers Association, has enabled the Journal-Bulletin to make an important department which appeals to forty-six strong State Bankers' Associations representing a membership of nearly 20,000 banks.

The annual proceedings of this year made the most comprehensive and complete volume ever issued, containing 868 pages, and embodying the proceedings of the three Sections. It is also unusually handsome typographically.

The Treasurer's statement, and the financial statements which are presented to the Council, show unusually satisfactory conditions. This has been brought about by the increased membership and the small number of delinquents. The cash balance on hand at this time is \$10,424.59 more than a year ago.

Again we can point with pardonable pride to the statement of membership. The increase during the past year, between spring meetings of the Council, compares favorably with any period in the history of the Association. The membership is larger to-day than at any previous time, by several hundred. For our success in this direction, I wish to give due credit for the material aid received from the officers, members of the Council, Vice-Presidents and the State Secretaries.

**Membership.**

Membership May 1, 1910.....	10,969
Lost by failures, mergers and liquidations..	169
Lost by delinquents .....	247
	416
	10,553
Addition to membership from May 1, 1910, to date .....	1,125
Present Membership .....	11,678
After deducting delinquents, failures, mergers, etc., these figures show a net gain from May 1, 1910, of.....	709
Members added to the list during month of April .....	56
Membership May 1, 1908.....	9,297
Membership May 1, 1909.....	10,065
Membership May 1, 1910.....	10,969
Membership April 22, 1911 .....	11,678

**Membership by States.**

Alabama .....	150	New Jersey .....	260
Alaska .....	13	New Mexico .....	52
Arizona .....	53	New York .....	897
Arkansas .....	164	North Carolina.....	134
California .....	497	North Dakota.....	203
Colorado .....	200	Ohio .....	501
Connecticut .....	159	Oklahoma .....	281
Delaware .....	33	Oregon .....	140
District of Columbia..	35	Pennsylvania .....	801
Florida .....	114	Rhode Island .....	43
Georgia .....	292	South Carolina .....	125
Idaho .....	119	South Dakota .....	192
Illinois .....	787	Tennessee .....	136
Indiana .....	351	Texas .....	329
Iowa .....	432	Utah .....	50
Kansas .....	430	Vermont .....	65
Kentucky .....	150	Virginia .....	181
Louisiana .....	157	Washington .....	245
Maine .....	89	West Virginia.....	143
Maryland .....	162	Wisconsin .....	310
Massachusetts .....	259	Wyoming .....	63
Michigan .....	355	Canada .....	9
Minnesota .....	350	Cuba .....	16
Mississippi .....	145	Hawaii .....	13
Missouri .....	406	Isle of Pines.....	1
Montana .....	153	Porto Rico .....	2
Nebraska .....	334	Mexico .....	22
Nevada .....	24		
New Hampshire .....	46	Total .....	11,678

(Report received and placed on file.)

**Treasurer Reynolds.**

**Financial Statement September 1, 1910, to April 22, 1911, Inclusive.**

**RECEIPTS.**

Sept. 1, 1910.	
Cash balance .....	\$1,278.90
Interest on bank balances.....	937.73
Interest on stock and bonds.....	2,325.00
Extra guests, conventions .....	2,580.00
Standing Protective Committee, sale of cases .....	6.00
Account traveling expense, rebate.....	20.30
Account convention expense—Stenographers, \$385 freight overcharge, \$6.06..	391.06
Account general proceedings .....	55.50
Account Trust Co. Section, sale of books, postage and stationery .....	106.72
Postage, stationery and printing .....	14.00
Account American Institute of Banking Section, rent .....	416.60
Dues, 1 part payment, member, 1909-1910..	30.00
Dues 9,752 old members, 1910-1911.....	161,432.50
Dues 682 new members, 1910-1911.....	6,328.33
Dues 897 regained members, 1910-1911...	12,120.86
Dues 7 part payments, members, 1910-1911	67.50
Dues 42 prepaid members for 1911-1912..	285.00
Sundry small items.....	10.50
	\$188,406.29

**DISBURSEMENTS.**

Sept. 1, 1910.	
Account membership signs .....	\$552.45
Office fund .....	1,000.00
Times calamity sufferers, voted by convention at Los Angeles, Cal.....	5,000.00
Refund account dues 1909-1910, overpaid..	5.00
Refund account dues 1910-1911 overpaid..	131.67
Rent, general offices .....	3,583.40
Salaries .....	16,953.06
Postage, stationery and printing.....	4,216.93
Publishing and Distributing Annual Proceedings .....	11,858.15
Executive Council meeting (Spring 1910)..	397.70
Journal .....	11,670.00
Departments expense, ice water and towels .....	99.00
Furniture and fixtures for general offices and sections .....	1,246.51
Executive Council, Vice-Presidents and State Secretaries, securing new members .....	699.31
Extra office help .....	188.13
Telephone and telegrams .....	550.97
Treasurer collecting dues 1910-1911.....	1,118.68
Convention expenses, Los Angeles, including \$5,000 to entertaining city.....	10,099.41
Auditors for 1909-1910 (Marwick, Mitchell & Co.).....	100.00
Collections, account extra guests, Los Angeles convention .....	2,060.00
Traveling expenses .....	916.83
Bankers Trust Co., premium on officers' bonds .....	32.50
American Institute of Banking Section..	6,016.60
Clearing House Section.....	1,352.17
Savings Bank Section .....	4,596.08
Trust Company Section .....	4,854.44
Legal Department .....	6,303.35
Committee on Bills of Lading.....	1,074.25
Committee on Express Companies and Money Orders .....	342.82
Law Committee .....	290.46
Special Protective Committee.....	17.25
Standing Protective Committee.....	43,580.32
(\$15,225.61 is of last fiscal year's business)	
Committee on Fidelity Bonds and Burglary Insurance .....	805.50
Administrative Committee .....	381.13
Committee on National and State Bank Forms .....	256.26
Currency Commission .....	1,544.40
Establishing agencies, Protective Department .....	771.22



Interest, discount and exchange.....	7.54
Sundry items, office supplies, etc.....	1,253.06
Credit balance .....	42,479.72
	<hr/>
	\$188,406.29

Note.—Cash balance in hands of Treasurer	\$42,479.72
Cash on hand in Office Fund.....	1,000.00
Cash in Journal Fund.....	2,550.00
Checks on hand .....	35.00
	<hr/>
Total .....	\$46,064.72

Note.—In addition to the above balance, the Treasurer holds for investment the following:

Par Value.	Cost.
\$10,000 Government 4 per cent. bonds of 1925 .....	\$10,000.00
30,000 Atchison 4 per cent. bonds of 1995 .....	30,825.00
50,000 C., B. & Q., Ill. Division 4 per cent. bonds of 1949.....	50,843.75
30,000 New York City Registered Corporate Stock 3½ per cent., due 1940 .....	25,425.00
	<hr/>
\$120,000	\$117,093.75

(Report accepted and placed on file.)

**General Counsel Paton.**

My report will be confined to a general summary of the principal matters taken up during the last six months, without any attempt to review in detail the various services undertaken for Sections, committees and individual members.

**LEGISLATIVE WORK.**

Owing to the fact that over forty State legislatures convened during 1911, an excellent opportunity was afforded for the widespread promotion of the protective and beneficial legislation in which this association is interested. This opportunity has been availed of to the utmost and aid has been given in an active campaign which has been carried on in nearly all these States.

Last November the Law Committee of the Association held an all-day session in New York, at which full consideration was given to drafts of laws presented by General Counsel on the following subjects, having for their object the better protection of banks against loss from fraud and crime and the better regulation of certain customary banking transactions:

1. To punish the making or use of false statements to obtain property or credit.
2. To punish derogatory statements affecting banks.
3. To punish the giving of checks or drafts on banks against insufficient funds or credit.
4. To define and punish the crime of burglary with explosives.
5. To fix the liability of a bank to its depositor for payment of forged or raised checks.
6. Relative to payment of deposits in two names.
7. Relative to payment of deposits in trust.
8. Concerning notaries public who are stockholders, directors, officers or employees of banks or other corporations.

Separate pamphlets containing the finally approved drafts of these laws with explanatory statements and annotations of similar enactments were prepared by your General Counsel and in December were forwarded, together with the Uniform Negotiable Instruments and Warehouse Receipts Acts, to the various State Associations and others interested, as measures recommended by the American Bankers Association and approved by its Law Committee.

During the last four months General Counsel has been constantly engaged in aid of the promotion of these measures. An active correspondence has been conducted, and in numerous cases, when called upon, briefs and arguments have been prepared and forwarded to those promoting the legislation in different States, as needed. The results obtained have been

highly gratifying and successful. A summary of the progress and passage of these association measures, as reported to date, will be given in connection with the report of the Law Committee. In brief, this year:

The bill to punish the making or use of false statements to obtain credit has become a law in Missouri and Nevada and has passed the California legislature, where, according to latest advices, it was awaiting the Governor's signature. In New Jersey it passed the Senate but was defeated in the Assembly.

The bill to punish derogatory statements affecting banks has become a law in Missouri, Nevada and Wyoming. In Montana it passed the House, but was defeated in the Senate. In Wisconsin it passed the Senate, and is pending in the House.

The bill to punish the giving of checks or drafts against insufficient funds has not yet been reported as law in any new State this year. It has, however, passed the Senate in Wisconsin and is pending in the House.

The bill to define and punish the crime of burglary with explosives has become a law in Kansas, with a penalty of not more than twenty years in the discretion of the court.

The bill fixing a short period of liability of a bank which pays a forged or raised check has become a law in Idaho, with time limit of three months, and in Maine, time limit one year. In Oregon, where this law was enacted in a previous year, it has been amended to include forged indorsements, the time limit in that State being thirty days.

The bill authorizing payment of deposits in two names to the survivor has become a law in three new States: Massachusetts, South Dakota and Wyoming. It has also passed the Senate in Wisconsin, with limit of amount to \$500, and is pending in the House.

The bill relative to payment of deposits in trust has become a law in Wyoming.

The bill concerning notaries public who are stockholders, directors or officers of banks and other corporations has become a law in Maine and South Dakota.

The Uniform Negotiable Instruments Law passed the California legislature but was vetoed by the Governor.

The Uniform Warehouse Receipts Act has become a law in Missouri and Utah, and in Colorado it has passed the legislature and, at latest advice, was awaiting the Governor's signature. This act also passed the Senate in the State of Washington, but failed in the House.

There are certain States whose legislatures are still in session, and later reports may still further augment these results.

Appended to the report of the Law Committee is also a partial summary of this year's legislation affecting banks, other than measures recommended by this association.

**BILLS OF LADING.**

Another subject of legislation, not included in the above, in which this association is vitally interested, is Bills of Lading. Notwithstanding our success in procuring the passage of the Stevens bill through the House of Representatives last June by a majority which was almost unanimous, we utterly failed in the Senate. Repeated attempts were made to procure a hearing before the Senate Committee on Interstate Commerce at the short session of the 61st Congress, which ended last March, but without avail. I am pleased to report, however, that prospects look brighter in the present, 62d, Congress. The Stevens bill has again been introduced in the House by Congressman Stevens and in the Senate by Senator Clapp. The chairman of your Committee on Bills of Lading, Mr. Hollister, and your General Counsel visited Washington recently to study the situation and had very encouraging interviews with a number of Representatives and Senators. The chances are favorable for procuring a hearing on the measure this spring before the House Committee on Interstate and Foreign Commerce, which will give us an earlier progressive start than if compelled to wait for the opening of Congress next December.

Apart from Congress, an active campaign has been

carried on in a number of State legislatures this year on behalf of the Uniform Bills of Lading Act, in which your General Counsel has participated in the form of briefs, arguments, personal attendance at legislative hearings, and in the conduct of quite an extensive correspondence. Despite opposition on the part of the railroads, the act has been passed in the State of Iowa and in Ohio it has passed the House unanimously, has been favorably reported out of the Senate Committee, and is expected to pass the Senate before the legislature adjourns. The act is also pending in Illinois, New York and Wisconsin. In North Carolina, notwithstanding favorable committee reports in both House and Senate, the railroad lobby was too strong for a favorable outcome. We now have the uniform act in three States: Maryland and Massachusetts, where it passed last year, and Iowa, during the present year, with good prospects in Ohio and a fair outlook in New York.

Your counsel has also been engaged in the negotiations between the railroads and the New York Subcommittee on Bills of Lading, involving the perfection of the validation system for export cotton bills and the adoption of other methods to provide greater safeguards against loss from forgery. Information has been obtained from compress points throughout the country of the extent to which through bills are issued against compress receipts and compress receipts against local bills without knowledge as to the actual possession of the cotton. A very satisfactory interview was had last December with the Chairman of the Interstate Commerce Commission in Washington as to the interpretation of an order of the Commission that "property to be transported must be in possession of the carrier issuing bill of lading therefor at the time of such issuance." The chairman emphatically stated that the order was intended to stop all cases of issue of bills of lading until the goods were actually in the possession of the carrier, and that the Commission believed they had ample power to so prohibit, derived from the Interstate Commerce Act as amended last year. This is a highly satisfactory development in the movement for greater integrity of the bill of lading.

**PROTECTIVE WORK.**

Your General Counsel has co-operated with Manager Gammon in the valuable work carried on by the Protective Department in all cases where legal advice and assistance has been required. In addition to the questions involving the law of fraud and forgery which come up in ordinary cases, there have been certain proceedings of unusual moment which are deserving of special mention.

(Details of cases omitted.)

**OPINION WORK.**

An important branch of work which has grown to great proportions is the giving of opinions without charge to the individual membership of the association. Requests for legal opinions from members upon every variety of question arising in the banking business are constantly received at the office of the General Counsel and are investigated and replied to as promptly as possible. The demands upon the time of the General Counsel have been so great in the performance of a variety of other duties that it has been impossible to reply to all legal inquiries received as promptly as might be desired, especially in those cases which involve legal research. But a large number of such legal opinions to individual members have been given, and many of these have been published monthly in the Journal of the association. In all 121 written opinions have been rendered since the time of the Los Angeles Convention.

Last December prosecution of the banks in New Orleans under the Sherman Anti-Trust Law was threatened by the local District Attorney on the ground that the uniform collection charges of the New Orleans Clearing House were in violation of the Sherman Act. The Attorney-General of the United States ultimately advised the District Attorney to abandon the prosecution. In this connection, at the request of the New Orleans Clearing House, your General Counsel prepared and forwarded to the Attorney-

General a brief upon the subject which supported the contention that such Clearing House rules were not in violation of the Sherman Act.

**MISCELLANEOUS SERVICES.**

Various services have been performed on behalf of sections and a number of standing and special committees which will not be detailed. They include the preparation of papers and documents, the giving of advice and attendance at committee meetings and other conferences. After the adverse decision of the Supreme Court in the bank guaranty cases the authority of the Administrative Committee was obtained to file a petition in behalf of the application for a rehearing, and such a petition was prepared, but the rehearing was denied so shortly after the necessary authority had been obtained that the petition became ineffective. In connection with the pending conference at The Hague in respect to uniformity of international law upon bills of exchange and checks, your counsel has been called into consultation with the American Commissioner, Mr. Conant, upon various provisions of the proposed law. Services have been rendered for committees of State Bankers Associations in the reframing of proposed laws to harmonize with existing statutes. The usual work has been performed in connection with the issue of the monthly Journal; much time is given and information furnished in interviews and, aside from legal matters, there is an extensive general correspondence.

(Report received and placed on file.)

**Condensed Report of the Standing Protective Committee.**

For the period covered from September 1, 1910, up to and including March 31, 1911, your Committee beg to report as to its operations against criminals, as follows:

Total cases not disposed of arrested prior to Sept. 1, 1910 .....	57
Total arrests since Sept. 1, 1910 .....	94
	<hr/>
Convicted .....	151
Released, escaped, killed and died .....	64
	<hr/>
	103
March 31, 1911, awaiting trial .....	48

Since the beginning of the present fiscal year, September 1, 1911, up to and including April 22, 1911, there have been 25 burglaries, attempted burglaries and hold-ups reported on members, and 125 similar attacks, including sneak thefts, on non-members, as follows:

	Members.	Non-Members.
Arizona .....	1	.
Arkansas .....	.	3
California .....	.	1
Colorado .....	.	1
Georgia .....	.	1
Illinois .....	3	15
Indiana .....	3	6
Iowa .....	.	12
Kansas .....	1	14
Kentucky .....	1	2
Louisiana .....	.	2
Maine .....	1	.
Massachusetts .....	1	.
Michigan .....	1	4
Minnesota .....	1	1
Missouri .....	.	7
Nebraska .....	1	8
New Hampshire .....	.	1
New Mexico .....	1	.
New York .....	3	3
Ohio .....	1	5
Oklahoma .....	2	12
Oregon .....	1	2
Pennsylvania .....	.	2

South Dakota .....	6	
Tennessee .....	3	
Texas .....	7	
Vermont .....	2	
West Virginia .....	1	
Wisconsin .....	5	
Wyoming .....	1	
Total .....	25	125

It can be seen from the above table that the yeggs burglar has been most active in the Middle West, especially against non-member banks, there having been very few attacks in that section of the country against members.

Of the 25 attacks on members, eight were successful; eight attempts were by professionals; eight attempts were by amateurs, where no explosives were used, and one professional hold-up.

Of the 125 attacks on non-members, they were all by professionals, amateur attacks on non-members as a rule not being reported to this Department.

In the town of Waterville, Kansas, there are three banks. On December 31, 1910, two of these banks were non-members and one a member, all within seventy-five feet of each other. On that night, yeggs made a successful attack on the two non-members, securing over \$3,000 from one, and over \$4,000 from the other. They did not attack the member bank, clearly demonstrating that they preferred to operate against the non-member banks in preference to the member.

Our Detective Agents, on April 12, 1911, rounded up one of the most desperate and organized gangs of safe blowers in the country in the arrest of nine yeggs at Toledo, Ohio. They were assisted in the arrest by the post-office authorities and railroad officers.

Relative to the forger and bogus check operators, that class of crime appears to be on the decrease as to the professional; while the amateur operator appears to be on the increase.

For more detailed information refer to the Protective Committee report published in the Journal each month.

The Protective Department has received 8,405 reports and other communications from our Detective Agents since September 1, 1910. They have also received 683 letters and telegrams, and have written 2,195 letters and telegrams. This does not include circular letters and similar communications.

The gallery of the Department now contains 1,436 photographs of criminals, with the record of each criminal.

At the last spring meeting our Detective Agents only had four offices of their own, located in New York City, Chicago, Pittsburgh and Seattle. To-day they have ten offices, located at New York City, Chicago, Pittsburgh, Boston, San Francisco, Los Angeles, Seattle, Portland, Minneapolis and Kansas City. They also have twenty reliable correspondents, eighteen being in prominent cities in this country, one in London and one in Paris.

The semi-annual report of L. W. Gammon, Manager of the Protective Department, to your body, has been submitted by him to this Committee, and received their approval. This report goes into the details of the workings of the Department.

(Report received and placed on file.)

### Trust Company Section.

F. H. FRIES, *Chairman Executive Committee.*

Mr. Fries: Mr. Chairman and Gentlemen.—It is with a great deal of pleasure that the Trust Company Section reports that the past year has been the most successful since its organization; not only on account of the increase in numbers which makes the largest membership in its history, but among those who have recently joined, have been some of

the largest in the country, and the interest in the affairs of the Section is materially increasing.

I think that the Council will be interested to know that through the Protective Law Committee effort is being made to eliminate those institutions bearing the names of trust companies that are in themselves irresponsible, and at the same time conduct businesses under the Trust Company name as they are not worthy of membership in the Association. You are interested in this, and we bespeak your assistance and co-operation in the efforts of the Committee whenever satisfactory laws are designed to be passed for this purpose.

The Financial Report is in your hands in printed form. As far as we can see the appropriation made in the beginning of the year will be sufficient for all the needs of the Section. The Trust Company members are naturally deeply interested in the plan of the Monetary Commission, and the amendment by the sub-committee, which was yesterday the subject of discussion during two most interesting sessions.

The Section passed appropriate resolutions with certain suggestions to be presented to the Monetary Commission, and with your permission we will embody these in a supplemental report which will be given in connection with and supplemental to the Currency Commission report this afternoon.

(Report received and placed on file.)

### Savings Bank Section.

R. C. STEPHENSON, *Chairman Executive Committee.*

Mr. Stephenson:—As Chairman of the Executive Committee of the Savings Bank Section, I respectfully present the following report covering the activities of our Section during the current year:

Membership in the Section now consists of 1,833, of which 292 are Mutual Savings Banks, 570 Stock Savings Banks, 221 Trust and Savings Banks, 290 State Banks, 316 National Banks, 144 Trust Companies, making a total of above number, showing a gain of 70 banks since September 1, 1910.

The Book of Proceedings is still selling well, \$200 worth of them being disposed of during the past two months. The total sales to date have been \$8,184.10 which, less the cost attending the publication of the same, \$6,469.67, leaves a net profit to the Section of \$1,714.43. The Committees are now complete, and work as a whole is well in hand.

The most important event affecting the Section this year has been the death of our good friend and esteemed Secretary, the late William Hanhart, whose loss we greatly deplore, and whose absence we greatly miss at this gathering. Appropriate resolutions are being prepared by a Special Committee, and will come to your notice in due course. The Executive Committee feel, however, that in the person of W. H. Kniffin, Jr., we have a worthy and able successor to Mr. Hanhart. Mr. Kniffin assumed office March 1st by virtue of appointment at the hands of President Robinson, with the consent and advice of the members of the Committee. Mr. Kniffin's appointment was ratified at the meeting held May 1st, and now becomes an official act of the Section. We feel that Mr. Kniffin is fitted in a peculiar manner by experience, study and personality to conduct this office with credit to himself and acceptability to the interest involved.

The Committee has under consideration several proposed lines of work, among them being a Bureau of Savings Bank Information, the extension of the School Savings Bank idea, a campaign of education among the depositors, a systematic effort to increase the membership in the Section and the celebration of the Savings Bank Centennial in 1916, all of which would seem to be of enough importance to invite our participation, and the results of which will undoubtedly come to your notice as the work progresses.

(Report received and placed on file.)

**CLEARING HOUSE SECTION.**

RALPH VAN VECHTEN, *Chairman Executive Committee.*

For some years your committee has had under consideration the question of a universal numerical system for numbering all the banks in the United States, these numbers to be used on the face of cheques and drafts and to appear on endorsement stamps, in order to facilitate the work of Transit Departments. Those who are familiar with the enormous volume of items in transit in this country will appreciate the importance of this reform.

Some years ago an attempt was made by this Section to establish a uniform system whereby the larger Clearing House cities were designated by letters and the banks therein by their respective Clearing House numbers, but this plan was not sufficiently comprehensive in its scope, as it was necessarily limited to the letters of the alphabet and did not include all of the Clearing House cities nor any towns and cities without Clearing Houses, and was adopted by very few banks on the face of cheques and drafts and by practically none on endorsement stamps. The result was that each bank in the country having a large list of country correspondents was forced to apply its own system of numbers to these correspondents, so that a large majority of our banks found themselves with as many numbers as they had correspondents. In addition to this, the Texas Bankers Association last year adopted a numbering system of its own and proceeded to put it into effect with apparent success. It was evident that other States would soon follow suit and that we would soon have a score or more of systems of numbering by States, without any uniformity as to the principle of its application. It was therefore felt that the time was ripe for our Association to take a pronounced position in the matter. To that end a meeting of your committee was called in Chicago for December 12 and 13, 1910. A request was also made of a number of the leading Clearing Houses of the country from Boston to Denver and from Minneapolis to Dallas to send transit men from some of their leading banks as representatives of their respective Associations. The meeting was held at the Chicago Clearing House, and the following responded to the roll call:

- C. H. Marston, National Shawmut Bank, Boston.
- S. D. Bullock, First National Bank, Boston.
- W. G. Schroeder, Continental & Commercial National Bank, Chicago.
- J. A. Walker, Corn Exchange National Bank, Chicago.
- C. R. McKay, First National Bank, Chicago.
- Carl A. Palmer, First National Bank, Cleveland.
- J. W. Hoopes, Secretary Texas Bankers Association.
- C. J. Grant, American Exchange National Bank, Dallas, Texas.
- Forrest Mathis, Commonwealth National Bank, Dallas, Texas.
- Karl Woodward, Colorado National Bank, Denver, Col.
- Geo. M. Hauk, First National Bank, Denver, Colo.
- J. G. MacLean, Security National Bank, Minneapolis, Representing Minneapolis and St. Paul.
- Mauritz Pyk, Whitney-Central National Bank, New Orleans.
- O. Howard Wolfe, Philadelphia National Bank, Philadelphia.
- Brown A. Patterson, Second National Bank, Pittsburgh.
- H. C. Burnett, National Bank of Commerce, St. Louis.

After a brief talk from your Chairman regarding the object of the meeting and importance of the reform to be considered, the members organized by electing J. W. Hoopes, Chairman, and C. R. McKay, Secretary of the meeting. After two days' earnest and thorough discussion of the subject, it was moved that the matter be referred to a special committee consisting of W. G. Schroeder, Secretary of the Continental and Commerce National Bank, Chicago; J. A. Walker, Transit Manager of the Corn Exchange National Bank, Chicago, and C. R. McKay, Transit Manager of the First National Bank, Chicago.

At the same time the Clearing House Committee was in session, with the following members in attendance: Messrs. Fred. E. Farnsworth, E. R. Fancher,

Geo. C. Power, John K. Ottley, Chas. A. Ruggles and Ralph Van Vechten.

While some other matters were brought up for discussion, by vote it was decided that we should concentrate the efforts of this meeting on the success of the numerical system and our members, therefore, spent more or less time with the transit men and tried to assist them in their deliberations.

After the adjournment, the special committee, consisting of Messrs. Schroeder, Walker and McKay, went to work energetically and with a determination to solve the problem which had been put up to them.

On April 10, 1911, the following members of your committee were called together in Chicago, consisting of Messrs. E. R. Fancher, Fred. E. Farnsworth, Geo. C. Power and Ralph Van Vechten, to confer with the special committee of transit managers. At this meeting the committee of transit men made a preliminary report which was unanimously adopted, and it was ordered that this committee be continued and that they be directed to get propositions from the various publishers of bank directories, regarding the publication of the numerical system, and, further, that they be invited to be present at Nashville as the guests of the Section and make their final report to the Executive Committee of the Clearing House Section, and, at that time, submit a contract which can be executed with one of the directory publishers.

Your committee met on May 1, 1911, with the following members present: Messrs. E. R. Fancher, Chas. A. Ruggles, J. M. Donald, Geo. C. Power and Ralph Van Vechten.

Messrs. Schroeder, Walker and McKay submitted the following report, and, at the same time, submitted a tentative contract with Rand, McNally & Company for consideration:

**Report of the Universal Numerical System.  
By Special Committee of Transit Managers.**

W. G. SCHROEDER, *Chairman.*

C. R. MCKAY.

JAMES A. WALKER.

The committee appointed at the meeting of transit men, held in Chicago, December 12 and 13, 1910, for the purpose of providing a universal system for numbering all the banks in the United States has given careful consideration to the various systems which have been proposed and recommends that the following plan be adopted:

That numbers from one to forty-nine, inclusive, be used to designate the reserve cities, each city being provided with a number of its own to be used as a prefix in numbering the banks in these cities. The Clearing House numbers in each of the cities to be used to designate the clearing house banks and additional numbers provided for banks which have no clearing house numbers.

Numbers from fifty to ninety-nine, inclusive, to be used to designate the States. The State numbers to be used as a prefix for numbering banks which are located outside of the forty-nine cities already provided for.

In numbering the reserve cities Brooklyn is included with New York City; Kansas City, Kans., with Kansas City, Mo., and South Omaha with Omaha. As there are fifty reserve cities this left two numbers not used. These numbers have been given Buffalo and Memphis. Buffalo was selected because it is the tenth city in population and by giving Buffalo a number of its own the Clearing House numbers can be used for Rochester, whose population is 218,000, the next largest city in the State. Memphis was selected owing to the scarcity of reserve cities in the South and on account of its importance

as a collecting center and also to permit the use of Clearing House numbers for Nashville with a population of 110,000, the next largest city in the State and which is also an important collecting center.

The forty-nine cities have been numbered according to population as shown by the census of 1910, so that the largest cities have the small numbers. This plan will reduce the labor of registering items in the transit department to a minimum as a large proportion of items are drawn on these cities. For example, a certain New York bank may be designated 1-8, a Chicago bank 2-1, a Philadelphia bank 3-39.

By the use of individual numbers for the forty-nine cities the banks in forty-eight other cities can be designated by their Clearing House numbers. For instance, in New York State three cities have been given numbers of their own, namely, New York No. 1, Buffalo No. 10 and Albany No. 29. The next city in the State, according to population, is Rochester, which is the first city numbered with the State prefix which is number fifty.

The Rochester banks are numbered 50-1, 50-2, etc.

The system, therefore, permits the use of Clearing House numbers to designate banks in ninety-seven of the principal cities of the country, as compared with the present American Bankers Association system of an alphabetical prefix which is necessarily limited to twenty-six cities. The Treasurer and Assistant Treasurers of the United States and the post-offices in the reserve cities have been given numbers. Numbers have not been provided for express companies, railroads or mercantile firms. If the Clearing House Associations in any of the forty-nine numbered cities wish to have additional numbers supplied for express companies, railroads, etc., they can forward a list to the American Bankers Association and the numbers can be provided.

The State numbers have been divided into five sections as follows:

	Numbers.
Eastern .....	50 to 58
South Eastern .....	60 to 69
Central .....	70 to 79
South Western .....	80 to 88
Western .....	90 to 99

The States containing the principal collecting centers, namely New York, Pennsylvania, Illinois, Missouri and California, have been given the first numbers in their respective sections; 50-60-70-80-90, to facilitate the listing of items on the adding machine as only one key is used to print these numbers and also to indicate that the following nine numbers in each section represent the States in the same territory.

Numbers 59 and 79 are left blank and can be used in the future should it become necessary to number the banks in Canada and Alaska.

The system of numbering the States in groups according to territory should also prove to be of advantage in memorizing the State numbers.

With the exception of the five States representing each section the States are numbered in alphabetical order in each section.

The number of the cities and States are as follows:

CITIES	STATES.
1. New York City	50. New York
2. Chicago, Ill.	51. Connecticut
3. Philadelphia, Pa.	52. Maine
4. St. Louis, Mo.	53. Massachusetts
5. Boston, Mass.	54. New Hampshire
6. Cleveland, O.	55. New Jersey
7. Baltimore, Md.	56. Ohio
8. Pittsburg, Pa.	57. Rhode Island
9. Detroit, Mich.	58. Vermont.
10. Buffalo, N. Y.	59. .
11. San Francisco, Cal.	60. Pennsylvania.
12. Milwaukee, Wis. .	61. Alabama
13. Cincinnati, O.	62. Delaware
14. New Orleans, La.	63. Florida
15. Washington, D. C.	64. Georgia
16. Los Angeles, Cal.	65. Maryland
17. Minneapolis, Minn.	66. N. Carolina.
18. Kansas City, Mo.	67. S. Carolina
19. Seattle, Wash.	68. Virginia
20. Indianapolis, Ind.	69. W. Virginia
21. Louisville, Ky.	70. Illinois
22. St. Paul, Minn.	71. Indiana
23. Denver, Colo.	72. Iowa
24. Portland, Ore.	73. Kentucky
25. Columbus, O.	74. Michigan
26. Memphis, Tenn.	75. Minnesota
27. Omaha, Neb.	76. Nebraska
28. Spokane, Wash.	77. N. Dakota
29. Albany, N. Y.	78. S. Dakota
30. San Antonio, Tex.	79. Wisconsin
31. Salt Lake City, Utah	80. Missouri
32. Dallas, Tex.	81. Arkansas
33. Des Moines, Ia.	82. Colorado
34. Tacoma, Wash.	83. Kansas
35. Houston, Tex.	84. Louisiana
36. St. Joseph, Mo.	85. Mississippi
37. Ft. Worth, Tex.	86. Oklahoma
38. Savannah, Ga.	87. Tennessee
39. Oklahoma City, Okla.	88. Texas
40. Wichita, Kans.	89. .
41. Sioux City, Ia.	90. California
42. Pueblo, Colo.	91. Arizona
43. Lincoln, Neb.	92. Idaho
44. Topeka, Kans.	93. Montana
45. Dubuque, Ia.	94. Nevada
46. Galveston, Tex.	95. New Mexico
47. Cedar Rapids, Ia.	96. Oregon
48. Waco, Tex.	97. Utah
49. Muskogee, Okla.	98. Washington
	99. Wyoming

Your committee has provided numbers for all of the 2,200 banks in the forty-nine numbered cities and also in the forty-eight other cities showing the numbers for the first city in each State numbered with the State prefix. Lists of the numbers are here attached.

The remaining 25,000 banks of the country are to be numbered according to the following plan:

The first numbers to be given to the banks in the largest cities and to be continued in the relative order of the population of the cities in each State. Each bank to be numbered in consecutive order according to seniority in each city. When there is only one bank in a town the banks are to be numbered in

alphabetical order according to towns, the one bank towns to be numbered last.

Blank numbers are to be left only in cities of 5,000 population and over. The blank numbers to be left as follows:

Population of 5,000 to 25,000	2 blank numbers
25,000 to 50,000	3 " "
50,000 to 100,000	5 " "
100,000 and over	6 " "

Owing to the large amount of work required to number the 25,000 banks of the country for which

directory to several of the principal publishers of bankers' directories. The work of numbering the banks and the publishing of the Numerical Directory was awarded to the Rand-McNally Co. of Chicago, as they agreed to number the remaining banks under the personal supervision of the members of your committee in Chicago and publish the Numerical Directory without cost to the American Bankers Association. They will also supply numbers to all new banks and mark off numbers held by banks which go out of business and publish a supplement to the Numerical Directory twice a year, showing the changes in the numbers.

The Burroughs Adding Machine Co. has exhibited to the committee a specially constructed adding machine for registering transit items by use of the numerical system decided upon by the committee. The machine has fifteen rows of keys split in three sections.

Beginning at the left the first section consists of two rows of keys for State and city prefix numbers.

The second section has four rows of keys for blank numbers following the State or city prefix.

The third section has nine rows of keys for the amounts.

The machine is equipped with an automatic shuttle carriage. It can also be used for practically any kind of work that can be done on any Burroughs Adding Machine. Specimens of transit letters written on this machine are hereto attached.

As soon as the numerical directory is published the numbers can be used for registering the endorsements of banks and also the names of the drawee banks, thus making it practical to adopt the numerical system at once for registering items in the transit department entirely by number, for all items that are sent direct to the points upon which they are drawn. To make it practical to use the numerical system for writing letters containing items sent indirect which are not drawn upon the town to which they are sent it will be necessary to have each bank print its number on the face of its checks. It will require the co-operation of the lithographers and printers, the clearing house associations of the principal cities, the State secretaries of the American Bankers Association and secretaries of the State banking associations, and the matter will have to be pushed vigorously to induce the bankers of the country to have their numbers printed on the checks of all their city customers and out-of-town correspondents as well as on their own bank drafts.

It was the intention of the committee to hand in an early report but the work was unavoidably delayed owing to the fact that the Government Census Reports were not ready. Arrangements were made to obtain advance sheets of the Census Reports and the cities were classified as soon as the information was received. Census Reports have now been received for all towns of 5,000 population or over.

Your Committee trusts that the Universal Numerical System will prove to be satisfactory and that it will become popular and be adopted generally throughout the country.

THE FIFTIETH NATIONAL BANK

NEW YORK N Y \_\_\_\_\_

To

We enclose herewith for Collection and Returns items as listed below.

Instructions: Telegraph non-payment of items \$1,000.00 or over and items listed "T.N.P."  
Do not protest items of \$10.00 or less or items listed "No-Pro."  
PROTEST all items over \$10.00 unless otherwise instructed.

Yours truly, JOHN BLANK, Cashier.

ENDORSEER		PAYEE		AMOUNT	INSTRUCTIONS
STATE	BL. NO.	STATE	BANK NO.		
50	27	79	278	12267	NO-PRO
52	328	78	126	48142	
54	179	77	185	210	
62	100	85	227	1525	
57	96	88	588	62287	
51	288	87	264	125700	T.N.P.
56	648	85	193	268245	T.N.P.
54	85	99	87	2286	NO-PRO
91	152	92	146	1000	
70	1225	94	86	2778	
75	477	97	28	12364	
63	99	93	40	47180	
61	327	51	162	2500	NO-PRO
60	657	65	200	10047	
80	447	57	62	4587	
92	29	71	192	7845	
73	212	53	210	32217	
1	98	78	122	2862	
2	3	89	152	147	NO-PRO
4	7	1	33	257652	T.N.P.
6	22	4	26	125	
	1	15	226	652	
	27	4	15	22765	
	10	8	7	127	
	15	6	10	4526	
				9,300.36	*
127	77	182		12752	
105	65	58		1,228.00	T.N.P.
786	48	3		247	
522	3	2		6226	
177	22	12		18847	NO-PRO
1226	65	265		4276	
705	78	126		1,258.00	T.N.P.
115	2	54		247	
				12,152.31	*

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numbers have not yet been assigned and as this work is principally a matter of detail, your committee, as instructed, referred the matter of numbering the remaining banks and also the publication of a numerical

This report has the full and unqualified approval of the Executive Committee of the Clearing House Section. In view of the fact that bids have been obtained from the leading publishers of bank directories, that Rand, McNally & Company's is the lowest per copy, that they will make no charge to the Association for this publication, and that the numerical system will be put into book form under the direct supervision of the Committee, we would ask that the contract with Rand, McNally & Company, substantially as submitted, be prepared in form by the Counsel of the Association and that authority be given to the proper officers of the Association to execute this contract.

Your committee feels that the work of this special committee is of such a high order that it deserves more than ordinary consideration at the hands of the American Bankers Association, that a vote of thanks be extended to the members thereof, and that this committee be continued as a special committee of the Clearing House Section of the American Bankers Association, to be known as "Committee on Numerical System," for the purpose of carrying this recommendation into effect. Undoubtedly many questions will arise demanding special treatment at the hands of this special committee and, as they have devised the plan, no one else is so well qualified to see that it is properly carried into effect.

In view of the importance of this matter, your committee has given very little consideration to anything else and has no further report to make at this time.

Respectfully submitted,

RALPH VAN VECHTEN,

Chairman of the Executive Committee of the Clearing House Section of the American Bankers Association.

(Report received and recommendations adopted.)

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#### American Institute of Banking Section.

BRANDT C. DOWNEY, *Chairman Institute Executive Council.*

It is pleasing to report to you that as the American Institute of Banking Section increases in membership and experience its activities become more educational in character in accordance with our declared purpose to educate bankers in banking. More and more in every locality are the junior bank officers, and the general membership of the chapters turning their attention to an earnest study of the banking business, its underlying principles, its history, and its practices. The prestige of the standard examinations for certificates has come to mean much, standing as they do for proficiency in banking practice and superiority in banking knowledge.

During the past year fully one-quarter of the eleven thousand junior bankers identified with the Institute as chapter members or individual students have systematically pursued the study course in "Banking and Finance." The studies in law are being rewritten by Thomas B. Paton, General Counsel of the American Bankers Association, and when completed will be consolidated with the studies in "Banking and Finance," so that the work may be taken either as one unified course, or divided into two courses, according to circumstances and preferences.

Institute instruction thus provided considers the general subjects of wealth and its production, the distribution and consumption of wealth, exchange and money, money and credit, credit and banking, bank evolution, bank organization, bank administration, bank accounting, cash and reserves, clearing houses, bank examinations, collections and transits, loans and discounts, stocks and bonds, trust companies, savings banks, foreign exchange, the principles of commercial law, business contracts and their essentials, torts and crimes affecting banks, agency and trusteeship, partnerships and corporations, bank officers and agents, requisites of negotiable instruments, indorsement and negotiation of bills and notes, rights and liabilities of parties to bills and notes, discharge of bills and notes and proceedings upon dishonor, acceptance of bills of exchange, the law of bank deposits, checks and certificates of deposit, forged and altered paper, suretyship and guaranty, sales and mortgages, pledges and collateral securities, warehouse receipts, bills of lading, banking insurance, bankruptcy and insolvency, public finance, English diction and discourse.

The Institute aims to make its work as nearly uniform in character as circumstances will permit. In suitable cities bank employees are organized in chapters for educational work in accordance with the class method of instruction. The same system may be utilized in individual banks and other financial institutions. Outside of classes in chapters and individual institutions the correspondence system of instruction is employed. The correspondence method of study lacks the inspiration of social contact, but the personal relationship established between students and instructors stimulates ambition, and the fact that all lessons must be written insures thoroughness and thought. So far as actual acquirement of knowledge is concerned the advantages of the correspondence method of instruction fully offset its disadvantages.

I want to urge you, as the governing body of the greatest association of financiers in the world, to give as much of your time and attention as your arduous duties will permit to the chapters in your own cities, in their chapter sessions as well as in their activities outside of chapter sessions. I believe you will find such attention to the affairs of your employees will be an investment for your banks beyond your most sanguine hopes. There is exceeding loyalty on the part of bank clerks, I find, to their banks and to their officers. Such loyalty, when added to an enthusiastic regard for officers who show self sacrificing interest in the chapter affairs, will give to your banks a force for good which is a very valuable asset in any business organization.

The correspondence course for bank officers and employees outside of chapter cities is well arranged and instruction is carefully and intelligently given. It seems to me this instruction for men outside of chapter cities will have a far reaching effect in producing a higher average in banking practices, and a closer organization among the members of the American Bankers Association, through these activities of the American Institute of Banking Section.

(Report received and filed.)

**State Secretaries Section.**

W. F. KEYSER, *President.*

The organization of Secretaries of State Bankers Associations have been a Section of the American Bankers Association only about six months and has not held a meeting since it became a Section. My report must, therefore, be brief and in the form of a pledge of future co-operation, rather than an accounting of anything done in the past. The last meeting of the organization was held at Los Angeles last October during the period of the American Bankers Association. At that meeting the organization unanimously adopted a resolution pledging its co-operation with the Protective Department of the American Bankers Association. That resolution is now in the hands of every Secretary of the forty-six State Bankers Associations, and will doubtless result in good. The organization as a body, and each individual secretary, is now in a position to be of infinitely greater service than ever before to every department of the great work that is being done by the Association, and I confidently believe that the Organization of Secretaries will soon grow out of its infancy into a full grown, active and beneficial Section of the American Bankers Association.

(Report received and filed.)

**Finance Committee.**

F. O. WATTS, <i>Chairman,</i>	C. H. MCNIIDER,
BIGON H. BARNETT,	D. MCK. LLOYD,
LEYARD COGSWELL,	A. D. GRAHAM,
F. J. WOODWORTH,	T. J. DAVIS,
WILLIAM GEORGE,	EMORY W. CLARK.

This Committee recommended certain appropriations for the balance of the fiscal year.

(Recommendation approved and adopted.)

**Law Committee.**

PIERRE JAY, <i>Chairman,</i>	L. H. DINKENS,
J. F. HAGRY,	LUCIUS TETER,
I. H. ORR,	THOMAS B. PATON,

Your committee was appointed by the Administrative Committee pursuant to Section I, Article IV, of the Constitution of the Association.

It held a meeting at the offices of the association on November 21, 1910, at which five of the six members were present. The following proposed laws, recommended by the association in a pamphlet issued early in January, 1910, and approved by the Administrative Committee at a meeting held November 10, 1910, were fully considered and discussed:

1. An act to punish the making or use of false statements to obtain property or credit.
2. An act to punish derogatory statements affecting banks.
3. An act to punish the giving of checks or drafts on any bank or other depository wherein the person so giving such check or draft shall not

have sufficient funds or a credit for payment of same.

4. An act defining the crime of burglary with explosives and providing the punishment therefor.

5. An act fixing the liability of a bank to its depositor for payment of forged or raised checks.

6. An act relating to payment of deposits in two names.

7. An act relating to payment of deposits in trust.

8. An act concerning notaries public who are stockholders, directors, officers or employees of banks or other corporations.

These proposed laws have for their object the better protection of banks against frauds and crimes as well as greater safety and certainty in the conduct of banking transactions.

After an all-day session, amendments to certain of the drafts contained in the 1910 pamphlet were agreed upon and it was voted that instead of issuing the proposed laws as formerly, in a single pamphlet, the General Counsel should cause these eight proposed laws to be printed separately, each of the eight leaflets to be annotated, showing the State statutes on the subject and accompanied by a statement of the necessity for its enactment. It was further voted that copies of these pamphlets, together with copies of the Uniform Negotiable Instruments Act and the Uniform Warehouse Receipts Act, which were already in printed form, be sent to the State Associations in those States where legislatures were to meet in 1911, with recommendations for the enactment of those of the laws not already in force. Copies of the leaflets prepared by the General Counsel are attached to this report.

In December copies of these leaflets and of the Uniform Acts on Negotiable Instruments and Warehouse Receipts were forwarded to the Legislative Committeemen and Secretaries of State Bankers' Associations, as well as to other interested persons, in 41 States where legislatures were to hold sessions in 1911, and where the particular laws proposed were not already in force.

During the last four months a voluminous correspondence has been carried on with numerous persons in these States in assisting the promotion of these laws.

A widespread interest has been aroused in their favor and many enactments of them have been secured throughout the various States.

It is too early, as yet, to make a complete report of the results accomplished, but a summary of the progress and passage of these measures, as reported to date, has been prepared by the General Counsel and is appended to this report (Appendix I), together with a separate summary of State legislation in 1911 affecting banks, other than measures recommended by the American Bankers Association (Appendix II).

May 1, 1911.

(Appendices omitted.)

(Report received and filed.)



CURRENCY COMMISSION.

A. B. HEPBURN, *Chairman*.  
 JAMES B. FORGAN,  
*Vice-Chairman*,  
 MYRON T. HERRICK,  
 FESTUS J. WADE,  
 JOSEPH T. TALBERT,  
 GEORGE M. REYNOLDS,  
 JOHN PERRIN,  
 LUTHER DRAKE,

SOLOMON WEXLER,  
 ROBERT WARDROP,  
 ARTHUR REYNOLDS,  
 E. F. SWINNEY,  
 JOSEPH A. MCCORD,  
 W. V. COX,  
 JOHN L. HAMILTON,  
 FRED. E. FARNSWORTH,  
*Secretary*.

Chicago, Ill., April 23, 1911.

TO THE EXECUTIVE COUNCIL OF THE AMERICAN BANKERS ASSOCIATION:

Gentlemen:—The National Monetary Commission invited the Currency Commission of the American Bankers Association to a conference in Washington on Tuesday, March 28, 1911, at 11 o'clock A. M., in regard to the plan suggested by Senator Aldrich for monetary legislation.

Our Chairman, Mr. Hepburn, being in Europe when this invitation was received our Commission at my request as Vice-Chairman was convened at Washington on Monday, March 27, 1911, preparatory to our conference with the National Monetary Commission on the following day.

We accordingly met and there were present all the members of the Commission except Chairman Hepburn and Mr. Swinney of Kansas City, along with the Executive officers of the Association. I presided at the preliminary meeting and at a subsequent meeting held after our conference with the National Monetary Commission at which I was requested to make a report to you of the Commission's proceedings in Washington, which I will now do.

We were fortunate in having turned over to us the conclusions arrived at by twenty-five bankers from all sections of the country called together by Senator Aldrich for a conference at Atlantic City on February 10, 11 and 12. Owing to illness Senator Aldrich was not able to attend and Edward B. Vreeland, Vice-Chairman, who presided, was the only representative of the National Monetary Commission present. We were not invited to this conference as a body, but there was a quorum of our members present at it. We found the work done at it to be of material assistance to us in expediting our deliberations and we adopted its findings with some modifications.

As these had not yet been communicated to the National Monetary Commission we had the privilege after adopting them (with some modifications, as stated) of presenting them along with some further suggestions of our own to the National Monetary Commission when we appeared before it.

Our Commission at its preliminary meeting after agreeing unanimously that the plan suggested by Senator Aldrich taken as a whole is founded on correct principles, that it has been ingeniously adapted to present conditions, that it will correct existing defects in our National Banking system and that with further development in some of its details it can be made thoroughly practicable, proceeded to the consideration of it in detail. Our suggestions and conclusions will be found in the alterations, erasures and additions to the original text of the plan printed in heavy type as shown in the copy of it attached to this report. We had a full discussion with the National Monetary Commission on every feature of

the plan and an opportunity to explain the reasons for the suggestions we made and the conclusions we arrived at. The members of the National Monetary Commission present showed a lively interest in the subject and took an active part in the two days' discussion of it with us. Our suggestions were well and favorably received by Senator Aldrich and the other members of the National Monetary Commission and our conclusions were generally acquiesced in by them. Our conference with them was therefore most satisfactory and we formed the impression that no serious or material difference of opinion exists between the National Monetary Commission (which was almost unanimous) and our Commission (which was entirely so) in connection with any important features of the plan so far as they have been developed.

Respectfully submitted,

JAS. B. FORGAN, Vice-Chairman.

~~RESERVE ASSOCIATION OF AMERICA.~~

THE NATIONAL RESERVE ASSOCIATION OF THE UNITED STATES.

[Omit the part struck through and insert the part printed in heavy type.]

Charter and Location.

It is proposed to charter the ~~National Reserve Association of the United States America~~, which will be the principal fiscal agent of the Government of the United States. The authorized capital of the ~~National Reserve Association~~ shall be approximately \$300,000,000. The length of its charter shall be 50 years. The head office of the association shall be in Washington, D. C.

The country shall be divided into 15 districts, to be named in the bill prepared by the National Monetary Commission, and a branch of the National Reserve Association shall be located in each district, the location thereof to be determined by the directors of the National Reserve Association.

The National Reserve Association and its branches shall be exempt from State and local taxation, except in respect to taxes upon real estate owned by it.

Capital.

Only national banks of the classes hereinafter provided for may subscribe to the capital stock of the National Reserve Association. A national bank having a minimum capital of at least \$25,000 may subscribe to an amount of capital stock of the National Reserve Association equal to 20 per cent of the stock of the subscribing national bank, and not less, and each of such subscribing banks shall become a member of a local association as hereinafter provided for. Fifty per cent of the subscriptions to the capital stock of the National Reserve Association shall be called in cash; the balance of the subscriptions will remain a liability of the stockholders, subject to call.

Shares of the capital stock of the National Reserve Association will not be transferable, and under no circumstances may they be owned by any corporation other than the subscribing national bank, nor by any individual, nor may they be owned by any national bank in any other amount than in the proportion here provided. In the case of a national bank increasing its capital after it once becomes a subscriber to the stock of the National Reserve Association, the national bank shall thereupon subscribe for an additional amount of the capital stock of the National Reserve Association equal to 20 per cent of the national bank's increase of capital, paying therefor its then book value, but only one-half

of this additional subscription will be called in cash, as hereinbefore provided. In the event of a national bank which is a holder of the capital stock of the National Reserve Association decreasing its capital, it shall surrender a proportionate amount of its holdings of the capital stock of the National Reserve Association or if a national bank goes into liquidation, it shall surrender all of its holdings of the capital stock of the National Reserve Association. The capital of the National Reserve Association so surrendered shall be canceled and the national bank thus surrendering stock in the National Reserve Association shall receive in payment therefor a sum equal to the then book value, as shown on the balance sheet of the National Reserve Association, of the stock so surrendered.

**Earnings and Dividends.**

The earnings of the National Reserve Association shall be distributed in the following manner:

After the payment of all expenses and taxes the stockholders shall receive 4 per cent. Further earnings shall be divided, one-half to go to the surplus of the National Reserve Association until that surplus shall amount to 20 per cent of the paid-in capital; one-fourth to go to the Government of the United States, and one-fourth to the stockholders; but when the stockholders' dividends shall reach 5 per cent they shall receive no additional distribution. After the stockholders receive 5 per cent the earnings shall be divided, one-half to be added to the surplus of the National Reserve Association and one-half to go to the Government. After the stockholders receive 5 per cent per annum and the surplus of the National Reserve Association amounts to 20 per cent of the paid-in capital, ~~all excess earnings shall go to the~~ Government shall receive two-thirds of the net annual earnings, and one-third thereof shall be added to the surplus of the National Reserve Association. The minimum dividends to the stockholders shall be cumulative.

**Local Associations of National Banks.**

All subscribing banks shall be formed into associations of national banks, to be designated as local associations. Every local association shall have corporate powers and shall be composed of not less than 10 banks, and the combined capital and surplus of the members of each local association shall aggregate not less than \$5,000,000.

All the local associations shall be grouped into 15 divisions, to be called districts. The territory included in the local associations shall be so apportioned that every national bank will be located within the boundaries of some local association. Every subscribing national bank shall become a member of the local association of the territory in which it is situated.

**Directors of Local Associations.**

Each local association shall elect annually a board of directors in the following manner:

The number of directors may be determined by the by-laws of the local associations. Three-fifths of that number shall be elected by ballot cast by the representatives of the banks that are members of the local association, each bank having one representative, and each representative one vote, without reference to the size of the bank. Two-fifths of the whole number of directors of the local association shall be elected by these same representatives of the several banks that are members of the association, but in voting for these additional directors each representative shall be entitled to as many votes as the bank which he represents holds shares in the National Reserve Association. At such elections there shall be no proxies. The authorized representatives of a bank, as herein provided, must be either the president, vice-president, or cashier of the bank he represents.

The directors of the local association shall annually elect from among their number a president, a vice-president, and an executive committee, whose powers and duties and terms of office shall be determined by the by-laws of the local association, subject, however, to the provisions of this Act. The local associations, the branches and the National Reserve Association shall each have by-laws which

shall provide among other things a method of filling vacancies on their respective boards of directors.

**Directors of Branches.**

As heretofore provided, all the local associations shall be grouped into 15 divisions, and each of these divisions shall be designated a district. There shall be located in each district a branch of the National Reserve Association. Each of the 15 branches of the National Reserve Association shall have a board of directors, and those directors shall be elected in the following manner:

The board of directors of each local association shall elect by ballot one member of the board of directors of the branch of the National Reserve Association. In this manner there will thus be elected as many directors of the branch of the National Reserve Association as there may be local associations in the district in which that branch of the National Reserve Association is located. In addition to that number there shall be elected a number of the directors equal to two-thirds of the number of local associations in the district where the branch is located. Such additional directors shall be elected in the following manner:

There shall be chosen by the banks composing each local association a voting representative or proxy holder. In choosing such voting representative each bank shall be entitled to as many votes as it holds shares in the National Reserve Association. The voting representatives of the several local associations which form a district shall then meet at the office of the branch and elect an additional number of directors of the branch equal to two-thirds of the number elected directly by the local associations; that is, equal to two-thirds of the number of local associations composing the district. Each voting representative at such election shall have a number of votes equal to the number of shares in the National Reserve Association held by all the banks composing the local association which he represents.

The first business of the board of the branch as thus constituted shall be to add to its numbers by the election of an additional number of directors equal to one-third the number of local associations situated in the district. Such additional directors shall fairly represent the industrial, commercial, agricultural and other interests of the district and shall not be officers of banks. Directors of banks shall not be considered as officers.

The manager of the branch shall be ex officio a member of the board of directors of the branch and shall be chairman of the board.

The board of directors of a branch of the National Reserve Association will thus be composed of—

First. A group of directors equal in number to the number of local associations composing the district, and this group shall be elected by the directors of the local association, each director having one vote.

Second. A group of directors equal to two-thirds of the foregoing group and elected by stock representation.

Third. A group of directors equal in number to one-third of the first group, representing the industrial, commercial, agricultural, and other interests of the district, and elected by the votes of the first two groups, each director thus voting having one vote.

Fourth. The manager of the branch shall be ex officio a member of the board of directors of the branch and shall be chairman of the board.

All the members of the board of directors of the branch, except the ex officio member, shall, at the first meeting of the board, be classified into three classes, and the terms of office of these three classes shall be, respectively, one, two, and three years. Thereafter members of the board shall be elected for a term of three years.

**Directors of the National Reserve Association.**

The board of the National Reserve Association shall consist of 45 directors, and it shall be composed in the following manner:

First. Six ex officio members, namely, the governor of the National Reserve Association, who shall be chairman of the board; two deputy governors of the National Reserve Association, the Secretary of

the Treasury, the Secretary of Commerce and Labor, and the Comptroller of the Currency.

Second. Fifteen directors to be elected, one by the board of directors of each branch of the National Reserve Association. They shall be elected by ballot, each member of the branch board having one vote.

Third. Twelve directors, who shall be elected by voting representatives, ~~one representing the banks embraced in each district.~~ Such voting representatives shall be elected in the same manner as the fifteen directors referred to in the preceding paragraph. Each voting representative shall cast a number of votes equal to the number of shares in the National Reserve Association held by all the banks in the district which he represents.

Fourth. The board as thus constituted shall elect 12 additional members, who shall fairly represent the industrial, commercial, agricultural, and other interests of the country, and who shall not be officers of banks. Directors of banks shall not be considered as officers.

At the first meeting of the board all the members of the board, except the ex officio members, shall be classified into three classes, and the terms of office of these three classes shall be, respectively, one, two, and three years. Thereafter members of the board shall be elected for a term of three years.

No member of any national or State legislative body shall be a director of the National Reserve Association, nor of any of the branches, nor of any local association.

The directors of the National Reserve Association shall annually elect from their number an executive committee and such other committees as the by-laws of the National Reserve Association may provide. The executive committee shall consist of nine members, of which the governor of the National Reserve Association shall be ex officio chairman and the two deputies and the Comptroller of the Currency ex officio members.

The executive committee shall have all the authority which is vested in the board of directors, except such as may be specifically delegated by the board to other committees or to the executive officers.

There shall be a board of supervision elected by the board of directors from among its number, of which the Secretary of the Treasury shall be ex officio chairman.

#### Executive Officers of the National Reserve Association.

The executive officers of the National Reserve Association shall consist of a governor, two deputy governors, a secretary, and such subordinate officers as may be provided by the by-laws; they shall be appointed by the board of directors and shall be subject to removal by the same authority. ~~The governor and deputy governors shall be selected by the President of the United States from a list submitted by the board of directors. The governor shall be subject to removal by the President of the United States for cause. The term of office of the deputies shall be seven years, but the two deputies first appointed shall be for terms of four years and seven years, respectively.~~

In the absence of the governor or his inability to act, the deputy who is senior by appointment in point of service shall act as governor.

#### Executive Officers of Branches.

Each branch shall have a manager and a deputy manager. They shall be appointed by the governor of the National Reserve Association, with the approval of the executive committee.

The powers and duties of the manager and deputy manager and of the various committees of the branches shall be prescribed by the by-laws of the National Reserve Association.

#### Functions of the Local Associations.

Any member of a local association may apply to that local association for a guaranty of the commercial paper which it desires to rediscount at the branch of the National Reserve Association in its district. Any such bank receiving a guaranty from a local association shall pay a commission to the local association, to be fixed ~~from time to time~~ by the board of

directors of that local association. The guaranty of the members of the local association, in the event of loss, shall be met by the members of the local association in the proportion to the ratio which their capital and surplus bears to the aggregate capital and surplus of the local association, and the commission received for such guaranty, after the payment of losses and expenses, shall be distributed among the several banks of the local association in the same proportion. A local association shall have authority to require additional security from any bank offering paper for guaranty, or may decline to grant the application.

The total amount of guaranties by a local association to the National Reserve Association shall not at any time exceed the aggregate capital and surplus of the banks forming the guaranteeing association.

#### Functions of the National Reserve Association.

All of the privileges and advantages of the National Reserve Association shall be equitably extended to every national bank of any of the classes herein defined who shall subscribe to its proportion of the stock of the National Reserve Association and shall otherwise conform to the requirements of this act.

The Government of the United States and those national banks owning stock in the National Reserve Association shall be the sole depositors in the National Reserve Association. All domestic transactions of the National Reserve Association shall be confined to the Government and the subscribing banks, with the exception of the purchase or sale of Government or State securities or securities of foreign governments or of gold coin or bullion.

The Government of the United States shall deposit its cash balance with the National Reserve Association, and thereafter all receipts of the Government shall be deposited with the National Reserve Association or (when necessary) with such national banks as the Government may designate for that purpose in cities where there is no branch of the National Reserve Association. All disbursements by the Government shall be made through the National Reserve Association.

The National Reserve Association shall pay no interest on deposits.

The National Reserve Association may rediscount notes and bills of exchange arising out of commercial transactions, for and with the indorsement of any bank having a deposit with it, such notes as the bank may have discounted for its customers, rediscounted for other banks, or purchased through commercial paper brokers, the proceeds of which have been used for commercial, industrial, or agricultural purposes, and not for carrying stocks, bonds, or other investment securities. Such notes and bills must have a maturity of not more than 28 days, and must have been made at least 30 days prior to the date of rediscount. The amount so rediscounted shall in no case exceed the capital of the bank applying for the rediscount. The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, corporation, or firm, rediscounted for any one bank, shall at no time exceed 10 per cent of the capital and surplus of said bank.

The National Reserve Association may also rediscount, for any depositing bank similar notes and bills of exchange arising out of commercial transactions having more than 28 days, but not exceeding 4 months, to run, but in such cases the paper must be guaranteed by the local association of which the bank asking for the rediscount is a member.

Whenever, in the opinion of the governor of the National Reserve Association, the public interests so require, such opinion to be concurred in by the executive committee of the National Reserve Association and to have the definite approval of the Secretary of the Treasury, the National Reserve Association may discount the direct obligation of a depositing bank, indorsed by its local association, provided that the indorsement of the local association shall be fully secured by the pledge and deposit with it of satisfactory securities, which shall be held by the local association for account of the National Reserve Association; but in no such case shall the

amount loaned by the National Reserve Association exceed ~~two-thirds~~ ~~three-fourths~~ of the actual value of the securities so pledged.

The rate of discount of the National Reserve Association, which shall be uniform throughout the United States, shall be fixed from time to time by the executive committee and duly published.

The National Reserve Association may, whenever its own condition and the general financial conditions warrant such investment, purchase to a limited amount from a depositing bank acceptances of banks or houses of unquestioned financial responsibility. Such acceptances must arise from commercial transactions and have a maturity not exceeding 90 days, and must be of a character generally known in the market as prime bills. Such acceptances shall also bear the indorsement of the depositing bank selling the same, which indorsement must be other than that of the acceptor.

The National Reserve Association may invest in United States bonds and in short-term obligations—that is, obligations having not more than one year to run—of the United States, or of any State, or of certain foreign governments to be named in the act.

The National Reserve Association shall have power at home and abroad to deal in gold coin or bullion, to grant loans thereon, and to contract for loans of gold coin or bullion, giving, when necessary, acceptable security for their repayment.

The National Reserve Association shall have power to purchase from its depositors and to sell, with or without its indorsement, checks or bills of exchange payable in England, France, or Germany, and in such other foreign countries as the board of the National Reserve Association may decide. These bills of exchange must arise from commercial transactions and be of a maturity not exceeding 90 days, and shall bear the signatures of at least three responsible parties, of which the last one shall be that of a depositing bank.

The National Reserve Association shall have power to open and maintain banking accounts in foreign countries and to establish agencies in foreign countries for the purpose of purchasing and selling and collecting foreign bills of exchange, and it shall have authority to buy and sell, through such agencies, prime foreign bills of exchange arising from commercial transactions, running for a period not exceeding 90 days, and bearing the signatures of two or more responsible parties.

#### Domestic Exchanges.

It shall be the duty of the National Reserve Association or any of its branches, upon request, to transfer any part of the deposit balance of any national bank having an account with it to the credit of any other bank having an account with the National Reserve Association. If a deposit balance is transferred from the books of one branch of the National Reserve Association to the books of another branch, it may be done by mail or telegraph upon terms to be fixed from time to time by the executive committee.

#### Functions of National Banks.

In addition to the rights now conferred by law, national banks shall be authorized to accept commercial paper drawn upon them, having not more than 90 days to run, ~~properly secured~~, and arising out of commercial transactions. The amount of such acceptances outstanding shall not exceed one-half the capital and surplus of the accepting bank, and shall be subject to the restrictions of Section 5200 of the Revised Statutes.

~~National banks shall not have authority to establish branches except in the city or town in which they are located.~~

The organization of banks to conduct business in foreign countries and in the colonies, dependencies and protectorates of the United States shall be authorized. The stock of such banks may be held by national banks, but the aggregate of bank stock so held by any one bank shall not exceed twenty per cent of its capital.

The bank so organized may have an office in the United States, but shall not receive deposits in the

United States nor compete with national banks for domestic business not necessarily related to the business being done in foreign countries or in the colonies, dependencies and protectorates of the United States. There shall be established ~~another~~ ~~a new~~ class of national banks, to be known by a specifically designated name. Such banks may have savings departments and may make properly secured loans on real estate, such loans to be restricted to a certain proportion of the aggregate time and savings deposits in the bank. The reserve requirement in such banks will be less against savings and time deposits than against demand deposits.

Another class of national banks shall be authorized, which shall be in effect national trust companies, to be designated by some appropriate name and to exercise all the functions and have all the privileges, including length of charter, which are given to trust companies by the laws of the various States. These national institutions shall be subject, like other national banks, to inspection and examination by the National Government.

Note: We have appointed a special committee consisting of Messrs. F. J. Wade, Sol Wexler, John Perrin, Myron T. Herrick and Joseph T. Talbert to carefully consider the two preceding paragraphs and to prepare a special report on the practicability of nationalizing savings banks and trust companies or of affording existing State banks the benefits of the plan herein suggested.

There shall be no change in the percentage of reserve required by law to be held against demand deposits by national banks, except as otherwise provided herein, but the deposit balance of any national bank in the National Reserve Association and the notes of the National Reserve Association shall be counted as a part of its legal reserve.

#### Reports to the Comptroller.

The National Reserve Association shall make a report, showing the principal items of its balance sheet, to the Comptroller of the Currency once a week. These reports shall be made public. In addition, full reports shall be made to the Comptroller of the Currency coincident with the five reports called for each year from the national banks.

All reports of national-bank examiners in regard to the condition of national banks shall hereafter be made in duplicate, and one copy shall be filed with the National Reserve Association for the confidential use of its executive officers and branch managers.

National banks of all classes shall hereafter make a weekly report to the Comptroller of the Currency showing the principal items of their balance sheets, such reports to be available for the use of the executive officers of the National Reserve Association.

#### Note Issues.

There is hereafter to be no further issue, beyond the amount now outstanding, of bank notes by any national bank. National banks may, if they choose, maintain their present note issue, but whenever a bank retires the whole or any part of its existing issue it will permanently surrender its right to reissue the notes so retired.

The National Reserve Association must, for a period of one year, offer to purchase at ~~(a price not less than par and accrued interest)~~ par and accrued interest the 2 per cent. bonds now held by national banks and deposited to secure their circulating notes and United States Government deposits.

The National Reserve Association shall take over these bonds with the ~~existing~~ equivalent currency privilege attached and assume responsibility for the redemption (upon presentation) of outstanding notes secured thereby. Circulating notes issued to replace National Bank notes outstanding shall be free of all taxation. The National Reserve Association shall issue, on the terms herein provided, its own notes as fast as the outstanding notes secured by such bonds so held shall be presented for redemption, it being the policy of the United States to retire as rapidly as possible, consistent with the public interests, bond-secured circulation and to substitute therefor notes of the National Reserve Association of a character

and secured and redeemed in the manner provided for in this act.

The National Reserve Association agrees to hold, for a period of not less than 10 years, the bonds so purchased, or any Government security which may be exchanged for them by refunding or otherwise. The National Reserve Association, however, shall have the right, with the approval of the Secretary of the Treasury, after two years to dispose annually of \$50,000,000 of the bonds held by it to secure circulation. The Government reserves the right at all times to purchase at par from the National Reserve Association, through the trustees of the postal savings bank or otherwise, any or all of such bonds so held.

If the Government should adopt the policy of issuing securities at a higher rate of interest than 2 per cent, the National Reserve Association shall have the right to exchange at par the Government bonds which it may have acquired from the national banks, previously held by them to secure circulation and deposits for any bonds bearing interest at a rate not exceeding 3 per cent., but in that event the amount of annual taxes to be paid on notes based upon such new securities shall be as much greater as the interest rate of the new securities shall exceed 2 per cent.

To illustrate: If the Government should decide hereafter to issue a 2½ per cent bond, the rate of taxation on currency issued by the National Reserve Association thereon would be 1 per cent instead of one-half of 1 per cent, as on the existing twos, and upon a 3 per cent bond the rate of taxation would be 1½ per cent.

We would regard it as a menace to the establishment of the National Reserve Association on a solid basis if it should take over the enormous amount of 2 per cent Government bonds as proposed at par unless some definite plan for the refunding of them shall have been worked out beforehand and the Government definitely committed thereto.

In addition to the authority to issue notes to replace any national bank notes outstanding at the time of the organization of the Reserve Association, it shall have the right to issue additional circulating notes as follows: The whole or any part of the first \$100,000,000 of such additional notes shall pay to the Government an annual tax of 2 per cent; above \$100,000,000 and not more than \$200,000,000 may be issued at an annual tax of 4 per cent; above \$200,000,000 and not more than \$300,000,000 may be issued at an annual tax of 5 per cent; all above \$300,000,000 shall pay an annual tax of 6 per cent.

In addition to the authority to issue notes to replace any national bank notes outstanding at the time of the organization of the National Reserve Association, it shall have the right to issue additional circulating notes. We believe these notes should not be subject to tax. There are no considerations, either of income to the Government or penalty upon management, that should lead to the imposition of such a tax. If, in spite of this fact, there are considerations that would lead the National Monetary Commission to impose a tax, we believe the plan suggested for a tax is incorrect. It would tend to prevent a natural and wholesome conversion of legal money now in circulation into reserve in the hands of the Association in exchange for its notes. If a tax should be imposed, we believe that its imposition in the first instance, and its graduated increase, should be based on the Association's proportion of reserve to total deposits and note liabilities; that the tax should only begin when that reserve fell to a certain point, and should increase inversely as the reserve decreased.

The National Reserve Association shall have authority to issue (without restriction as to the relative proportions of the different denominations), notes of the denominations of \$5, \$10, \$20, \$50 and \$100, to take the place of the notes of similar denominations previously issued by the national banks, and shall be also authorized to issue notes of the denominations of \$500, \$1,000, \$5,000 and \$10,000, for the convenience of the banks in their daily settlements with each other.

All note issues of the National Reserve Association must be covered to the extent of at least one-third by gold or other lawful money, and the remaining portion by bonds of the United States or bankable

commercial paper as herein defined, or both. (It should be provided either that the National Reserve Association may also hold in its reserve foreign coin, or that the Treasury will issue gold certificates against foreign coin.) The notes are to constitute a first lien upon all the assets of the National Reserve Association, and adequate provision must be made for their immediate redemption in lawful money on presentation at the head office of the National Reserve Association or any of its branches.

The notes of the National Reserve Association shall be received at par in payment of all taxes, excises and other dues to the United States, and for all salaries and other debts and demands owing by the United States to individuals, corporations, or associations, except obligations of the Government which are by their terms specifically payable in gold, and for all debts due from or by one national bank to another, and for all obligations due to a national bank.

The National Reserve Association shall at once, upon application and without charge for transportation, forward its circulating notes to any depositing bank against its credit balance.

#### Special Committee of Currency Commission.

FESTUS J. WADE, *Chairman.* MYRON T. HERRICK,  
SOL WEXLER, JOSEPH T. TALBERT,  
JOHN FERRIN,

New York, May 6, 1911.

Mr. James B. Forgan,

Vice-Chairman of the Currency Commission  
of the American Bankers Association,

Sir: We, the special committee, appointed at the meeting of the Currency Commission of the American Bankers Association, held at Washington, D. C., Tuesday, March 28, 1911, to consider, and to prepare a special report on, the practicability of nationalizing savings banks and trust companies or of affording existing State banks the benefits of the plan suggested by Hon. Nelson W. Aldrich and submitted by him to the National Monetary Commission for the establishment of the National Reserve Association of the United States, respectfully submit the following revised report:

We recommend:

#### State Banks and Capitalized Savings Banks.

That a bank or a savings bank which is incorporated under the laws of any state, in accordance with the requirements of which it has been examined and has published statements of its condition, or, in the absence of such requirements of state laws, upon approval of the Executive Committee of the National Reserve Association, may subscribe to the capital stock of the National Reserve Association in the same manner and under the same conditions as prescribed for national banks, and such subscribing bank shall become a member of a local association and have the same rights and privileges therein as if it were a national bank; provided—

1. That it shall have a paid in capital of not less than that required for a national bank in the same location.

2. That it shall have and agree to maintain against its demand deposits a reserve of like character and proportion required of a national bank in the same location; provided, however, that deposits which it may have with a state bank, a savings bank, or a trust company, in a city designated in the National Banking Act as a reserve city or a central reserve city, whose paid in capital is not less than the minimum amount required for a national bank in such city, and, in the case of a trust company, not less than

that hereinafter specified for a trust company in such city, and which is a member of a local association, shall count as reserve in like manner and to the same extent as similar deposits of a national bank with national banks in such cities. Provided further that liabilities for deposits payable beyond thirty days, and for savings deposits subject to notice of sixty days or more shall not be subject to the reserve requirements provided for demand deposits.

3. That it shall agree to submit to such examinations and comply with such requirements as may from time to time be prescribed by the National Reserve Association.

**Trust Companies.**

That a trust company, which is incorporated under the laws of any state, in accordance with the requirements of which it has been examined and has published statements of its condition, or, in the absence of such requirements of state laws, upon approval of the Executive Committee of the National Reserve Association, may subscribe to the capital stock of the National Reserve Association in the same manner and under the same conditions as prescribed for national banks, and such subscribing trust company shall become a member of a local association and have the same rights and privileges therein as if it were a national bank; provided—

1. That a trust company shall have an unimpaired surplus of not less than twenty per cent. of its capital, and, if located in a city of 25,000 inhabitants or less, shall have a paid in capital of not less than \$100,000, and in a larger city a proportionately greater capital up to \$500,000 in a city of 500,000 inhabitants or more.

2. That it shall have and agree to maintain against its demand deposits a reserve of like character and proportion required of a national bank in the same location; provided, however, that deposits which it may have with a state bank, a savings bank or a trust company, in a city designated in the National Banking Act as a reserve city or a central reserve city, whose paid in capital is not less than the minimum amount required for a national bank in such city, and, in the case of a trust company not less than that heretofore specified for a trust company in such city, and which is a member of a local association, shall count as reserve in like manner and to the same extent as similar deposits of a national bank with national banks in such cities. Provided further that liabilities for deposits payable beyond thirty days, for savings deposits subject to notice of sixty days or more, and for moneys held in trust which, under the conditions of the trust, are not made payable within thirty days, shall not be subject to the reserve requirements provided for demand deposits.

3. That it shall agree to submit to such examinations and comply with such requirements as may from time to time be prescribed by the National Reserve Association.

**Mutual Savings Banks.**

That a mutual savings bank which is incorporated under the laws of any state, in accordance with the requirements of which it has been examined, and has published statements of its condition, or, in the absence of such requirements of state laws, upon approval of the Executive Committee of the National Reserve Association, may subscribe to an amount of

capital stock of the National Reserve Association equal to twenty per cent. of the surplus of such subscribing bank, and not less, subject to the same conditions of ownership under which such stock may be owned by a national bank, and such subscribing bank shall become a member of a local association and have the same rights and privileges therein as if it were a national bank; provided—

1. That a mutual savings bank shall have an unimpaired surplus of not less than the amount which would be required for the capital of a national bank in the same location.

2. That it shall have and agree to maintain against its demand deposits a reserve of like character and proportion required of a national bank in the same location; provided, however, that deposits which it may have with a state bank, a savings bank or a trust company in a city designated in the National Banking Act as a reserve city or a central reserve city, whose paid in capital is not less than the minimum amount required for a national bank in such city, and, in the case of a trust company, not less than that heretofore specified for a trust company in such city, and which is a member of a local association, shall count as reserve in like manner and to the same extent as similar deposits of a national bank with national banks in such cities. Provided further that liabilities for deposits payable beyond thirty days, and for savings deposits subject to notice of sixty days or more shall not be subject to the reserve requirements provided for demand deposits.

3. That it shall agree to submit to such examinations and comply with such requirements as may from time to time be prescribed by the National Reserve Association.

4. That as its surplus increases or diminishes, it shall, upon request of the Executive Committee of the National Reserve Association, proportionately increase or decrease its holdings of capital stock of the National Reserve Association.

**Resolution Adopted by Executive Committee of the Trust Company Section Relative to the Aldrich Bill as Affecting Trust Companies.**

Resolved, That the Executive Committee of the Trust Company Section of the American Bankers Association heartily approve of the plan proposed by Senator Aldrich for the organization of a National Reserve Association, and of the modifications thereto suggested by the Special Committee appointed by the Currency Commission of the American Bankers Association, at its meeting held in Washington, March 28, 1911, especially that portion of the report of the Special Commission defining the terms upon which Trust Companies may subscribe to capital stock of the National Reserve Association;

This approval, however, being subject to the following exceptions:

First—As to reserve required to be maintained by Trust Companies in central reserve cities, and reserves required to be maintained against trust funds not subject to immediate withdrawal.

Second—As to amount of paid-in capital to be required of Trust Companies, proposed in the report of the Special Committee.

Third—As to limitations upon character of notes that may be discounted by the National Reserve Association.

**Resolutions Adopted by Executive Committee of the Savings Bank Section Relative to the Aldrich Bill as Affecting Savings Banks.**

Whereas, A Special Committee of the American Bankers Association, comprising Festus J. Wade, Sol. Wexler, John Ferrin, Myron T. Herrick and Joseph T. Taibert, have prepared and presented a plan by which banks other than National may avail themselves of the benefits of the National Reserve Association advocated by Hon. Nelson W. Aldrich; and

Whereas, Such plan as outlined and submitted to our Council seems to be eminently fair and equitable, provided that there shall be such arrangement as to allow Savings Banks to use usual high grade savings bank securities as collateral, thus placing our Savings Banks on practically as advantageous a footing as National Institutions, and insuring their perpetuity so far as Federal legislation and administration may affect them; therefore, be it

Resolved, That such plan has our endorsement and we pledge our co-operation in the efforts necessary to secure its enactment; and

Resolved, That a copy hereof be transmitted to Hon. James B. Forgan, Vice-Chairman of the Currency Commission of the American Bankers Association.

(Report of the Currency Commission adopted, including the foregoing resolutions presented by the Trust Company Section and the Savings Bank Section and being made part of the Report.)

**Resolution Approving the Aldrich Plan.**

Resolved, That the Executive Council of the American Bankers Association heartily approves the Plan for Monetary Legislation suggested by Honorable Nelson W. Aldrich, as modified by the Currency Commission of the American Bankers Association, and the principle set out in the report of the Special Committee of the Currency Commission for extending the benefit of the plan to state banks and trust companies. We firmly believe that it is thoroughly practical, fundamentally sound and comprehensive and that if enacted into law it will correct all the principal defects of our present banking and currency system.

(Adopted unanimously.)

**Report of the Federal Legislative Committee.**

ARTHUR REYNOLDS, *Chairman*, JOSEPH A. McCORD,  
E. F. SWINNEY, JOHN L. HAMILTON,  
W. V. COX,

Since the Los Angeles Convention, owing to the short session of Congress, and the work of the National Monetary Commission, there has been no affirmative legislation contemplating a change in our banking system.

Your Committee, as in the past, has kept in touch with measures affecting banks and banking that have come before the Houses of Congress.

It has also rendered assistance to committees of the Association, relative to legislation and policies to be pursued.

Recognizing the importance of the American Bankers Association, Members of Congress and Committees have recently submitted to it for consideration outlines of proposed measures and drafts of bills that they contemplated introducing. The fact that these proposed measures have been submitted to the Committee by members of all parties is significant.

The position taken by the Committee, relative to the recognition of State Banking Institutions in future legislation, seems to be meeting with general favor.

The Committee will continue to scrutinize new bills and proposed legislation that directly effects banks and banking, calling attention of members of the Association to matters that need immediate attention.

In conclusion it again urges active co-operation of the members of the Association, as essential to the securing of sound, as in defeating vicious legislation.

(Report received and placed on file.)

**Committee on Bills of Lading.**

CLAY H. HOLLISTER, *Chairman*, WM. INGLE,  
F. O. WETMORE, DANIEL G. WING,  
J. A. LEWIS, FRED. I. KENT.

Mr. Hollister:—Your Bills of Lading Committee have been following up the legislation in Congress according to instructions and have also been seeking to have the Uniform Bills of Lading Act passed by the Legislatures of the different States which have been in session during this winter and spring. Satisfactory progress in State legislation has been made in the State of Iowa, where the measure has passed, and several other States, notably Pennsylvania, New York, Ohio and Illinois have been pushing our bill very strenuously. This legislation has been deferred in a number of other States owing to various reasons. In several of the States there have been labored delays in electing Senators, in other States there has been the burning of Capitol buildings, some States have had a combination of both of these conditions which has prevented reasonable action along any line. We have kept in touch with the Chairmen of the Legislative and Bills of Lading Committees of these various States, some seventeen in all, and are glad to report the progress that has been made. In the matter of Federal legislation, although President Taft in his message had recommended suitable legislation upon the subject, it was impossible to get action by the 61st Congress from the Senate Committee on Interstate Commerce. The Stevens Bill passed the House almost unanimously, but it never was referred out by the Senate Committee. At the opening of the 62d Congress, first session on April 13th, Mr. Stevens of Minnesota, introduced a duplicate of the former bill, which is now known as H R 4726, and in the Senate on the same day Senator Clapp introduced the same bill, known as S 957. In company with Mr. Paton the Chairman of your Committee visited Washington and spent two days in conference with the various members of the House Committee and with Senator Clapp. It is possible that even at this extra session of Congress a hearing will be given us in the House before the Interstate and Foreign Commerce Committee, allowing us to present our reasons for legislation to that Committee, which now consists of 21 members. We received very courteous treatment in calling upon the members that we saw and found many of them in sympathy with this legislation. We have reasonable hope that either in this or the next session of the 62d Congress our bill will be reported out of committees and passed, possibly with some slight amendments which will improve the bill.

The Sub-Committee who have had the handling of the cotton bills of lading situation have been doing some very effective work and the last action on their part has been the formation of a committee consisting of nine members, six of whom are railroad men, one representative of foreign interests and two bankers, viz., John E. Gardine, National City Bank, New York, and Fred I. Kent, Bankers Trust Co., New York. This committee is undertaking to establish a bureau in New York which can pass on the authenticity and character of all foreign bills of lading, so that their genuineness and conditions may be carefully verified. This bureau will serve to improve the validation plan which is now in operation, by which certificates are attached to bills of lading by the railroad companies issuing them giving them the authenticity which is desired. While as we understand it the act of this bureau will not in any sense guarantee the bill, it will serve to safeguard it in a very effective way, so that it will be very difficult to get past the bureau with any bill which has not substantial value. We look upon this expediency as a very satisfactory one to take care of the immediate situation with reference to the movement of the cotton crop for the year 1911 and until some Federal legislation can be passed at Washington.

It is gratifying to know that some of the prominent rascals composing the firm of Steel, Miller & Company of Corinth, Mississippi, whose gigantic fraudulent operations in cotton bills caused so much loss, have at last been convicted by the Government for misuse of the mails.

We expect to continue to push for the Stevens bill with the same persistency that has characterized our past effort and shall do so unless we receive different instructions from your body.

Fred I. Kent is acting as Chairman of the Sub-Committee and is doing his usual efficient work in such capacity. Walter E. Frew, the former sub-chairman, resigned some months ago. He had done notable work which few men could have handled so well. As you remember, he was also a member of the regular Bills of Lading Committee. We regret that his duties as President of the Corn Exchange Bank of New York compelled him to resign from both places. We respectfully ask that Mr. Kent be now added to our committee to take Mr. Frew's place. T. B. Paton's work in connection with this legislation has been invaluable and our committee believes that he is entitled to great credit for it. We also desire to give credit to the various members of State Bills of Lading Committees who have been earnest in forwarding the Association's interests in the different States.

Mr. Kent.—Following the report of Walter E. Frew, Chairman of the sub-Committee of the Bill of Lading Committee, made to the regular Bill of Lading Committee at the meeting in Los Angeles, September 17, 1910, several meetings were held up to and including December, 1910. These meetings were made necessary because certain of the railroads were breaking the validation agreement, and it was working a hardship upon those which were not, because it enabled the former to obtain the business of the latter through the offering of special facilities. The Bankers Committee endeavored to protect the railroads living up to the agreement in every way possible, but found that a sufficient number of railroads were breaking the agreement to nullify their efforts.

The shipping season for cotton being practically over, it was felt that any drastic action which might be taken would unquestionably cause friction, and without accomplishing any good results. At the same time the Liverpool Cotton Conference had presented a plan which they desired to endeavor to put into effect. The Sub-Committee, while not approving of the plan in many particulars, felt that as it was merely an extension of the validation system already established, and as much of the detail which seemed impracticable could be changed in a satisfactory manner, consented to the request of the Liverpool Association.

At this time it became necessary for certain members of the Sub-Committee to resign, because of extra work which had been placed upon them. Walter E. Frew, the Chairman, then made the following appointments:

Samuel Sachs, of Goldman, Sachs & Company,  
Max May, Vice-President of the Guaranty Trust Co.,

to take the places of W. H. Porter and J. T. Talbert, who resigned. Mr. Frew then appointed the present Chairman in his place, as it was necessary for him to resign from the committee upon his appointment as President of the Corn Exchange Bank. These appointments were forwarded by Mr. Frew to Mr. Hollister, Chairman of the regular Bill of Lading Committee, and were confirmed by him. The committee, therefore, stands to-day as follows:

Gilbert E. Thorne, Vice-President of the National Park Bank;

John E. Gardine, Vice-President of the National City Bank;

Samuel Sachs, of Goldman, Sachs & Company;  
Max May, Vice-President of the Guaranty Trust Company;

C. D. Mackintosh, of the Canadian Bank of Commerce;

Fred. I. Kent, Chairman, Vice-President of the Bankers Trust Company.

The Secretary of the Liverpool Bankers Committee was notified in December that the American Bankers Committee was ready to co-operate with them in bringing to a conclusion in some mutually satisfactory manner, the efforts which were being

made to safeguard the issuance of bills of lading. The Liverpool Committee replied, stating that their efforts had been discontinued temporarily, while they were awaiting the result of the action of the Liverpool Cotton Conference Committee, and that it would be agreeable to them to have us work in conjunction with this latter committee. We then got into communication with Mr. Haight, the American representative of the Liverpool Cotton Conference, and called a meeting of railroad representatives of both the southeastern and southwestern cotton-carrying railroads at the Chamber of Commerce, New York City, April 12, 1911. There were twenty-five railroads represented at the meeting, as well as the members of the Sub-Committee, and the representative of the Liverpool Cotton Conference. The meeting was called to order by the Chairman of the Bankers Committee, with the following remarks:

"The meeting to-day has been called at the request of the Sub-Committee of the Bill of Lading Committee of the American Bankers Association for the purpose of arriving, if possible, at a definite decision as to how our cotton crop shall be shipped and financed.

"The validation system undertaken by the railroads Sept. 1, 1910, if lived up to in every particular, is a satisfactory system in so far as it goes. If not lived up to in every particular, it is valueless.

"Some of the railroads have carried out the agreement in every detail, but many have not. Part of the necessity for this meeting lies in the breaking of the agreement by certain roads. In getting used to the system, many railroad agents neglected to follow instructions, through misunderstanding or oversight, and during the fall bills of lading have come forward unsigned; validation certificates unsigned; proper stamps have not been placed partly over the validation certificate and partly over the bill of lading, as required; both validation certificates and bills of lading have been undated, and numerous other errors have occurred in the issuance of bills of lading. Such matters, while causing considerable friction, are due primarily to carelessness and can only be regulated through the constant return of improperly issued bills of lading for correction.

"The matters in which the railroads have not lived up to the agreement, that have been brought to the attention of the committee, may be classed under five heads:

"1. Bills of lading are issued against compress receipts, as well as compress loading receipts.

"2. Bills of lading are issued by an agent in one town for cotton that is received by an agent in another town.

"3. Validation certificates are printed on plain paper instead of safety paper.

"4. Validation certificates are issued by the same agent who signs the bill of lading.

"5. Carelessness of agents in many cases has been found to be due to lack of proper instructions.

"These matters must all be regulated as the system to be effective must be uniform, and the American Bankers Committee must be placed in position to notify the foreign committee that the agreement will be kept by the railroads.

"Regarding the question of delivery of bills of lading against compress receipts, would say that the Bankers Committee is inclined to allow this, provided some arrangement can be effected that will furnish proper protection and justify them in doing so.

"Another reason for calling the meeting is due to the position taken by foreign cotton interests in demanding immediate adjustment of the matter.

"These interests have advised us that they will be satisfied to accept drafts against through bills of lading for cotton in the future as in the past, provided.

"First: The validation system is lived up to in every particular.

"Second: That this system is extended to include the formation of a central office, to which copies of all bills of lading issued shall be forwarded; further, that other copies shall be sent to the agents of the steamship companies at the ports through which the cotton is billed.



"Third: That the system of the central office shall be such that bankers in this country and foreign interests may apply to such office for confirmation of such bills of lading as they may wish to check up.

"It would seem a step backward to give up the through bill of lading, in so far as it is used in the shipment of cotton, and revert to the port bill for all foreign consignments. Such action would necessitate different methods of financing in this country, increase our requirement for funds at the crop-moving period, when our greatest money strain comes each normal year, and would result in a different routing of a large portion of our cotton crop from the interior to the sea.

"If foreign cotton buyers refuse to authorize their banks to accept bills of exchange drawn against through bills of lading, American bankers would not be in position to purchase such bills.

"If we would prevent this reversion to old methods, we must come to an agreement to-day as to whether the validation system shall be lived up to and extended, as already outlined, or in default of such action, the appointment of a committee representing the southeastern lines and the southwestern lines and the bankers, which shall be given power to act by those here assembled, and which shall immediately undertake a solution of the problem along similar or other lines for presentation to the foreign interests for their approval and acceptance.

"We recognize that every railroad must of necessity decide for itself what action it shall take, and realize that all cotton-carrying railroads are not represented at this meeting, but we believe that roads not so represented must of necessity fall in line with any action taken by those here to-day, or lose a large part of their cotton business, because cotton buyers abroad can refuse the bills of lading of roads which will not carry out whatever agreement may be made. In the same manner that they can refuse to except all through bills of lading.

"The Bankers Committee here to-day has been given power to act by the regular Bill of Lading Committee of the American Bankers Association. Those attending this meeting are, therefore, clearly able to come to an agreement that can be enforced, and which will put an end to friction on both sides of the water.

"The ramifications of the subject to be discussed are so great that it is respectfully suggested that remarks be confined as much as possible to the subject in hand, with the idea of making the meeting effective for the purpose for which it is called, and make it possible to take some definite action.

"Bearing this in mind, I shall first call upon Charles S. Haight, who represents the Liverpool Cotton Association, to present a plan for the extension of the validation system and the formation of a central office. We will then discuss the subject and endeavor to come to an agreement as to whether it shall be put in force or not. Then the points at issue between certain roads and the committee over the validation agreement will be brought up and settled one at a time."

Mr. Haight then presented the plan desired by the Liverpool Cotton Conference. After considerable discussion, a vote was taken of the railroads represented, on the question as to whether it was their opinion that a central office should be established in New York, to which copies of all bills of lading issued against cotton should be forwarded for use in checking up bills of lading which were being accepted by bankers as collateral to bills of exchange. The representative of each railroad present was called upon to voice his vote. The result showed nineteen affirmative votes, four affirmative votes with certain reservations, and one not prepared to vote.

A committee was then ordered appointed, consisting of five representatives of the southeastern cotton-carrying roads, two representatives of the southwestern cotton-carrying roads, two bankers and a representative of the Liverpool Cotton Conference, for the purpose of drawing up a plan under which a central office might be established and bills of lading received, filed and checked. The following were then appointed on this committee.

F. B. Bowes, Vice-President of the Illinois Central R. R.;

C. T. Airey, Freight Traffic Manager, Central of Georgia Railway Co.;

R. A. Brand, Freight Traffic Manager, Atlantic Coast Line Railroad;

Alfred P. Thom, General Counsel, Southern Ry. Co.;

C. R. Capps, Vice-President, Seaboard Air Line Railway;

J. W. Allen, General Freight Agent, Missouri, Kansas & Texas Ry.;

E. H. Calef, Assistant General Freight Agent, Missouri Pacific Ry. Co.;

Charles S. Haight, American representative of the Liverpool Cotton Conference;

John E. Gardine, Vice-President of the National City Bank;

Fred. I. Kent, Vice-President of the Bankers Trust Company.

This committee met at the Waldorf-Astoria, New York City, Thursday, April 13th, at 10.30, and drew up a tentative form of agreement along the lines of their instructions for the railroads to sign. The meeting then adjourned to allow the representatives of the railroads to present the proposed agreement to other officers of their roads for confirmation. The meeting was adjourned to Monday, April 24th, at 10.30, at the Waldorf-Astoria, New York City. At this meeting the agreement was changed in certain minor particulars, and was then passed unanimously in the following form;

"To the Chairman of the Cotton Bills of Lading Conference (1907) Committee, Liverpool, and to the Chairman of the Bill of Lading Committee of the American Bankers Association:

"Gentlemen.—As a result of conference with the Cotton Bills of Lading Conference (1907) Committee, Liverpool, and the Bill of Lading Committee of the American Bankers Association, we hereby beg to advise you that the undersigned railroad company agrees to instruct its agents who may be authorized to issue through export cotton bills of lading as follows:

"1. That no bill of lading be issued unless the cotton mentioned therein is actually delivered to it and in its possession or under its control for shipment, it being understood that bills of lading may be issued on loading certificates certifying that the cotton is loaded in cars designated by initials and numbers, such certificates being issued by duly authorized agents of compress or warehouse companies that have executed the usual contract and bond with the railroad company, but not otherwise; except that on and west of the main line of the Mobile & Ohio Railroad, including Aberdeen and Columbus, Miss., such bills of lading may be issued on cotton compress receipts of such compress companies which are made agents of the carrier for the receipt of cotton and are under bond; provided that in such case the carrier issuing such bills of lading take extra precautions to inquire into from time to time and perfect the methods in respect to the issuing of such compress receipts by such compress companies by the employment of special field agents to check and examine their methods or otherwise.

"2. That no bill of lading be issued or signed by this railroad company except by the company's authorized agent or representative.

"3. That only one original bill of lading be issued for each shipment; that the practice of issuing duplicate and triplicate bills of lading (if in existence) be discontinued, but as many copies as are reasonably required may be issued, all such copies to be endorsed 'Copy—Not Negotiable,' and at least three (3) of such copies to bear the autograph signature of the agent or other representative signing the original.

"4. That in every case one copy of such bill of lading, signed with the autograph signature of the railroad's agent or representative, be promptly forwarded to the connecting water carrier or its representative, at the port of export in the case of direct shipments, or at the American port of transshipment in the case of indirect shipments.

"5. That bills of lading be issued in serial numbers beginning with number one at each issuing station on the 1st of September of each year, and that all copies of bills of lading shall bear the same number as the original; that the number of bales of cotton and the marks and numbers thereof, if any, be inserted in said original bill of lading in writing in pen and ink, and not in typewriting or in any other manner, and that there be no additions, erasures or changes in such bills of lading.

"6. If not more than one central bureau be established in the City of New York, independently of this company, through the bankers, underwriters or otherwise, and such central bureau be designated by the Liverpool Cotton Bills of Lading Conference (1907) Committee and by the Bill of Lading Committee of the American Bankers Association—that one of the three copies mentioned in paragraph three hereof, bearing the autograph signature of the agent or representative of the railroad company, be promptly forwarded to such central bureau by the agent or other representative of the railroad company, provided the shipper, consents in writing thereto, and provided further that this company be in no wise responsible for the use that may be made of such copy or the information contained therein by the central bureau or otherwise.

"7. That the following 'Bill of Lading Signature Certificate' be attached to each original order notify bill of lading for export cotton issued by agents of this company:

"To be attached to Order Notify Bills of Lading for Export Cotton issued by Agents of this Company.

.....Railroad Company.  
 Bill of Lading Signature Certificate No. ....  
 The.....Railroad Company hereby certifies:  
 That.....is its regularly appointed agent  
 at.....and as such is authorized to sign  
 bills of lading in accordance with the regulations  
 of this Company, and that the signature on the  
 attached Order Notify Bill of Lading No. ....  
 Dated.....covering:  
 (place of issue) (date)  
 No. of bales of cotton: Marks:  
 .....  
 .....  
 .....  
 is his signature.  
 Issued.....  
 (date) (Signature)  
 .....191.....  
 (Title)

That these bill of lading signature certificates be issued in book form, with original duplicate, triplicate and stub, and numbered consecutively, and that they be prepared by this company on paper of a color tint protective, or other safety device; that a uniform size of four inches by six inches be used; that an agent or other representative of this company other than the agent or representative signing the bill of lading on behalf of the company, fill in, date and sign said bill of lading signature certificate and attach the original of the certificate to the original of the bill of lading with mucilage or paste, or an irremovable metal fastener, and after having been so attached, that it be stamped with the stamp of the issuing office, partly on the bill of lading and partly on the certificate; and that the duplicate of such bill of lading signature certificate bearing the original signature of the certifying agent be attached to the copy of said bill of lading to be forwarded as hereinbefore mentioned to the said central bureau, and that such duplicate be attached to the duplicate bill of lading and stamped in the same manner as hereinbefore provided in respect to the attaching and stamping of the original.

"8. That the number of the 'Bill of Lading Signature Certificate' attached to a bill of lading be stated in such bill of lading.

"9. That 'Bill of Lading Signature Certificates' be issued as aforesaid to the agents in book form, with original, duplicate, triplicate and stub, and numbered consecutively in the same manner as passenger tickets, and that the same check be made thereof in agents' hands as of passenger tickets; that spoiled certificates be immediately cancelled and returned to

the auditor, with report; and that the agent promptly forward to the accounting department the triplicate certificate, with a non-negotiable copy of the bill of lading.

"10. This company further agrees that if it desires to issue bills of lading as heretofore provided on compress receipts on and west of the main line of the Mobile & Ohio R. R., including Aberdeen and Columbus, Mississippi, it will endeavor to have the contract and bond of such companies so framed that the obligation thereof, in so far as it provides against issuing compress receipts until the cotton is actually received, will inure to the benefit not only of this company, but also to the benefit of the holder of such bills of lading issued on such compress receipts, and it will notify you of any compress companies on its line which fail to give such contract and bond.

"11. We beg further to advise you that this arrangement will remain in force until you are given sixty days' notice by us prior to the termination of the cotton season on the 31st day of August in any year, that it will be terminated at the end of such cotton season.

"In response we would be glad to be authorized by you to head bills of lading of this company for the transportation of cotton for export from the United States as follows: 'Through Bill of Lading issued under agreement with the Liverpool Cotton Bills of Lading Conference (1907) Committee and the American Bankers Association.'

"The foregoing to go into effect not later than Sept. 1, 1911."

The representatives of the railroads present then agreed separately to sign the agreement, as passed upon, for their railroads. The agreement after having been signed by all present was then delivered to the representative of the Liverpool Bill of Lading Conference for presentation to the southwestern railroads at a meeting to be held in St. Louis, April 27th.

It was also arranged that A. P. Thom, Chairman of the White Sulphur Springs meeting of the southeastern lines, should forward copies of the agreement to the Presidents of each of such lines, with a resolution passed by the committee urging them to accept and sign the agreement. Such letters, however, were not to be forwarded until a cablegram was received from the Liverpool Cotton Conference signifying its approval of the agreement. It was necessary to await its action, as the original papers forwarded by them had not been accepted by the committee, although the general idea had been followed. The principal difference lay in the refusal of the railroads to assume responsibility. This was not considered vital by the representative of the Liverpool Cotton Conference, however, as the system when in operation should catch forged bills of lading with so much certainty and so quickly after their issuance that it would probably stop all attempts to raise money in this heretofore convenient way. The Liverpool Committee has \* \* \* wired its approval.

The railroads refused to have anything to do with the formation of a central office, although agreeing to forward signed copies of bills of lading issued by them to such office. It, therefore, devolves upon the Liverpool Cotton Conference, or the Bankers Committee, or both, to establish such an office.

It seems that a large number of the southern cotton-carrying railroads have established a mutual insurance company for the insuring of their carriers' risks. This company at present receives information concerning the shipment of every bale of cotton which leaves the United States, and it has advices as to all insurance certificates which have been issued against cotton. In order to better check up its insurance, this company has offered to establish the central office in New York and maintain it at its own expense, arranging the detail to suit the requirements of American and foreign bankers.

From a letter received from the Transportation Mutual Insurance Company, we quote as follows:

"At the outset I should explain to you that this company is not a corporation organized for profit, but a corporation composed of the carriers themselves. It is a carriers' clearing house and servant. It insures the liability of the carriers on cotton in a special class, and I enclose you a circular showing you our

operations in this class. In addition, it reinsures the fire risk of the marine underwriters, and has now knowledge of every insurance made by marine underwriters during the past cotton season. The carrier who would furnish this company with a list of the cotton bills of lading issued by it, with the dates of the bills of lading, the number of bales and the shipper, would not be furnishing to this company a particle of information that it does not already have in all cases where the bills of lading are genuine. It is absolutely all on file in this office for the entire country; and, needless to say, no cotton shipper has access to these records."

The value in having this company maintain the central office lies in the fact that not alone bills of lading received by bankers will be checked up, but that all insurance certificates issued will also be checked from the bills of lading. Further, that wherever a bill of lading does not check out properly, this company agrees to trace the shipment immediately through the proper railroad officials.

It is also thought, from conferences had with agents of various steamship companies, that they will be willing to forward to the central office copies of masters' receipts, as issued by them. Upon receipt, these copies would also be attached to the proper bills of lading. This would be an actual proof of the fact that cotton had been shipped under the bill of lading, and would enable the central office to maintain an additional check against collision between railroad agents and shippers.

It would seem fair to all concerned to allow the Transportation Mutual Insurance Company to maintain the central office under these conditions. This is, of course, a most important thing to be considered in deciding whether to accept the offer of the insurance company.

If all of this matter meets with the approval of the Bill of Lading Committee, the development of the plan will probably be continued about as follows: Upon approval of the plan by the Liverpool Cotton Conference, signatures of the proper officials of the railroads will be obtained to the agreement. The detail of the central office will be arranged with the Transportation Mutual Insurance Company, provided it is found that it is justifiable to turn over the central office to them, and the whole system will be in working order before the opening of the coming cotton season. The plan contemplates the carrying out in every particular of the White Sulphur Springs validation agreement, with such exceptions as are noted in the agreement.

One of these exceptions, which is of considerable importance, has to do with the issuance of bills of lading against compress receipts instead of compress loading receipts. Under the White Sulphur Springs agreement, no bills of lading should be issued against compress receipts. In the present agreement an exception has been made in the case of compresses situated west of the main line of the Mobile & Ohio Railroad, and the towns of Aberdeen and Columbus, Mississippi. The railroads seem to feel that it is necessary for bills of lading to be issued against compress receipts in the territory covered by the exception. The railroads admit that losses have been made through the issuance of bills of lading against compress receipts, and, therefore, consider it only fair that when this is done the bond, which the railroads take out to protect them in case of loss under such conditions, shall be made effective to the holder of the bill of lading. By so doing, and with the railroads maintaining field agents, whose business it is to check up compresses at unexpected times and see that all of their methods are right and proper, it is felt by the committee of railroad men and bankers, which has been working upon this plan, that if carried out by all parties in the proper spirit and with due diligence, that the issuance of cotton bills of lading will be surrounded with proper protection, particularly in so far as forged bills of lading are concerned. It still seems necessary to arrange some better method of protection against forged port bills of lading, for there are unfortunately steamship agents of doubtful standing, as well as concerns in other lines. It is the intention of the committee to take this matter up

with the steamship lines when considering with them the question of the forwarding of masters' receipts to the central office.

The committee is greatly indebted to Charles S. Haight, the American representative of the Liverpool Cotton Conference, who has co-operated with the committee most effectively, and who has assumed some of the principal burdens in connection with obtaining the acceptance of the agreement by the railroads.

(Report adopted and Fred I. Kent made a member of the committee in place of Mr. Frew, resigned.)

### Committee on Express Companies and Money Orders.

JOSEPH CHAPMAN, JR., *Chairman*. MILTON E. AILES,  
JOSEPH T. TALBERT, THORNTON COOKE,  
E. D. DURHAM.

Mr. Cooke:—We are pleased to inform you that the system of travelers' cheques, established by the Association continues in active, useful and satisfactory operation.

The Council will recall that this Committee was instructed to co-operate in an action against the express companies brought by the Chamber of Commerce and Merchants' Associations of all the principal cities of the United States. We are in receipt of the following letter from the Merchants' Association of New York, which is handling the matter for all these bodies:

"Replying to your favor of April 4th, asking particulars of action against express companies now pending before the Interstate Commerce Commission:

On December 14th the Commission granted the petition for an exhaustive investigation. The formal order was, however, deferred, pending the decision of the Commission in the California and Minnesota express cases. These cases cover, in part, some of the questions as to rates included in the general petition, and Commissioner Lane wished to dispose of them before taking action in the broader case in order to avoid the necessity of going over the same ground. The opinion in the latter cases has been written and we are daily expecting the formal decision by the Commission. We are advised that immediately thereafter the Commission will take up the general investigation and at once proceed with it.

Although the proceeding will be as of the Commission's own motion and the investigation, therefore, be made by the Commission's own agents, the parties to the petition expect to co-operate with and aid the Commission through their counsel, Hon. John W. Griggs and Hon. Ben. L. Fairchild, and through experts retained for the purpose.

The Commission will probably hold a preliminary hearing in the matter within a month and thereafter the proceeding will be carried on as rapidly as possible.

Trusting this will give you the desired information, we remain,

Very truly yours,  
The Merchants Association of New York.  
By F. B. De Berard."

It will be noted that the investigation of the express companies' practices is to be made by the Interstate Commerce Commission itself. This was what your Committee asked the Commission to do, in an action brought several years ago by the American Bankers Association. At that time the Commission was of opinion that it could not undertake such an investigation; but since then the powers and facilities of the Interstate Commerce Commission have been increased by act of Congress, and on that account, it is probably that through the action now pending we shall be able to accomplish the original purposes for which this Committee was established.

Your Committee has been instructed by the Council to ascertain by inquiry of each bank in the United States whether or not there is a sufficient demand for the Association Money Order drawn in dollars to warrant the continuation of the efforts of the Association in that direction.

With the letter we shall enclose forms on which bankers will be requested to state whether or not they favor the establishment of a system of American Bankers Association Money Orders payable in all parts of the world, and if so, whether or not they would prefer that the orders bear the guarantee of the American Surety Company or the acceptance of a trust company. Finally, bankers will be asked to say whether or not, if the system is established in accordance with their preferences, they will issue money orders under the terms outlined in the circular letter of the Committee.

Your Committee cannot at this time forecast the results of this inquiry, but it is obvious that the results will be conclusive of the question whether or not the banking community desires to improve and to extend the use of its uniform money order.

At the next meeting of the Council we hope to advise you of the results of this inquiry.

(Report received and the committee authorized to send out a letter of inquiry.)

### Report of the Committee on Fidelity Bonds and Burglary Insurance.

JOHN L. HAMILTON, *Chairman*, C. O. BATCHELLER,  
 GEORGE L. RAMSEY, F. H. FRIES,  
 C. Q. CHANDLER, CALDWELL HARDY,  
 W. P. MANLEY.

To Members of the Executive Council of the American Bankers Association:—

Your Committee on Fidelity and Burglary Insurance beg leave to report:

Since the last annual meeting of the Association, we have given this question further consideration. We have prepared a form of Burglary Insurance Policy for the use of the members of the Association. We have submitted copies of this policy to the several companies engaged in this line of business and they have signified their willingness to meet with our Committee at any time it may be agreeable to us, and discuss its provisions; after such conference, we will have the policy copyrighted for the exclusive use of the members of the Association.

We are pleased to report that some of the surety companies, recognizing the efficiency of the protection afforded through the present arrangements made by the Executive Council, are offering to write members of the Association at a reduction of from five per cent. to ten per cent. of the premium charged now to members.

We are carefully considering the Fidelity, Fiduciary and Burglary situation, have been consulting with competent actuaries and will be in a position to present you a comprehensive report and recommendations to the next annual meeting.

There has been no change in the policy of the surety companies relative to rates which remain about the same so far as applies to banking risks, but there has been a decided increase in the rates as to other lines of risks, increasing from three times the amount of the average losses to five times the amount at the present time, increasing the income of these companies many millions, while their losses have not materially increased.

(Report received and placed on file.)

### Committee on Forms for National and State Banks.

JOHN M. MILLER, JR., *Chairman*, J. FLETCHER FARRELL,  
 CHARLES W. RIECKS.

The Committee submitted a copy of its report made to the Los Angeles meeting; and reported satisfactory progress in their work in the compilation of forms; that as yet they had been unable to reach a point where they could invite subscriptions. Just as soon as practicable, however, this would be done.

(Report received and placed on file.)

### Committee to Consult with U. S. Treasury Officials.

CHARLES H. HUTTIG, *Chairman*, CHARLES C. GLOVER,  
 GEORGE M. REYNOLDS, L. L. RUE,  
 WM. A. GASTON.

Mr. Huttig:—At the meeting of the Executive Council of the American Bankers Association at Atlantic City, N. J., in May, 1910, the undersigned were appointed a committee pursuant to the following resolution:

"Resolved, That a committee of five be appointed by the Chair from sub-treasury cities to confer with the officials of the United States Treasury in an endeavor:

"First: To devise a more simple method whereby customs and internal revenue payments can be legally and safely made.

"Second: To find some more economical means whereby the banks can be furnished clean money in place of unclean or mutilated bills.

"Third: To find a more economical method whereby funds can be transferred from one sub-treasury to another."

We reported fully on this subject to your honorable body and the convention of the American Bankers Association held at Los Angeles, California, in October last.

The results of our conferences and suggestions to the Secretary of the Treasury have been considered by him and his department with the result that the following act has been placed on the statute books:

[PUBLIC—NO. 440.]

[H. R. 30570.]

An Act to authorize the receipt of certified checks drawn on national and State banks for duties on imports and internal taxes, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it shall be lawful for collectors of customs and of internal revenue to receive for duties on imports and internal taxes certified checks drawn on national and State banks, and trust companies during such time and under such regulations as the Secretary of the Treasury may prescribe. No person, however, who may be indebted to the United States on account of duties on imports or internal taxes who shall have tendered a certified check or checks as provisional payment for such duties or taxes, in accordance with the terms of this Act, shall be released from the obligation to make ultimate payment thereof until such certified check so received has been duly paid; and if any such check so received is not duly paid by the bank on which it is drawn and so certifying, the United States shall, in addition to its right to exact payment from the party originally indebted therefor, have a lien for the amount of such check upon all the assets of such bank; and such amount shall be paid out of its assets in preference to any or all other claims whatsoever against said bank, except the necessary costs and expenses of administration and the reimbursement of the United States for the amount expended in the redemption of the circulating notes of such bank.

Sec. 2. That this Act shall be effective on and after June first, nineteen hundred and eleven.

Approved, March 2, 1911.

Others matters taken up by our Committee have been given due consideration by the Treasury officials, and we anticipate that the suggestions made will eventually be adopted.

(Report received; the committee discharged with the thanks of the Executive Council and the Association for their prompt and efficient work.)

### Committee on Resolution Pertaining to Finance Committee.

F. H. CURTISS, *Chairman*, WILLIAM GEORGE,  
 C. H. HUTTIG.

Mr. George:—At the Executive Council meeting held May 4, 1910, at Atlantic City, the resolution under which the Finance Committee is working was discussed, and the final action of the Council appointed

Messrs. Curtiss of Boston, Huttig of Missouri, and George of Illinois, to take up the question and present a solution of it at the next meeting of the Council. At the Council meeting in Los Angeles on October 3rd, a tentative draft of an amendment was presented, and further time given the Committee.

Your Committee recommends that the resolution passed by this Council, and under which our present Finance Committee is acting, be repealed, and that the following resolution be adopted:

Resolved, That a Committee of nine members of the Executive Council be appointed by the Administrative Committee to be known as the Finance Committee, one of whom the said Administrative Committee shall appoint as Chairman. Said Finance Committee shall meet at least one day in advance of the Executive Council meetings, and then and there receive all requests in writing for appropriations of moneys and shall present a budget to the next meeting of the Executive Council of the amounts available and the amounts of their recommendations on all applications for moneys for the use of Sections, Committees, Salaries or appropriations of any sum or sums, together with such other recommendations as they may believe the business of the Association may require.

Said Finance Committee shall receive the report of the auditors employed by the Association, and present it to the Executive Council with such criticism as they shall see fit to make.

Your Committee also files the foregoing with the General Secretary, as a proposed amendment to the Constitution, that he may submit it to the Executive Council and bring it before the next annual Convention under the regular order of business, as provided in Section 1, Article 10 of the Constitution.

(Report and Resolution adopted and filed with General Secretary as an amendment to the Constitution. Former Resolution repealed.)

#### Committee on Communications.

(In Part.)

E. R. GURNEY, *Chairman*, JOHN J. SHERMAN,  
GEORGE W. ROGERS.

This Committee was appointed to consider certain miscellaneous communications which had been received.

The Committee recommended that a list of members of the Association be published on the first of July of each year in accordance with many suggestions which had been received by the General Secretary of the Association.

In regard to several communications requesting that the District of Columbia be accorded a membership on the Executive Council of the American Bankers Association, the Committee agree that all considerations of equity and of good policy recommend such representation. The District of Columbia has but thirty-five banks, and it is manifestly impossible for them to comply with the constitutional requirement of 100 members to entitle them to a membership on the Council. Nevertheless, the importance of the city of Washington, in a commercial sense, as the seat of legislation and as the field for the administrative affairs of governmental finance indicate the desirability of a representative of our Association there located.

They recommended, therefore, that the request be referred to a suitable committee with instructions to prepare an amendment to the Constitution for submission to the next annual convention of the American Bankers Association.

(Report received and recommendations adopted, and this same committee continued as Special Committee to prepare amendment to the Constitution.)

POSSIBILITIES OF SENATOR ALDRICH'S SUGGESTIONS FOR MONETARY LEGISLATION.

An Address Delivered at the Banquet of the Executive Council of the American Bankers Association at Nashville, May 1, 1911, by James B. Forgan, President The First National Bank of Chicago.

Students from the standpoint of political economy and bankers from the standpoint of practical experience have long been agreed upon the defects of our National Banking System. Of those defects I shall point out three, which I believe to be the most serious in our banking methods, and shall then endeavor to show how they would be corrected through the operation of the financial plan suggested by Senator Aldrich.

The first defect of our present system to which I shall refer is the practical impossibility of uniting so large a number of banks, or any considerable portion of them under a common policy of action, such as might, under unfavorable business conditions, avert anticipated financial trouble and allay the public distrust produced by it. I refer, in other words, to the lack of co-operation or cohesiveness among the units of the system.

Second. The extravagant and wasteful use of reserve money caused by the requirement that each bank must individually control its own legal proportion of it. Under this requirement the gold and legal tender money of the country is divided into as many separate portions, under as many different controls as there are individual banks. The greater the number of banks, the more apparent the evil of this condition becomes. The result is that the legal reserve money of the country, which might be massed for the benefit and protection of all, as is done in banking systems worthy of the name, is distributed for the ineffective, individual protection of each. Even under normal conditions the effect of this distribution of reserve money is injurious to financial and commercial affairs. It affords no equilibrium between the fluctuating commercial demand for money or credit instruments and the supply of these commodities through the banks. In times of financial stress it becomes evident that our legal reserve money, when so distributed, although the aggregate amount of it is undiminished, is quite ineffective in protecting the banks individually and a collapse of the system becomes imminent.

Third. The further waste from an economic standpoint caused by the direct use of so much legal reserve money in ordinary business transactions. Our system provides no substitute for legal reserve money except government bond secured bank notes, which are as inflexible and as irresponsible to fluctuations in the commercial demand for circulating medium as legal reserve money itself.

The responsibility placed upon each bank of maintaining and defending its own fixed portion of reserve money, not only makes co-operation under normal conditions, practically impossible, but on the first suggestion of financial trouble throws them into a state of complete demoralization, each one striving, in competition with all the rest, for the reserve money deemed necessary for its individual survival. Then it becomes evident that we have no banking system worthy of the name and the condition prevailing could best be described as a strenuous case of "the survival of the fittest" and "devil take the hindmost."

Just when, under a properly organized system, the banks would be looked to as the mainstay and support of a doubtful business situation, for lack of such a system, they fall miserably to inspire the public confidence that should be reposed in them and fall even in the performance of their ordinary functions. They disintegrate when they should coalesce. They display individual weakness when they should demonstrate united strength in face of the common enemy—public distrust. In fact, their inability to co-operate produces public distrust.

Their individual scramble for reserve money withdraws it from the centers and widely distributes it just when it should be concentrated for a demonstration of strength. Furthermore, lacking the strength, begotten of unity, and fearing that such individual strength as they may have will soon be exhausted, banks, at such times, reduce loans and almost discontinue the performance of their principal function, that of exchanging credits with the business community. Thus, under unfavorable business conditions, they become the cause of panic, instead of being able, as they would be under proper organization, to render the assistance necessary to allay fear, tide over temporary difficulties and prevent the financial upheavals, to which we have become so accustomed that we regard them as periodically inevitable.

Although we have been practically agreed as to the defects of our national banking system we have been far from agreeing as to a remedy for them. Let us now review the remedy suggested by Senator Aldrich in his plan for monetary legislation and investigate its possibilities.

He proposes to secure united action among the banks by organizing them into, first, local associations of not less than ten members, whose capital and surplus shall aggregate not less than \$5,000,000. These local associations are to be grouped into fifteen divisions, to be known as districts. In each district shall be established a branch of the National Reserve Association.

All banks, members of local associations, shall be stockholders in the National Reserve Association to the extent of 20 per cent. of their individual capital, one-half of this stock to be paid at once in cash, the balance to remain a liability subject to call. Each such shareholding bank will do business direct with the branch of the National Reserve Association in its district.

Without disturbing the relations now existing with their legal reserve agents, the member banks will deposit with the National Reserve Association so much as they desire of the legal reserve which they now keep in their vaults and such deposits will still count as part of their legal reserve.

Each bank will have the privilege of rediscounting direct with the branch of the National Reserve Association in its district paper having not more than 28 days to run to maturity, while, through the local associations and with their guaranty, banks may rediscount paper having not more than four months to run.

By an ingenious and equitable method of electing directors of the local associations and, through them, the directors of the district branches and again through the branch directors the directors of the National Reserve Association, the banks are given control of the personnel of these boards, except that the Secretary of the Treasury, the Secretary of Commerce and Labor and the Comptroller of the Currency are ex-officio members of the board of the National Reserve Association. Thus, the banks will have the power of selecting the boards that will supervise them, direct their general policy and control for them their legal reserve money.

Copies of the reports made by national bank examiners regarding the condition of individual banks will be sent to the executive officers of the National Reserve Association.

Thus, first through the local associations, then through the district branches and finally, as a court of last resort, through the Governor and directors of the National Reserve Association itself in Washington, a supervision of all the banks will be maintained and unity of action among them will not only

be made possible, but will be practically enforced without infringing on the proper prerogatives of any.

A new criterion will be established by which the strength of the individual banks will be judged. A means of converting their liquid assets into available cash will be provided and the question will be, what proportion of each individual bank's assets is in condition to be so converted. The proportion of a bank's assets available for rediscount with the National Reserve Association, not the small amount of legal reserve money it carries, will determine its strength and standing.

In periods of financial stringency, instead of scrambling with one another for the legal reserve money, which is now the erroneous measure of their strength and stability, banks will learn to rely on the convertibility of their liquid assets into an available circulating substitute for legal reserve money, which will be more acceptable to the public than gold. No bank with sufficient convertible assets need go into the hands of a receiver, for it will be feasible in case of necessity to liquidate such a bank through the National Reserve Association under the guaranty of the local organization. Any bank failing to keep a sufficient part of its assets in convertible shape will doubtless be warned of its danger and should it persist in ignoring such warning will be excluded from the local association and liquidated, probably before its affairs become so bad as to jeopardize its depositors. Under such an arrangement a well managed bank, with its loans in proper liquid shape, will be invulnerable against false fears and the "runs" begotten of misinformation.

It will do much to establish public confidence in the individual banks to have it known that they can get such assistance as they are entitled to when they need it; that when their deposits fall off or their available cash runs low they will be able to convert their liquid assets promptly into a legal reserve balance, from which they can have shipped to them as wanted a circulating medium, as good as gold; and all this without interfering with the legal reserve money massed in the National Reserve Association for the protection of the general situation.

Such a note circulation based on bank assets composed largely of commercial paper and issued under such conditions as would command for it public confidence would not only maintain the equilibrium between the commercial demand for circulating medium and the supply of it, but would make possible and practical the massing of the legal reserve money for the protection of the banks and the commercial interests depending on them. Moreover, it would safeguard and protect the legal reserve money itself when massed by doing away with the necessity of moving it from one place to another or otherwise interfering with it. There will be no occasion for well managed banks to become panic stricken, to call in loans and scramble for reserve money, each in the vain hope of strengthening itself at the expense of the others.

The authority which it is proposed to grant to national banks to accept, under proper restrictions, time drafts arising out of commercial transactions, will not only be of great assistance in the promotion of interstate and international commerce and in the movement of crops—especially cotton—and other commodities from their place of origin to their available markets, but it will also assist the banks in keeping their assets liquid and convertible.

A discount market, such as forms the strongest feature of London banking and that of other foreign financial centers, will be created for and by these acceptances. They will be discounted and carried by the banks as a secondary reserve and will largely displace for this purpose the demand loans now made in Wall Street against stock exchange securities.

The money now loaned on call at abnormally low rates in Wall Street, whenever a superabundance of it accumulates there, only to be withdrawn or to have the rates for it raised preposterously when it is required again for commercial purposes, will flow more steadily in the channels of commerce and follow more closely the demands of legitimate investment. In fact, a well organized discount market will

tend to diminish the stock jobbing on which our present financial methods sometimes put a premium. It will adjust the volume of our circulating medium to the legitimate demand for it and will remove the cause of the unwarrantable fluctuations in the discount rates for commercial paper that mark our present system.

The volume of credit through the country will be controlled by the discount rate of the National Reserve Association. It will be raised to check over-expansion and lowered to encourage legitimate operations in accordance with conditions as they exist from time to time. The National Reserve Association will thus become the central power of a well organized banking system, at once its main strength and its guiding and controlling influence.

As a remedy for the next defect of our present system—that of compelling every bank to retain possession of its own proper proportion of the legal reserve money, Senator Aldrich's plan suggests the massing of the cash reserves of all the banks in the National Reserve Association. With an ample privilege of issuing its own notes, as a substitute for legal reserve money, the plan would, in my opinion, afford full protection of the reserves so massed. As already stated, there will be no interference with that part of the legal reserves of the banks represented by balances at their credit with their legal reserve agents. Only that part of their legal reserves which they now carry in their own vaults is to be deposited with the National Reserve Association and, when so deposited, will still count as part of their legal reserves. This requirement is 6% of the deposits of banks outside of reserve and central reserve cities, 12½% of the deposits of banks in reserve cities and 25% of the deposits of banks in central reserve cities. This reserve aggregates something more than \$900,000,000. The banks, of course, would not deposit with the Association all of their legal reserve money, but would retain as much as might be deemed necessary for the legal tender requirements of their depositors.

Some one has said that the "lawful cash reserves of a proper banking system should consist of one large reservoir of gold, the fluctuations in the amount of which should cause only a ripple on the surface." Under our present system we have a multitude of small reservoirs among which, even under normal conditions, there is a continuous movement of reserve money from one to the other which causes considerably more commotion than a mere "ripple on the surface." Whenever alarm overtakes us this commotion develops into a violent storm, which depletes and threatens to empty the large reservoirs at the country's financial centers. Public confidence is shaken as the contents of these main reservoirs diminish and widespread panic follows. The massing of the cash reserves in the National Reserve Association and the power it will have to protect them when so massed by issuing its notes as substitutes for lawful money will correct this defect of our present system.

This brings us to the consideration of the note issuing privilege of the National Reserve Association, which is the remedy proposed for the third defect of our present system. It is suggested that the national banks turn over to the Association their government bonds and along with them the note issuing privilege which the banks will no longer enjoy. I will discuss the turning over of the government bonds later. In the meantime let us consider the note issuing feature of the plan.

The National Reserve Association is to have the exclusive right of circulation, except that the national banks may maintain their present note issue without the right to increase it. This however, they are not likely to do when they fully realize the advantages to be derived by the adoption of the plan suggested. The till money of the banks, outside of the government one and two dollar bills and silver for change, will consist almost entirely of the circulating notes of the National Reserve Association soon after the plan is adopted, and the clearing house balances of the country will be settled in the large denominations of these same notes. They will

also be issued for general circulating purposes, including payrolls and the moving of the crops. The demand for them will fluctuate with the seasons. When crops are being moved the demand for circulation will be at its height and the maximum amount for which legitimate use can be found will be reached. At such times the banks will have to support their reserve balances with the National Reserve Association, against which they may have currency shipped to them, by rediscounting their available paper. As the business demand for circulating notes declines, they will return to the banks and through them to the branches of the National Reserve Association for credit on deposit. Simultaneously will mature the rediscounts on which the increased issue of notes was based. Thus, when circulating notes are shipped out, there will simply be a change in the form of the National Reserve Association's liabilities from that of deposits payable on demand to that of demand notes outstanding. When they return the transaction will be reversed, without in either case changing the proportion of lawful money on hand to the total liabilities of the National Reserve Association.

The lawful money reserve of the National Reserve Association will be but slightly affected by its domestic business transactions. So far as they are concerned, its cash reserves will remain practically stationary, except of course, as they may increase with the growing business and wealth of the nation. Its total liabilities will fluctuate as its rediscounts, prime acceptances purchased, or its other permissible investments fluctuate, and the aggregate amount of these it will control and regulate in accordance with the percentage of lawful money it has on hand as legal reserve against its liabilities. Any "ripple on the surface" of its lawful money reserve will occur principally through the withdrawal or the deposit of gold in connection with the settlement of foreign balances in accordance with the fluctuating balance of trade between this and foreign countries. Control of this will be in the hands of the management by dealing in foreign exchange and foreign government securities, carrying a line of foreign acceptances and maintaining foreign balances, all of which the National Reserve Association will be empowered to do.

The volume of the currency of the National Reserve Association will be adjusted automatically to the demand for it. It will be issued by the Association as wanted and redeemed promptly whenever the volume becomes greater than the legitimate demand. An overexpansion of it will be practically impossible, if the limit of its issue is controlled by an ample cash reserve requirement against it and the direct tax on it, if any, is regulated by the fluctuating proportion of the cash reserves against the amount outstanding. This will be quite feasible and will be more practical than any attempt to fix an arbitrary limit upon the amount of its issue beyond which it shall be subject to a heavy tax. The amount for which its legitimate use can be found will fluctuate and as the country develops the amount will increase, so that any estimate of it is pure surmise. Therefore arbitrary limitations on it will prove embarrassing, obstructive to legitimate development and may bring disaster. Certainly the National Reserve Association should not be hindered in issuing its notes at any time against a deposit with it of a like amount of gold. The business community should have all it can use so long as it is covered by an adequate gold reserve. There can be no overexpansion of business or credit from an excessive issue of notes, so long as they are thus covered. I agree with those who consider it unscientific and wrong to tax such a circulation at all and I fully realize the danger of fixing an arbitrary percentage of lawful money that must be maintained against it. We have become accustomed, however, to fixed legal reserves in this country, and while I believe that such a management as is proposed for the National Reserve Association could be relied upon to maintain adequate cash reserves against both its deposits and its circulating notes, it might be well to place some minimum limit on such reserves, with a graduated tax on the deficiency while it lasts. The trouble is that the public mind accepts such a limit

as an index of the safety point and becomes alarmed when the lawful money reserves fall temporarily below it. It is certain that the usefulness of the National Reserve Association will be greatly impaired and the proper exercise of its functions will be greatly impeded if it is not given the privilege of issuing, free from taxation, as large a volume of its notes as the banks and the public can find legitimate use for, so long as it maintains an adequate cash reserve.

Such a reserve should approximate fifty to sixty per cent. against all liabilities—deposits as well as circulation—and, if an attempt is made to regulate it by a legal limit, a tax might be levied on any deficiency below the first named figure.

It is proposed that the National Reserve Association shall, upon application and without charge for transportation, forward its circulating notes to any depositing bank against the credit balance of the bank. It is not suggested by Senator Aldrich that these notes in the hands of the banks shall count as part of their legal reserves and some sound economists have objected strenuously to their being so counted. It seems to me, however, that these authorities adhere to their preconceived ideas against counting any mere promise to pay lawful money as part of a bank's legal cash reserves and fail to grasp the full force of the central idea on which the National Reserve Association is to be organized. This idea is that the National Reserve Association shall take over, maintain and control the legal cash reserves of the banks and that the banks will be relieved individually of these responsibilities. Were the banks to continue to be individually responsible as they are now for the redemption of these circulating notes, or were they to continue to be individually responsible for the maintenance of their legal reserve in lawful money, then, of course, the arguments against counting such notes as part of their required legal reserve would be unanswerable. But these are responsibilities of which the banks are to be relieved by the organization of the National Reserve Association. Under such an arrangement I can conceive of no difference between the deposit liability of the National Reserve Association, which is to count as part of the legal reserve of the individual banks, and its demand note liability. The notes should also be counted as reserve when in the possession of the banks. The difference is one of form and not of substance. They are convertible from one to the other at the pleasure of the banks, and in the first instance they are acquired by the banks, in exactly the same manner and for precisely the same consideration—either the deposit of the reserve money, or its equivalent, or the rediscount of available paper.

Senator Aldrich's plan proposes that all notes issued by the National Reserve Association shall be covered to the extent of at least 33 1/3% by gold or other lawful money, but it makes no suggestion as to the extent to which deposits shall be covered. However, in conferences with him concerning his plan I have learned that he now leans to the idea that a fixed reserve against both deposits and circulation should be maintained and that a tax should be levied on the Association, when its cash reserve falls below a fixed percentage of its total liabilities; this tax to be increased as the reserve declines. He still thinks, however, that circulation based on government bonds would not require to be covered by the same percentage of cash reserve that is required against deposits and notes covered by bankable commercial paper.

It seems to me it would be incorrect not to provide an adequate cash reserve for a demand liability, such as a note issue of this kind, simply because it is covered or collaterally secured by government bonds. The notes are payable in lawful money on presentation to the National Reserve Association without reference to any security, either pledged or held for them. Commercial paper maturing daily would form a much better secondary reserve, if not a better security for the notes, than would government bonds. A purchaser must be found for the bonds before money can be realized on them, whereas, in the ordinary course of business money is realized every day on commercial paper as it matures and is paid.



At the same time I think government bonds in consequence of their qualities of absolute strength and goodness form a solid foundation for such a note issue, provided an ample cash reserve is carried to provide for their redemption. As to the amount of such cash reserves, it would seem to be erroneous to attempt any discrimination on account of the different forms of the demand obligations of such an institution as the National Reserve Association. What is the difference whether they be specifically covered by any particular kind or pledge of security, or are simply protected by general assets? They are all redeemable in lawful money, and in whatever form they may exist, their redemption results in the same diminution of the cash reserves.

Inasmuch as government bonds are to form a very large proportion of the assets of the National Reserve Association, which is to have the privilege of issuing notes against them, it seems to me they should count as part of the legal reserve—mark the distinction—not cash reserve, and that they should count as such legal reserve to the extent of 50% of their face value. The practical working of this suggestion would be that the notes to be issued in place of our present bank notes would, in the words of Senator Aldrich's plan, "be covered to the extent of at least one-half (his suggestion is one-third) by gold or other lawful money and the remaining portion by bonds of the United States or bankable commercial paper as herein defined, or both."

An estimate of the profits of the National Reserve Association, as a going concern, would seem to indicate that they would be ample, after providing a minimum legal reserve of 50% against all demand liabilities, government bonds to count at 50% of their face value in such reserve, and the remainder to be in gold or lawful money.

I offer the following as a rough estimate of the annual profits of the National Reserve Association. Its balance sheet, based on its paid in capital and deposits, after it has taken from the national banks such portion of their government bonds as they are likely to turn over to it during the first year, on its assuming responsibility for the redemption of the notes outstanding against them and before it does any other business, would be about as follows:

Assets	
Lawful money received for capital ....	\$100,000,000
Lawful money received for government deposits .....	100,000,000
Lawful money received for bank deposits .....	500,000,000
Government bonds taken over.....	500,000,000
	\$1,200,000,000
Liabilities	
Capital .....	\$100,000,000
Government deposits .....	100,000,000
Bank deposits .....	500,000,000
Circulating notes .....	500,000,000
	\$1,200,000,000

After it has been in operation a year it might be supposed to show a balance sheet about as follows:

Assets	
Lawful money (as above).....	\$700,000,000
Government bonds .....	700,000,000
Loans and investments.....	200,000,000
	\$1,600,000,000
Liabilities	
Capital .....	\$100,000,000
Government deposits .....	100,000,000
Bank deposits .....	600,000,000
Circulation .....	800,000,000
	\$1,600,000,000

The annual income and expense account based on the business indicated by this balance sheet might be estimated as follows:

Income	
2% on Government bonds.....	\$14,000,000
3½% on Loans and Investments.....	7,000,000
	\$21,000,000
Expense	
Operating expenses, say, 5-7 of 1%.....	\$ 5,000,000
Expenses connected with note issue, say ¼ of 1% on total.....	2,000,000
Profit .....	14,000,000
	\$21,000,000

The legal reserve, counting the government bonds as part of it at 50% of their face value, would amount to 70% of the total liabilities as follows:

Total Liabilities, \$1,500,000,000, 70% of which is .....	\$1,050,000,000
Lawful money on hand....	700,000,000
\$700,000,000 of government bonds at 50% of their face value .....	350,000,000
	1,050,000,000

It would be conservative to provide that the preliminary expenses, including office fittings and furniture, should be a charge on earnings prior to any distribution of them and that any net profits, thereafter, on the first year's business should go to the surplus fund. The probabilities are that they would scarcely be worth distributing. However, my estimate of income and expenses after the business gets well under way indicates that the annual profits for distribution, on the basis suggested in the plan, would be sufficient to pay the maximum dividend of 5% to the stockholders, pay \$4,500,000 to the government and place a like amount in the surplus fund.

It is proposed in the plan that "after the stockholders receive 5% per annum and the surplus of the National Reserve Association amounts to 20% of the paid in capital, all excess earnings shall go to the government." This, in my judgment, and in the opinion of all the bankers with whom I have discussed the subject, would be most unwise. In two conferences of bankers which I have attended it has been agreed unanimously, that after the payment of the dividend to the stockholders, the government should receive two-thirds of the net annual earnings and one-third should be added to the surplus. A surplus of twenty per cent. as a maximum would be entirely inadequate. It would not be amiss for the National Reserve Association to start, as most banks do nowadays, with that amount of surplus paid in and the stockholders' dividends adjusted to cover the additional amount thus paid in by them. No harm, in fact, nothing but good, would result to the National Reserve Association and all connected with it by allowing its surplus to accumulate indefinitely to the extent of one-third of the excess annual profits after the suggested 20% limit has been reached. For at least a generation to come, in all probability, such an accumulation of surplus would not be more than enough to maintain a proper relation between its invested capital and its total liabilities. The charter of the Association is for fifty years and there will be no occasion during that period to suspend the accumulation of surplus and adopt the questionable policy of paying out all the annual earnings. We have large banks doing business now that have been in existence for fifty years and find it just as necessary to accumulate surplus to-day as they ever did. They would lose prestige if they did not. Let us try the experiment for fifty years and leave it to Congress to make any readjustment of profit distribution found necessary when a renewal of the charter comes up for consideration.

There remains for consideration two important features of the plan, which of all the problems connected with it will probably be found to be the most difficult of solution. These are the disposition of the 2% government bonds and the extension of the benefits of the new system to the State banks and trust companies. On the practical solution of these problems will depend the solvency of the National Reserve Association and the solidarity of the national banking system.

In connection with the government bonds it is proposed that the policy of the United States will hereafter be "to retire as rapidly as possible, consistent with the public interests, bond secured circulation and to substitute therefor notes of the National Reserve Association," which will be covered partly by an adequate lawful money reserve and partly by bonds of the United States, or bankable commercial paper, or both. For a period of one year the National Reserve Association must offer to purchase at par and accrued interest the 2% bonds now held by the national banks and on taking them over will acquire the privilege of issuing circulating notes. "There is to be no further issue, beyond the amount now outstanding of bank notes by any national bank. National banks may, if they choose, maintain their present note issue, but whenever a bank retires the whole or any part of its existing issue it will permanently surrender its right to reissue the notes so retired."

This means that the national banks will ultimately surrender their government bonds and with them their present note issuing privilege, which will be enjoyed exclusively thereafter by the National Reserve Association. Before the government issued these bonds it had provided for them by the passage of the National Bank Act, an artificial and privileged market among the national banks, and when any bank now desires to dispose of them the same market is available to it. At the present time each of the 7,250 national banks has in the other 7,249 banks probable purchasers of its government bonds, because they all have the privilege of issuing notes against them. Concentrate, however, in one institution all the 2% government bonds and the exclusive right of issuing notes against them and there remains outside of it no privileged market for them and no market at all other than a strictly investment one. No outside purchaser of government bonds would have any occasion to buy them except for simple investment. The present artificial and privileged market would be completely annihilated.

The National Reserve Association is to have the doubtful privilege after two years of disposing of them at the rate of \$50,000,000 annually with the approval of the Secretary of the Treasury. Having no fixed date of maturity government bonds are in the form of a perpetual investment. To market them on a 2½% income basis would reduce their value by 20% and on a 3% basis by 33 1/3%. If, therefore, the National Reserve Association should take over the \$700,000,000 of these two per cents. at par it would hold in them an asset, the realizable value of which in any possible open market for them, would be 33 1/3% less than it paid for them. This depreciation would amount to \$233,000,000, or more than twice the amount of the paid in capital the Association would have when it began business.

I have said that this is a difficult problem to solve, but clearly understood and squarely met it is not an insurmountable difficulty. I have stated the problem bluntly to attract attention to it and to demonstrate the fact that it must be solved prior to, or simultaneously with, the organization of the National Reserve Association, otherwise the national banks will not subscribe for the stock.

It is proposed that the government shall reserve the right to purchase at par from the National Reserve Association through the trustees of the Postal Savings Bank, or otherwise, any or all of the bonds so held. The Postal Savings Bank trustees would simply make a loss equal to the cost of doing business if they received deposits and invested them at the same rate of interest. Besides, the government proposes to issue to, or through, the Postal Savings

Bank, its bonds bearing interest at 2½% with a fixed date of payment, viz.: twenty years after issue. This feature of having a fixed maturity enhances their value in addition to the higher rate of interest they bear over that of the never maturing 2% bonds. The postal Savings Bank Act authorizes the trustees to invest the ordinary savings deposits of the bank in these 2½% bonds. The National Reserve Association, therefore, would be at a decided disadvantage in disposing of its 2% bonds to the Postal Savings Bank in competition with the proposed new issue.

What, then, is the solution of the problem? It is proposed that "if the government should adopt the policy of issuing securities at a higher rate of interest than 2%, the National Reserve Association shall have the right to exchange at par the government bonds which it may have acquired from the national banks, previously held by them to secure circulation, for any bonds bearing interest at a rate not exceeding 3%." The government has already adopted the policy of issuing bonds at 3% without the note issuing privilege attached to them, so to that extent the way is opened for this refunding proposition.

There are several reasons why the government should refund these bonds. A valid reason is that every class and every interest in every section of the country will participate in the benefits of having our national banking system placed on a solid and efficient basis. The plan proposed will accomplish this and refunding the 2% government bonds on an investment basis is an indispensable part of it.

Another good reason for the refunding is that it will cost nothing. It has already been shown that the profits of the National Reserve Association will be large, and 1% more income on its government bonds will just add that much. The government will therefore be practically paying out money for additional interest with one hand and taking it back in the form of additional profits with the other.

Another equitable reason is that while the artificial market for the bonds has existed the government has had the advantage of floating its debt at 2%, and the distinction of having 2% bonds selling at a premium, a rate and a distinction enjoyed by no other national government in the world. It has received as high as 4% premium on the original issue of some of these bonds and it cannot now afford to allow them to fall in price to their actual investment market value, when there is a simple and inexpensive way of preventing it.

As to whether the refunding of the bonds on a 3% basis would establish a permanently steady investment market for them at par is, of course, a matter of opinion. That would depend on the extent to which the government might have to come into the market with new issues. Under ordinary circumstances, by standing ready to purchase them at or about par, the National Reserve Association would doubtless be able to establish a reasonably steady investment market for them at that price or a little better, and to dispose of probably \$50,000,000 of them annually to investors. In this way it might become a valuable agency through which the government could float its new issues. The trustees of the Postal Savings Bank would doubtless then also be able to absorb a considerable amount of them annually.

The next problem is how to extend to the State banks and to the trust companies doing a banking business the privilege of membership in the local associations and the benefits that will accrue to banks dealing directly with the National Reserve Association. So far as I know this problem has not yet been solved and I have no idea that the few suggestions I will here make will solve it.

That these State institutions must in some way participate on equal terms with the national banks in all the benefits of the proposed plan seems to me inevitable. Unless they do, the defects in our banking methods which are as germane to State as they are to national banks, will continue to exist among the great majority of our banking institutions. There is no greater solidarity in the one

class than in the other. In times of financial stress State banks participate with the national banks in the struggle for cash reserves.

When the National Bank Act was passed the Federal Government prevented the State banks from issuing circulating notes and thereby removed the means they formerly had of protecting their lawful money reserves. Since then they have had to resort to the use of lawful money in their counter transactions. They have had no substitute for it other than national bank notes, which to them are the equivalent of gold, or lawful money, and, unfortunately for the soundness of banking in the country, as a whole, are counted by them as such in their cash reserves. By such erroneous use of the national bank notes credit is extended on the basis of them as reserve money, while they are themselves mere credit instruments—mere promises to pay lawful money.

All the defects of the national system therefore are much in evidence among the State banks and any plan that does not include the great majority of State institutions in its benefits will do less than half the good it otherwise might. To accomplish the beneficial results that are expected from the plan, practically all the banks of any importance, both national and State, should co-operate through it, and all qualified to meet the necessary requirements should in some way be brought into it. Unless this is accomplished conflicting interests will continue in the banking business which will seriously interfere with the operation of the plan and greatly detract from its benefits to the public.

It would be ideal to have the banking business of the country all done under one national system. So long as we have forty-six States, however, with the right to enfranchise their own banks, to regulate them under their own jurisdiction and to make their own banking laws, it will not, I fear, be practical to bring the State institutions, or any considerable number of them, into a national system. On June 30, 1910, the last date on which a comparison can be made, we had 7,145 national banks and 15,950 State banking institutions; the former controlled \$7,257,000,000 deposits, while the latter controlled \$10,321,000,000. These figures disclose the difficulty of the problem and demonstrate the fact that again it is a condition and not a theory with which we have to grapple.

It has been suggested that the National Bank Act might be liberalized so as to permit the reincorporation of State banking institutions under it with power to carry on, within somewhat more restricted limits, their present classes of business. It does not seem to me that it would be advisable to attempt to so liberalize the National Bank Act that the State banks would be induced to surrender their State charters and reincorporate under the National law. To arrive at an intelligent conclusion as to the probability of their so reincorporating, one would have to be familiar with the forty-six different banking laws under which they now do business.

Very few of the State laws provide for fixed legal reserves against deposits; some of them make provision for the mutual guaranty of deposits, recent developments in connection with which, however, would indicate that this provision would drive State banks into the national system rather than keep them out of it.

In Illinois our State banks and trust companies are organized under one general banking law, any proposed change in which must be referred to the people, and decided by a majority of the votes cast at an election. As a part of their organization they assume the name "bank" or "trust company" as suits their fancy, and there being no limitation in the banking act on their duration, they determine for themselves the length of their charters. Some of

them are chartered for 999 years. They have the right, irrespective of their titles, to do a general banking business, a savings bank business and a trust company business. They may be appointed by the court's receiver, assignee, trustee, guardian, conservator, executor, etc. In Chicago there are fourteen national banks, fifty-three State banks and two foreign banks. The Chicago Clearing House Association has eighteen members of which eleven are State banks, six national banks and one foreign bank, while there are thirty-two State banks, eight national banks and one foreign bank having the privilege of clearing through members.

It would be necessary, it seems to me, for the autonomy and comprehensiveness of the proposed plan that the greater part at least of the State banking institutions should in some way become parties to it. The National Bank Act might be liberalized so as to enable national banks to compete on more equal terms with the State banks in some of the lines of business from which the former are at present precluded. At the same time specific requirements might be made in connection with the organization of the local associations and of the National Reserve Association for the privileges of membership in the former and of shareholding in the latter. These requirements should be such as would assure the standing of the State banks, to which these privileges of membership and of shareholding might be extended. Irrespective of the State laws, these requirements might cover the maintenance of a sufficient legal reserve on practically the same basis as that required of the national banks. They might provide a minimum of paid in capital and for the sending of copies of the State examiners' reports to the executive officers of the National Reserve Association. They might even go so far as to require the submission by the State banks to examination by national bank examiners or by special examiners appointed by the National Reserve Association. In localities where clearing houses have their own examiners the reports made by them could be made available to the National Reserve Association, or the system of special examinations might be so arranged as to have the clearing houses and local associations co-operate in it.

With membership in local associations and the benefits of becoming stockholders in the National Reserve Association protected in some such ways as these, there is no reason, that I can see, why State banking institutions should not be allowed to come into and enjoy all the benefits of the proposed plan without surrendering their State charters. Their individual qualifications and not their charters should be the test of their fitness.

Such are my views in regard to the more prominent features of Senator Aldrich's plan for monetary legislation. The suggestions I have made are, of course, from my own point of view which I have endeavored to make as broad as possible. Some of these suggestions will undoubtedly appear differently from other points of view. Discussion from every point of view is what is wanted. I know that the National Monetary Commission is looking for suggestions from all classes of the community. Senator Aldrich gave out the plan merely as a suggestion and invited the study and discussion of it for the benefit of the Commission from all parts of the country. I hope my study of it may be found of some value in the construction work of the National Monetary Commission.

In conclusion I commend the plan without hesitation. I believe it to be founded on correct principles and to be ingeniously adapted to present banking conditions in this country. If adopted it will correct many defects in our present banking methods and when its details have been satisfactorily worked out, as they doubtless will be, it will be a thoroughly practical plan.

REGISTRATION AT OFFICES.

THE offices of the Association, being so centrally located in the financial district—corner of Nassau and Pine Streets—make a very convenient place for members and their friends to meet when in New York. One of the large offices has been fitted up as a library and reading room, in which are kept on file the financial papers of the country and other current literature. Every facility has been provided for correspondence, and the Association's stenographers are at the service of the members, who can have their mail and telegrams sent in care of the office. The Association telephone is also at their service when they wish to communicate with the banks or their friends. The members are cordially invited to avail themselves of these privileges, and it is very much hoped they will do so.

The following visitors registered during the month of April:

Henry Saylor, Secretary Citizens Savings Bank, New York, N. Y.  
 Charles C. Putnam, Assistant Teller, Brooklyn Savings Bank, Brooklyn, N. Y.  
 E. G. McWilliam, Receiving Teller Irving Savings Institution, Brooklyn, N. Y.  
 L. W. Partridge, Detroit, Mich.  
 Howard J. Gallien, Assistant to President, Mercantile National Bank, New York, N. Y.  
 L. R. Strong, Special Representative Knauth, Nachod & Kuhne, New York, N. Y.  
 A. H. Auge, Advertising Manager The Financier, New York, N. Y.  
 Harrison S. Colburn, Vice-President Flatbush Trust Co., Brooklyn, N. Y.  
 Oliver C. Fuller, President Wisconsin Trust Co., Milwaukee, Wis.  
 Henry L. Allen, Adams & Co., New York, N. Y.  
 E. Tilden Mattox, Assistant Cashier Merchants Exchange National Bank, New York, N. Y.  
 W. Harl Smith, District Manager Steurer Publishing Co., Philadelphia, Pa.  
 W. C. Wilkinson, Cashier Merchants & Farmers National Bank, Charlotte, N. C.  
 W. A. Hunt, Secretary & Treasurer North Carolina Bankers Association, Henderson, N. C.  
 S. S. Broadus, President Tennessee Valley Bank, Decatur, Ala.  
 E. E. Crabtree, Vice-President F. G. Farrell & Co., Bankers, Jacksonville, Ill.  
 John H. Reynolds, President First National Bank, Rome, Ga.  
 Chas. A. Crist, Walden, N. Y.  
 P. H. W. Ross, The Bank of Ellensburg, Ellensburg, Wash.  
 Cornelius A. Pugsley, President Westchester County National Bank, Peekskill, N. Y.  
 Delmer Runkle, Cashier Peoples National Bank, Hoosick Falls, N. Y.  
 L. P. Pattillo, President Bank of Buford, Buford, Ga.  
 Leroy Pharr, Cashier First National Bank, Eastman, Ga.  
 A. G. Bishop, Cashier Genessee County Savings Bank, Flint, Mich.  
 J. F. Sweasy, Special Clerk American Exchange National Bank, New York, N. Y.  
 R. M. Easley, Chairman National Civic Federation, New York, N. Y.  
 E. L. Johnson, Vice-President Leavitt & Johnson Trust Co., Waterloo, Ia.  
 Col. Robert J. Lowry, President Lowry National Bank, Atlanta, Ga.  
 J. H. Nunnally, Vice-President Trust Co. of Georgia, Atlanta, Ga.  
 David Cromwell, President First National Bank, White Plains, N. Y.  
 John F. Krepps, Secretary Home Savings Bank, White Plains, N. Y.  
 Clay H. Hollister, Vice-President Old National Bank, Grand Rapids, Mich.

Samuel C. Dunlap, President Gainesville National Bank, Gainesville, Ga.  
 J. T. A. Hoshbach, Philadelphia, Pa.  
 Lawrence L. Gillespie, Vice-President Equitable Trust Co., New York, N. Y.  
 Col. F. H. Fries, President Wachovia Bank & Trust Co., Winston-Salem, N. C.  
 J. Fletcher Farrell, Vice-President Fort Dearborn National Bank, Chicago, Ill.  
 Mrs. Farrell, Chicago, Ill.  
 James M. Donald, Chairman of Board, Hanover National Bank, New York, N. Y.  
 A. Dorman Johnson, Boise City National Bank, Boise, Idaho.  
 E. Elmer Foye, Vice-President Old Colony Trust Co., Boston, Mass.  
 John M. Miller, Jr., Vice-President & Cashier First National Bank, Richmond, Va.  
 Anthony Stumpf, Daily Banker and Stockholder, New York, N. Y.  
 H. S. Bartow, Assistant Cashier Liberty National Bank, New York, N. Y.  
 W. P. Mitchell, Auditor Chase National Bank, New York, N. Y.  
 Chas. W. Riecks, Vice-President Liberty National Bank, New York, N. Y.  
 F. S. Lusk, President First National Bank, Missoula, Mont.  
 Fred Guenther, Vice-President Home Savings Bank, Detroit, Mich.  
 Orla B. Taylor, Vice-President Home Savings Bank, Detroit, Mich.  
 M. E. Nanavati, Baroda, India.  
 D. H. Pierson, Cashier Bank of the Manhattan Co., New York, N. Y.  
 W. R. Barnett, Assistant General Passenger Agent New York Central Lines, New York, N. Y.  
 Emory W. Clark, Vice-President First National Bank, Detroit, Mich.  
 R. La Motte Russell, Treasurer Manchester Trust & Safe Deposit Co., South Manchester, Conn.  
 Arthur F. Schermerhorn, Assistant Secretary American Surety Co., New York, N. Y.  
 W. E. Moss, President Fairview Savings Bank, Detroit, Mich.  
 Edward Townsend, President Importers & Traders National Bank, New York, N. Y.  
 C. S. Harley, Cashier The Mercantile Bank, Seattle, Wash.  
 Geo. R. Rogers, with Clinton Gilbert, New York, N. Y.  
 W. A. Simonson, Vice-President National City Bank, New York, N. Y.  
 Chas. E. George, Editor Lawyer and Banker, San Francisco, Cal.  
 Henry A. Smith, Vice-President National Bank of Commerce, New York, N. Y.  
 Edwin Irvine Haines, Financial Editor The Globe, New York, N. Y.  
 William G. Irwin, President Irwin's Bank, Columbus, Ind.

"Savings Bank Section Book of Printed Forms."

The book is handsomely bound in flexible seal, issued in a convenient loose-leaf style, and comprises over 600 of the most useful and typical forms used by the most progressive savings banks of the country; these forms were selected from a collection of over 20,000 blank forms on file at the Secretary's office, and bound up in about fifteen huge volumes.

The forms are reproduced at one-half their original dimensions, viz., one-quarter of the area. The third edition is for sale to non-member banks at \$18 per copy, and to members of the American Bankers Association at \$12 per copy. Orders will be received and promptly attended to by William H. Kniffin, Jr., Secretary the Savings Bank Section, 11 Pine Street, New York City.

# JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

DEVOTED TO THE SCIENCE OF BANKING AND FINANCE

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No. 11.

FRED. E. FARNSWORTH, PUBLISHER.  
General Secretary American Bankers Association

THOMAS B. PATON, EDITOR.  
General Counsel American Bankers Association

W. W. WAINE, ASSOCIATE EDITOR.

## HISTORY-MAKING EPOCH.

For years it has been apparent to the financial and business interests of the country that the present National Banking Act, and the Government system for handling the finances of the country, were practically obsolete and inadequate to the demands of our ever-increasing volume of business.

Anticipating the necessity for early action, the American Bankers Association at its Convention in St. Louis in 1906, appointed a Currency Commission. The panic of 1907 forced the country to a realization of the importance of banking and currency legislation. The action of our Currency Commission in formulating two bills, providing for asset currency, and its campaign against the Aldrich and Fowler Bills, brought out the Aldrich-Vreeland Bill, which became a law, and was instrumental in the appointment of the National Monetary Commission in 1908.

After a thorough study of the financial situation, and the accumulation of an enormous amount of statistics embodied in the publications of the National Monetary Commission, there emanated from this Commission the Aldrich plan which has had widespread publicity. J. B. Forgan, Vice-Chairman of the Currency Commission, presented to the Executive Council at its Spring meeting at Nashville, the report of the Currency Commission approving the Aldrich plan, with certain modifications. The Aldrich plan was somewhat vague in proper provisions for the admission of the Trust Companies, State Banks and Savings Banks to the privileges of the National Reserve Association, and the Trust Company Section and the Savings Bank Section introduced resolutions to the Council meeting on these points. The Currency Commission had already appointed a special committee from among its number to take up the question of proper provision for Trust Companies, State Banks and Savings Banks, and their report was submitted to the Council. The resolutions which were submitted by the Trust Company and the Savings Bank Sections, embodying certain suggestions, were

accepted by the Currency Commission and made a part of its report, with the understanding that the special committee of the Currency Commission and the committee of the Trust Company Section should meet and formulate a report embodying the suggestions made. This report as amended appears as the original report in the proceedings of the Council.

The report of the Currency Commission was adopted unanimously by the Council, and without doubt it is the first time in the history of the Association that unanimous action has been taken on so important a subject, and it will go far towards convincing the bankers of the country that the proposed plan, with amendments, is a desirable measure.

It is a strange anomaly in history that in the city of Nashville, the home of ex-President Andrew Jackson, in the Hotel Hermitage, named after Andrew Jackson's home estate, the National Reserve Association, which has so many features of a Central Bank, should be unanimously approved. It was almost entirely through the efforts of President Jackson that the second United States Bank was closed.

Following this important meeting at Nashville was the great banquet of the Trust Companies of the United States, represented in the Trust Company Section of the American Bankers Association, at the Waldorf-Astoria Hotel on May 5th, attended by 650 bankers from all parts of the country. While no official action was taken at this banquet, the able addresses on banking and currency legislation by Senator Aldrich and A. Barton Hepburn were listened to with such great interest and received such widespread publicity that they cannot help but give impetus to the movement for new banking and currency legislation.

We ask the members of the Association to carefully read this number of the Journal-Bulletin, which gives the Aldrich plan as modified, Mr. Forgan's address, "Possibilities of Senator Aldrich's Suggestions on Monetary Legislation," and all special reports, as well as reports of the officers, Sections and Committees of the Association.

# TRUST COMPANY SECTION

In the March and April numbers of the Journal, notices were made of a banquet to be given by the Trust Companies of the United States, under the auspices of the Trust Company Section. In addition to these notices in the Journal, the following letter was sent to each member of the Section:

To the Member Addressed:

For the purpose of giving an opportunity for the expression of the wide-felt interest in and appreciation of the value and usefulness of Trust Companies throughout the United States, and for the purpose of hearing valuable addresses upon important and timely subjects, and in accordance with the unanimous wish of the members of the Executive Committee attending the Trust Company Section Convention in Los Angeles on October 5, 1910, it has been decided to have a Trust Company banquet at the Waldorf-Astoria Hotel, in New York, on the night of Friday, May 5th, and to invite all the trust companies of the United States, members of the Trust Company Section, to be present by representation and with guests.

A limited number of speakers, representing national as well as local thought, will be invited, and a cordial reception will be given to friends identified with other classes of banking and financial institutions. The following gentlemen, chosen for their proximity of residence to New York, have kindly consented to serve as a

#### COMMITTEE OF ARRANGEMENTS.

Otto T. Bannard, President New York Trust Company, New York.

Howard Bayne, Vice-President Columbia Trust Company, New York.

Chas. J. Bell, President American Security & Trust Company, Washington, D. C.

Ralph W. Cutler, President Hartford Trust Company, Hartford, Conn.

E. Elmer Foye, Vice-President Old Colony Trust Company, Boston, Mass.

Alexander J. Hemphill, President Guaranty Trust Company, New York.

A. A. Jackson, Vice-President Girard Trust Company, Philadelphia, Pa.

Clarence H. Kelsey, President Title Guarantee & Trust Company, New York.

Alvin W. Krech, President Equitable Trust Company, New York.

Edwin S. Marston, President Farmers Loan & Trust Company, New York.

Edwin G. Merrill, President Union Trust Company, New York.

Uzal H. McCarter, President Fidelity Trust Company, Newark, N. J.

John W. Platten, President United States Mortgage & Trust Company, New York.

A. H. S. Post, President Mercantile Trust & Deposit Company, Baltimore, Md.

Wm. C. Pollon, President Mercantile Trust Company, New York.

Benjamin Strong, Jr., Vice-President Bankers Trust Company, New York.

Roland L. Taylor, President Philadelphia Trust, Safe Deposit & Insurance Company, Philadelphia, Pa.

Oliver C. Fuller, President Wisconsin Trust Company, Milwaukee, Wis.; President Trust Company Section.

Lawrence L. Gillespie, Vice-President Equitable Trust Company, New York; First Vice-President Trust Company Section.

F. H. Fries, President Wachovia Bank & Trust Company, Winston-Salem, N. C.; Chairman Executive Committee Trust Company Section.

Phillip S. Babcock, Secretary; Secretary Trust Company Section, New York.

The object of this letter is to apprise you of the intention to hold this banquet and to inform you that the price of each seat for the dinner will be \$12, and to inquire how many seats your company will require.

It is expected that this banquet of Trust Companies of the United States will inaugurate an annual affair of great importance and pre-eminent in its scope and representative character.

A subscription blank is enclosed, which you are requested to return promptly to Phillip S. Babcock, Secretary, 11 Pine Street, New York.

Respectfully yours,

LAWRENCE L. GILLESPIE,

First Vice-President.

It is extremely gratifying to report that this banquet, held on the evening of May 5th last, in the Grand Ball Room of the Waldorf-Astoria, New York City, was, in the judgment of everyone present, a notable success, and has undoubtedly done much to enhance the prestige of the American Bankers Association and the Trust Company Section.

Over 623 trust company and bank officials from every part of the country were present, the attendance from outside of Greater New York being especially noticeable and representing over fifty per cent. of the entire assemblage.

Governor Dix of New York State, finding himself unable at the last moment to be present, sent a letter which was read to the assembled guests. Senator Aldrich, Chairman of the National Monetary Commission, delivered a most forcible and interesting address on the "Relation of Trust Companies to Monetary Reform." A. Barton Hepburn, President of the New York Clearing House Association, delivered a most timely and interesting address on the "Trust Companies and Clearing Houses," and F. O. Watts,

President of the American Bankers Association, talked most interestingly and eloquently about the American Bankers Association and the immense amount of good it was doing in the interest of the banks and trust companies throughout the country. Representatives of the press from different sections of the country were in attendance and the affair was very widely described in the papers.

Space will not permit the publication in this number of the Journal of the addresses, but it is hoped that they can be published next month.

As evidence of the intense interest taken in this banquet and of its importance in the present endeavors to put this country on a sound financial basis, it may be noted that one of the most prominent New York papers devoted three columns to it, prefacing its story as follows:

**"THE TRUST COMPANY MEN DINE WITH OFFICERS OF STATE AND NATIONAL BANKS.**

Most Remarkable and Representative Gathering at the Waldorf—Ex-Senator Aldrich Discusses His Plan for Warding Off Panics—A. Barton Hepburn Tells the Trust Company Men Why It Is Worth Their While to Establish Clearing House Connections.

Trust company officers from all over the United States banqueted at the Waldorf last night with officers of National and State banks, heads of big industrial concerns and statesmen interested in questions of finance. It was the first really representative national gathering of trust company men.

They heard from ex-Senator Nelson W. Aldrich of Rhode Island how they may become members of the National Reserve Association, which is Mr. Aldrich's plan for promoting prosperity and stopping panics before they get under way. They got arguments from A. Barton Hepburn, President of the Clearing House Association, as to why trust companies ought to become members of the Clearing House Association even if it does mean putting up a 25 per cent. reserve. And they were told a good deal besides about their growing importance and what potential folks they have become.

It was clearly understood that the dinner was a non-partisan affair and that national bank men might say what they pleased without being taken up and that trust company men might give their side of things without being exposed to criticism from the national bankers. It was strictly an impartial tribunal of 700 or so who wanted to get both sides of questions that are now of keen interest to all financiers."

C. Oliver Fuller, President of the Wisconsin Trust Company, Milwaukee, Wis., President of the Trust Company Section, presided, and seated at the table with him were the following

**GUESTS.**

Hon. Nelson W. Aldrich, Chairman National Monetary Commission.

George F. Baker.

Francis S. Bangs, President Trust Company Section, 1897.

Hon. O. H. Cheney, Superintendent of Banks, New York.

Maj-Gen. Frederick D. Grant, U. S. A.

Rt. Rev. David H. Greer, Bishop of New York.

Hon. A. Barton Hepburn, President New York Clearing House Association.

Anton G. Hodenpyl, President Trust Company Section, 1899.

Breckinridge Jones, President Trust Company Section, 1898 and 1903.

Hon. Lee McClung, Treasurer of the United States.

H. P. McIntosh, President Trust Company Section, 1909.

William A. Nash.

Festus J. Wade, President Trust Company Section, 1906.

F. O. Watts, President American Bankers Association.

Hon. Clark Williams, President Trust Company Section, 1905.

John Skelton Williams, President Trust Company Section, 1901.

**"Trust Company Forms."**

The selections cover all departments of the trust company, and it is believed offer practical "forms" for carrying out all of the various banking and trust functions which may fall to the lot of an active company.

The selected forms have been reproduced by photographic process (one-half the original dimensions), bound in full morocco, leather lining, gilt edges, in handsome and durable shape—11x14 inches in size—and are for sale to members of the Association for \$15 each, and to non-members at \$20. Some 550 different forms have been reproduced, making a book of 145 pages, fully indexed. Subscriptions may be sent to P. S. Babcock, Secretary Trust Company Section, 11 Pine Street, New York, who will forward book prepaid at once.

**Special Notice.**

It is felt that it will be of much value and interest to the members of the Section to have collected in the Secretary's office, samples of advertising matter used by trust companies throughout the country, such as pamphlets, booklets, newspapers, advertisements, etc. Members are, therefore, requested to send to the Secretary, at 11 Pine Street, such advertising matter as they may be using at this time so that they can be arranged in books or filing cabinets and be open to the inspection of trust company members who may call at the Secretary's office in New York.

# SAVINGS BANK SECTION

## THE AMERICAN SAVINGS BANK CENTENNIAL.

In anticipation of coming events, at one of the savings bank meetings held in New York recently, a resolution was adopted which in all probability is the first step towards the proper celebration of the One Hundredth Anniversary of savings banking in this country.

The resolution was as follows: "Whereas, It is conceded that the savings bank movement in the United States owes its conception to certain correspondence between Thomas Eddy of New York, and Patrick Colquhoun of London, during the month of April, 1816, the ultimate result of which was the inception and organization of the Bank for Savings in New York, March 26, 1819; and at about the same time the New York movement was conceived, a similar work was undertaken in Boston, Philadelphia and Baltimore, resulting in the incorporation of the Provident Institution for Savings of Boston, December 13, 1816; the Philadelphia Saving Fund Society, December 2, 1816, and the Savings Bank of Baltimore in 1818; and whereas, it is eminently fitting that a movement fraught with so much of interest and importance to the individual and the nation should be properly celebrated during the year of its centennial, 1916,

"Therefore, Be it resolved, that the savings bank men of New York here present favor the proper commemoration of this event and pledge their support and co-operation in any and all ways necessary to bring this about."

This idea will be presented to the Executive Committee meeting at Nashville on May first, and at the annual gathering of the New York Savings Bank Association at the New York Chamber of Commerce, May 18th. Savings bank men who have been informed of the contemplated centennial have heartily endorsed it, and it would seem to be a work worthy of the support of the savings bank interests in all parts of the country. Outline of the proposed plan will be given at some future time.

The bureau of savings bank information which aims to answer questions relative to savings banking in its every aspect is now taking shape. A clipping service covering the English-speaking world has been inaugurated, which will undoubtedly bring to the Secretary's office the most exhaustive compilation of savings bank information extant. An order has been placed with one of the leading clipping bureaus for a special service covering such topics as the Progress of the Postal Savings Bank; Savings Bank Insurance; Savings Bank Troubles of all Kinds; Current Legislation; School Savings Banks; Thrift, and allied sub-

jects. This, together with a large collection of forms, savings bank laws and other material already gathered, will furnish the basis for a most useful work.

As an indication of the variety of inquiries along this line, questions relative to the following topics have been answered during the past six weeks: the usefulness and adaptability of the steel home banks, and recommendations as to the best of these devices; the school savings bank—its advantages and methods of operation (several inquiries); how to handle checking accounts in connection with card ledger systems; passbooks, etc.; the segregation of savings deposits, mortgage ledgers and forms; the surplus question in New York; advertising methods for obtaining deposits by mail; interest computations; accounting methods with depository banks; condition and probable outcome of the Washington Savings Bank defalcation; taxation of savings deposits in Massachusetts; savings bank laws of several States; books on advertising, etc.

Through this service, the Secretary aims to be helpful to the members at all times, and will give every inquiry the closest personal attention, and it is hoped that the membership will freely avail themselves of the privileges hereby accorded.

## UNIFORMITY OF METHODS.

There can be no doubt that uniformity of methods among savings banks, in such matters as they can agree upon will prove of as much value as uniformity of laws. The fact that there are fifty banks in a certain city is no reason why there should be fifty different rules on the same subject. A movement which aims and has every promise of accomplishing this desirable result for New York State has recently been inaugurated in New York City, and in this work the Secretary of the Section has heartily concurred.

At a meeting of the savings bank men of the City a short time ago, a resolution was offered, suggesting that a committee be appointed for this purpose, which was done. A list of eleven questions has gone out from the Secretary's office to every bank in the State, eliciting information relative to the procedure of the various banks in cases of lost books and deceased persons' accounts. The replies are well in hand and are being compiled, and upon completion of the work, copy will be sent to all who so request. A meeting of savings bank attorneys is to be called and if possible an agreement reached in such matters, and the banks will be asked to unite upon a common ground to the mutual advantage of all concerned.



# CLEARING HOUSE SECTION

## REGISTRATION OF COMMERCIAL PAPER.

The failure of some large corporations which have floated quantities of commercial and accommodation paper through commercial paper brokers has brought about an agitation among bankers as to the advisability of the establishment of a credit bureau for the registration of commercial paper.

The American Bankers Association some two years ago appointed a committee to consider this subject. The committee made an exhaustive report, but not receiving the encouragement in a project of this kind that was expected, nothing was accomplished and the committee was discharged.

It seems now an opportune time to again consider a proposition of this nature, and we reproduce herewith a circular letter and a form of note which has been adopted by the International Paper Company:

"The International Paper Company purposes in future to do such financing as may be necessary for itself and its subsidiary companies—through the issue of its direct paper rather than through the paper of its subsidiary companies.

The company has effected an arrangement for the registration of its obligations in respect to both classes of such paper and for the purpose of such registration it has appointed the Bankers Trust Company, New York City, Registrar.

The International Paper Company hereby gives notice that all paper issued on and after February 1st, 1911, bearing its signature either as maker, en-

dorser or acceptor will not be complete and binding on the company unless such obligation has been registered by Bankers Trust Company, Registrar, and such registry noted thereon. Such obligations respectively will bear the following notations:

'This note is not valid nor is its issue complete unless registered by Bankers Trust Company, Registrar, and such registry noted hereon.'

'Endorsement by International Paper Company not complete unless registered by Bankers Trust Company, Registrar, and such registry noted hereon.'

'Acceptance by International Paper Company not complete unless registered by Bankers Trust Company, Registrar, and such registry noted hereon.'

This method of registration will permit any bank, banker or trust company to ascertain at any time upon application in writing to Bankers Trust Company, Registrar, New York City, the amount of liabilities of the Company, as evidenced by the Registrar's record.

The Bankers Trust Company will furnish, upon request, specimen signatures of its officers authorized to sign in its behalf as Registrar.

The undersigned will be pleased to furnish, upon request, any further information regarding the above plan of registration.

INTERNATIONAL PAPER COMPANY,  
Owen Shepherd, Assistant Treasurer.



**CLEARING HOUSE BANK EXAMINATIONS.**

*From a Cleveland Correspondent.*

Clearing House Examination is a matter which is receiving careful consideration by the Clearing House Associations in a number of cities at the present time.

The failure of the Chicago National Bank and its allied institutions in the winter of 1905, by reason of bad banking practices, resulted in the Clearing House Association of Chicago deciding to have its own examiner. The results have been in all respects most satisfactory. The embarrassment of a Trust Company in St. Louis in 1907, resulted in a Clearing House examiner being employed in that city, and gradually the plan has been adopted until a number of cities now have their own examiner.

The matter has been under consideration by the Clearing House Association in Cleveland for some months, resulting in the recent announcement of the

employment of Mr. F. Coates, Jr., of Richmond, Va., as its examiner, who will take up his duties about May 1st. Mr. Coates has for several years been an examiner at large in the office of the Comptroller of the currency. His experience has well fitted him for the position.

During the past few years, as the result of bad banking practices, Cleveland has had several bank failures, resulting in considerable loss to depositors as well as to stockholders. It is believed that episodes of this sort will not occur in the future.

The employment of a Clearing House examiner is not to be considered in the least as reflecting upon the thoroughness of the examinations given the Cleveland banks, both by the National and State examiners. But as the time allowed is usually limited it is obvious that a permanent examiner, with more time at his command and better advised as to local conditions, can be more thorough in his examinations. We are confident that as time goes on the banks in Cleveland will be as enthusiastic over results as other cities who have preceded them in the adoption of the plan.

**BURNS CAPTURES DYNAMITERS.**

Bankers will remember the Los Angeles Times explosion which happened just on the eve of the American Bankers Association Convention which was held in that city on October first of last year. Twenty-one lives were lost and on motion of Mr. Huttig of St. Louis, Five Thousand Dollars (\$5,000.00) was appropriated by the Association for the immediate relief of the sufferers.

William J. Burns of the William J. Burns National Detective Agency, representing the American Bankers Association, was in Los Angeles at the time attending the convention. He was retained by Mayor Alexander and other officials of Los Angeles to run down the perpetrators of the outrage, and after several months, through his efforts, John J. and James B. McNamara, together with Ortie McManigal, were

arrested charged with being the parties responsible for the blowing up of the Times Building. One of those under arrest is said to have confessed that he and his associates have, as wreckers, been guilty of sixty explosions with dynamite, costing the lives of one hundred and twelve persons as well as damage to property of over Three Million Five Hundred Thousand Dollars (\$3,500,000.00). The parties charged with this crime have been returned to Los Angeles where they now await trial.

Mr. James R. Edmunds, Vice-President of the National Bank of Commerce of Baltimore, who died on April 19th, was a member of the Executive Council of the Association in 1908 and 1909. Mr. Edmunds took a great deal of interest in the welfare of the Association and was very active in its affairs.

**MORTUARY RECORD OF MEMBERS REPORTED DURING APRIL.**

- Backus, John E.—President Queens County Trust Co., Jamaica, N. Y.
- Clark, Claude—President Peoples Savings Bank, Akron, Ohio.
- Cottrell, Horace—Cashier First National Bank, Greenwich, N. Y.
- Edmunds, James R.—Vice-President National Bank of Commerce, Baltimore, Md.
- Kidd, Andrew W.—Director Farmers & Merchants Bank, Benton Harbor, Mich.
- Mealey, Edward W.—President Hagerstown Bank, Hagerstown, Md.
- McLane, John—President Souhegan National Bank, Milford, N. H.
- Pickett, Ensign W.—Cashier Wayland State Bank, Wayland, Mich.
- Rupert, Frank E.—President Farmers National Bank, Pekin, Ill.
- Shanard, J. H.—President First National Bank, Bridgewater, S. D.
- Spalding, Warren A.—President National Tradesmen's Bank, New Haven, Conn.
- Stearns, F. E.—Vice-President First National Bank, Garden Grove, Ia.
- Watt, James—President German Savings Bank, Des Moines, Ia.
- Wells, W. B.—Vice-President Third National Bank, St. Louis, Mo.

# STATE SECRETARIES SECTION

## CONVENTIONS TO BE HELD IN 1911.

May	10-11.	Mississippi .....	Greenwood
"	10-11.	Florida .....	Ocala
"	12-13.	New Jersey.....	Hotel Chelsea, Atlantic City.
"	16-18.	Texas .....	Dallas
"	22-23.	Oklahoma .....	Oklahoma City
"	24-25.	Kansas .....	Kansas City
"	24-25.	Missouri .....	Kansas City
"	29-30.	Tennessee,	Hotel Hermitage, Nashville
June	7- 8.	So. Dakota,	Cataract Hotel, Sioux Falls.
"	8- 9.	Georgia .....	Savannah
"	12-14.	Idaho .....	.....
"	13-14.	Pennsylvania .....	Philadelphia
"	13-17.	Michigan.....	Detroit and Buffalo
"	15-16.	Iowa .....	Mason City
"	15-17.	California .....	Lake Tahoe
"	15-17.	Virginia,	Homestead Hotel, Hot Springs
"	20-22.	Maryland .....	Deer Park
"	21-22.	Connecticut,	"The Griswold," Eastern Point, New London.
"	21-23.	Minnesota .....	Bemidji
"	21-23.	No. Car..	Lake Kanuga, Hendersonville
"	22-23.	New York State,	Oriental Hotel, Manhattan Beach.
"	27-28.	North Dakota .....	Fargo
"	-	Massachusetts .....	Swamscott
July	6- 7.	Ohio.....	Hotel Breakers, Cedar Point, Sandusky.
"	11-12.	West Virginia...	White Sulphur Springs
"	12-13.	Wisconsin .....	Milwaukee
Sept.	7- 9.	Amer. Inst. of Banking,	Rochester, N. Y.
Oct.	-	Illinois .....	Springfield
Nov.	-	American Bankers Association.....	St. Charles Hotel, New Orleans.

## STATE CONVENTIONS HELD IN APRIL.

### SOUTH CAROLINA:

The eleventh annual convention of the South Carolina Bankers Association at Pine Forest Inn, Summerville, April 18th-20th, was called to order by President Wilson G. Harvey. Addresses of welcome were delivered by S. Lewis Simons, Mayor of Summerville, and Elias Doar, Cashier, Bank of Dorchester, Summerville, to which suitable responses were made.

President Harvey in his annual address reviewed the "Banking Conditions in South Carolina."

Secretary-Treasurer Giles L. Wilson in his annual report showed the Association to be prosperous; nearly every bank in the State is a member of the Association, and 125 of the banks are members of the American Bankers Association.

The Hon. Franklin MacVeagh, Secretary of the Treasury, made an address, taking for his subject, "Bi-Partisan Politics;" the Hon. Edward B. Vreeland, Vice-Chairman of the National Monetary Commission, spoke on the "Aldrich Plan;" John E. Gardin, Vice-President of the National City Bank, New York City, made an address on "Banking and Commerce;" William Ingle, Vice-President and Cashier of the Merchants National Bank of Baltimore, spoke on "Uniform Banking Regulations;" John D. Walker, President First National Bank of Sparta, Georgia, made an address on "Guaranty of Bank Deposits." Other speakers on the program were as follows: Hon. Charles A. Smith, Lieutenant-Governor, President Citizens Bank, Timmons ville; R. B. Scarborough, President Bank of Horry, Conway; D. D. McColl, Bank of Marlboro, Bennettsville; H. H. Watkins, Peoples Bank, Anderson, and J. Lyles Glenn, President National Exchange Bank, Chester.

The entertainment features included a ball, banquet, and many other social functions of an enjoyable nature.

### ARKANSAS:

The twenty-first annual convention of the Arkansas Bankers Association was held at the Hotel Marlon, Little Rock, April 6-7. There was a very large attendance, every section of the State being well represented, special interest being manifested in pending legislation to give the State an adequate banking law.

Preceding the opening of the convention the Executive Council held a session to perfect arrangements in making provision for the attendance of legislators at the meetings.

The convention was called to order by President George R. Wood, of Van Buren; and in his annual address he advocated, and made a strong plea, for a new and better banking law in the State of Arkansas.

Judge E. A. McCulloch, Chief Justice of the Supreme Court of Arkansas made the Address of Welcome, which was responded to by Carl Hollis, Cashier Merchants and Planters Bank of Warren.

The reports of Secretary Robert E. Wait and Treasurer F. M. Smith showed the Association to be in a prosperous condition. Reports were also made by A. D. Foster, of Pine Bluff, on behalf of the Executive Council, and by H. L. Rimmel, of Little Rock, on behalf of the delegates who attended the convention of the American Bankers Association at Los Angeles. The reports of the various committees showed that good results had been accomplished during the past year.

J. H. Johnson, President of the Peninsular Savings Bank of Detroit, Mich., made an address on "A Savings Deposit and Its Responsibilities." General discussions followed on "Bond Issues in Arkansas," led by J. F. Loughborough; "Liability of Common Carriers on Bills of Lading," by J. B. McDonough, of Fort Smith, and W. B. Smith, of Little Rock; and the "Aldrich Plan," by Hon. Robert W. Bonyne, a member of the National Monetary Commission. Pending legislation in the Arkansas legislature was also thoroughly discussed.

The seven groups of the Association held short meetings between the morning and afternoon sessions of the convention.

The entertainment, provided by the members of the Little Rock Clearing House Association included theatre parties and other functions. One of the most enjoyable features of the entertainment program was the banquet at the Hotel Marion on Friday evening, at which Mr. J. N. Helskell, editor of the Arkansas Gazette, acted as toastmaster.

#### STATE CONVENTIONS, ADVANCE PROGRAMS.

##### TEXAS:

The program of the 27th annual convention of the Texas Bankers Association at Dallas, May 16th-18th, is as follows:

Response to address of welcome: W. F. McCaleb, President West Texas Bank & Trust Co., San Antonio.

Address: Gov. O. B. Colquitt, Austin.

Other addresses as follows: "Safeguards Against Recurring Panics," George M. Reynolds, President Continental and Commercial National Bank, Chicago; "The American Bankers Association," C. H. Huttig, President Third National Bank, St. Louis, Mo.; "The Profession of Banking," F. M. Law, Cashier First National Bank, Beaumont; "Cotton Accounts," Nathan Adams, Cashier American Exchange National Bank, Dallas; "State Banks and the Laws Controlling Them and Suggestions as to Their Conduct," Hon. B. L. Gill, State Banking Commissioner, Austin, "A Day's Work," J. Hirsch, Vice-President Corpus Christi National Bank, Corpus Christi; "Banking Conditions in the Southwest," Geo. B. Harrison, Cashier New England National Bank, Kansas City; "The Aldrich Plan," J. T. Scott, Vice-President First National Bank, Houston. W. O. Jones, Assistant Cashier of the National Park Bank of New York City, will also make an address.

##### MICHIGAN:

The 25th annual convention of the Michigan Bankers Association, to be held at Detroit, June 12th-17th, will be called to order on Tuesday morning, the 13th, by President Emory W. Clark, at the Hotel Pontchartrain, which will be headquarters. In the evening the gentlemen will attend a banquet, at which addresses will be made by prominent speakers on various banking questions; the ladies being entertained at the theatres.

On the following day, business sessions will be resumed and trips taken to different places of in-

terest. A ball will be given at the hotel in the evening.

On Thursday afternoon the bankers and their ladies embark on the palatial steamer "Western States" for Buffalo, the boat having been chartered exclusively for two days. En route the party will view the Livingstone Channel, arriving at Buffalo Friday morning. The day will be spent sightseeing and a visit paid to Niagara Falls; the boat leaving Buffalo for the return trip Friday evening, arriving in Detroit on Saturday morning.

##### TENNESSEE:

All indications point to the fact that the twenty-first annual convention of the Tennessee Bankers Association at Nashville on the 29th and 30th of this month will be very largely attended. Reduced rates will be offered on the railroads.

The Nashville bankers are preparing a royal entertainment for the visitors.

Among the speakers at the convention will be Gov. Hooper, of Tennessee; James H. Kirkland, Chancellor of Vanderbilt University, and John Ferrin, of the Fletcher-American National Bank of Indianapolis. The latter will speak on "The Aldrich Plan for Monetary Legislation."

Headquarters will be at the new Hotel Hermitage.

##### MISSOURI:

The program of the twenty-first annual convention of the Missouri Bankers' Association at Kansas City, Mo., May 24-26 is as follows:

Invocation by Rev. J. E. Silcox, Pastor Westminster Congregational Church, Kansas City; Addresses of Welcome: Hon. Darius A. Brown, Mayor of Kansas City, in behalf of the City; Mr. J. F. Downing, President, in behalf of the Kansas City Clearing House Association. Response in behalf of the Missouri Bankers' Association and President's annual address, Mr. A. O. Wilson. Addresses: Mr. E. R. Gurney, Vice-President First National Bank, Fremont, Neb. (subject not yet announced); Judge Charles E. Lobdell, President First State Bank, Larned, Kansas (subject not yet announced); Mr. Wm. H. Burges, El Paso, Tex., "International Commerce"; Judge I. P. Ryland, Kansas City (subject not yet announced). Following this address Judge Ryland will act as arbiter in the discussion of legal questions to be selected later.

The usual reports will be made including those of Secretary Keyser, Treasurer Calkins, Group chairmen and Group secretaries, and the chairmen of the various committees.

Following the adjournment of the morning session of the second day, members of the American Bankers Association present at the convention will meet in the Willis Wood Theatre to nominate a Vice-President for Missouri, elect a delegate as a member of the Nominating Committee of the next convention and nominate a member of the Executive Council of the National Association.

Headquarters will be at the Hotel Baltimore, and the business sessions held in the Willis Wood Theatre.

**KANSAS:**

The program of the twenty-fourth annual convention of the Kansas Bankers' Association at Kansas City, Kan., May 24-25, is as follows:

Invocations, first day, Rt. Rev. John Ward, Bishop of Leavenworth; second day, Rev. John Score, Pastor Seventh Street M. E. Church, Kansas City, Kan. Address of Welcome, Judge Richard J. Higgins, Counsellor of Kansas City. Response, Hon. W. Y. Morgan, State Exchange Bank, Hutchinson, Kan. President's annual address, W. H. Burks, Wellington. Addresses, "The Times," Hon. J. N. Dolley, Bank Commissioner, Topeka; "The Country Banker the Community Counsellor," Scott Hopkins, Topeka; "Proper Functions of a Bankers' Association," Hon. J. P. Hinton, Hannibal, Mo. Brief addresses will also be made by the Deputy Bank Examiners of Kansas, entitled "Things Revealed in Bank Examinations most Commonly the Subject of Criticism." There will be brief discussions as follows: "Every Day Problems," T. C. Broadley, Weir City; "Protective Features," Geo. W. Snyder, Topeka; "The Identity of State and National Bank Interests," J. H. McNair, Halstead; "Our Schoolmasters," R. M. Sawhill, Glasco; "Who Runs the Bank," W. A. Cooney, Mayetta; "Days Off," M. H. Malott, Abilene; "The Long and Short of It," Geo. T. Guernsey, Jr., Independence; "The Value of an Account," F. J. Atwood, Concordia; "Our New Competitor," John R. Lindburg, Pittsburg; "Automobiles and Other Liabilities," A. H. Denton, Arkansas City; "Thank you Services," C. G. Cochran, Plainville; "With Lindburg at Los Angeles," P. I. Bonebrake, Topeka; "Dignified and Undignified Bank Advertising," T. B. Brown, President Building and Loan Association.

The usual routine business will be transacted and reports read; the proceedings being interspersed with vocal music appropriate to the occasion. The business sessions will be held in the Masonic Temple.

A Vice-President for Kansas, a member of the Executive Council and a member of the Nominating Committee of the American Bankers Association will be elected during the convention.

In connection with the convention a meeting of the Building and Loan Section of the Association will be held.

Arrangements are being made for elaborate entertainment, and special features, provided for the pleasure and profit of the ladies, who will be in attendance.

The program of the joint meeting of the Missouri and Kansas Bankers' Associations, on Wednesday evening May 24 in Convention Hall, Kansas City, Missouri, was published in the April number of the Journal.

**PROTECTIVE WORK OF STATE BANKERS' ASSOCIATIONS.**

Washington Bankers Association,  
Office of the Secretary.

Tacoma, Wash., March 26, 1911.  
**WARNING.**

No. 200.—Look out for forger and swindler using name Robert E. Holton, holding pass book on Commercial Bank of Snohomish, Wash., showing credit of \$5,600. He deposited his personal check on Bank of Stanfield, Stanfield, Ore., for collection and obtained pass book of the bank. Check proved to be bogus. Is

drawing and passing checks on the Commercial Bank of Snohomish on strength of this pass book credit. Description: Age about 26; height 5 ft. 5 in.; weight about 140 to 150 lbs.; color white; build medium; hair brown; long roman nose; eyes gray; smooth shaven. Jewish appearance. Other aliases: Delbert P. Hankins, F. W. Branson, Frank Howard, Robert E. Holt, Robert E. Homer, Robert J. McMahon, Frank Whitehead. Has operated in Chicago, Ill.; Shoshone, Idaho; Cheney and Spokane, Wash. Warrants out for his arrest.

No. 201.—Look out for one J. J. Curl, who is cashing worthless checks drawn on Three Valleys State Bank of Three Forks, Mont. Described as about six feet tall; slender build; brown hair; brown eyes; talks with Southern accent and carries credentials from Miles City, Mont.

No. 202.—Demand Certificate of Deposit No. 48,028, dated Oct. 31, 1910, payable to Jos. McCook, for \$1,320, issued by the First National Bank of Missoula, was stolen from him March 8. This party was on the North Coast Limited, coming from St. Paul and the certificate was stolen from his berth during the night, probably east of Forsyth.

No. 203.—Look out for "Time Check" of a large manufacturing concern of Hamilton, Ohio, on a local bank. Man presented checks is described as being about 5 ft. 7 in. tall; round, florid face; light hair; blue eyes; about 35 years old; having a quick, nervous manner of speech. When last seen wore a brown mixed suit of clothes, soft gray hat. Checks were payable to F. M. Hall. Will probably use different names.

Texas Bankers Association,  
Office of the Secretary.

Austin, Texas, April 8, 1911.

One hundred and fifty dollars reward will be paid, under our rules, for J. H. Scott, alias Will Scott, alias W. L. Scott, alias, J. H. Davis, in any jail in Texas. Described as 5 ft. 11 in. high, rather slender, sun-burned complexion, looks like a farmer, is about 35 to 40 years old. His plan is to get acquainted with the handwriting and surroundings of the well to do farmers and borrow from \$100 to \$150, giving the farmer on the note and a mortgage on mules, if required. This party is said to be an expert and a decidedly smooth operator. Wire information to this office.

Texas Bankers Association,  
Office of the Secretary.

Austin, Texas, April 13, 1911.

**\$25 REWARD.**

This Association will pay, under its rules, \$25.00 reward for James Monroe Armstrong, in any jail in Texas. He is described as having light hair, down look dull blue eyes; when last seen was wearing a gray suit of clothes; age, 19 years; weight about 140 lbs.; height about 5 ft. 10 in., and has the appearance of a professional sport. He is said to have relatives in Wichita, Kan. Wire information to this office.

Texas Bankers Association,  
Office of the Secretary.

Austin, Texas, April 24, 1911.

**WARNING NOTICE.**

The safe in the post-office at St. Jo, Texas, was blown last night and a package containing four hundred dollars of incomplete currency of the Citizens National Bank of that place was stolen.

It is probable that the burglars will attempt to pass this currency either signed or unsigned, and our members are warned to be on the look-out for it.

Our members are warned against the workings of a party by the name of A. R. Edgett, who pretends to represent the Menna Art Magazine Publishing Co. of Baltimore. He pretends to compile a pictorial write-up of the city, and in which connection requests cuts of buildings, etc., collecting in advance for the cuts. He has worked other concerns, among them the Cross Publishing Co. of Philadelphia, which concern has offered a reward for his arrest. The party is described as being a man of medium stature, dark complexion, dark eyes, short stubby mustache, and usually wears a tan derby hat.

Some stationery houses in the State have furnished unauthorized persons with bank stationery to be used in defrauding our members. Please make it a point to call the attention of the stationery houses, from whom you purchase your goods, the necessity of being careful along this line.

Texas Bankers Association,  
Office of the Secretary.

Austin, Texas, April 20, 1911.

**WATCH YOUR TELEGRAMS.**

Members are warned to be careful about paying money out on telegrams without first satisfying themselves as to genuineness. A party recently attempted to operate in Houston. He had messages delivered to four different banks on the regular Western Union blanks, by a boy dressed as a regular messenger. The man who tried to collect the money is about five feet seven inches tall, about thirty years old, clean shaven, sallow complected and rather thin.

The Wyoming Bankers' Association,  
Office of the Secretary.

Rock Springs, Wyo., April 8, 1911.

Certificates of deposit have been reported lost as follows:

No. 110.—Demand Certificate No. 48028, dated Oct. 31, 1910, payable to Jos. McCook for \$1,320, issued by the First National Bank of Missoula, was stolen from him March 8th. This party was on the North Coast Limited coming from Minneapolis, and the certificate was stolen from his berth during the night, probably east of Forsyth.

No. 111. Lost Certificates.—A letter containing time certificates of deposit issued by First State Bank of Blinford, N. D., and payable to A. Garborg, has been lost in the mails; No. 5656-\$1,000. No. 5657-\$500. No. 5658-\$500. No. 5659-\$714.71. If presented notify Peoples Bank of Stanwood, Washington.

No. 112.—Certificate No. 26 for \$120. No. 41 for \$110 issued by the First National Bank of Yates, N. D., in favor of Cella A. Bauman. Certified check \$15.55 on the State Bank of Oriska, Oriska, N. D., given John Weyneth to W. C. Gray and endorsed by Mr. Gray. Certificate of deposit No. 1836 \$290 issued by the First National Bank of New Rockford, N. D., to William E. Dickinson. Certificate 3159, \$200, issued by First State Bank of Litchville, N. D., to Ida Rovatt.

The following reports have recently come to hand, relating to bogus check operators:

No. 113.—Look out for forger and swindler using name Robert E. Holt, holding pass book on Commercial Bank of Snohomish, Wash., showing credit of \$5,600. He deposited his personal check on Bank of Stanfield, Stanfield, Ore., and obtained pass book of the bank. Check proved to be bogus. Is drawing and passing checks on the Commercial Bank of Snohomish on strength of this pass book credit. Description: Age, about 26; height, 5 feet, 5 inches; weight, about 140 to 150 pounds; color, white; build, medium; hair, brown; long Roman nose; eyes gray; smooth shaven. Jewish appearance. Other aliases: Delbert B. Hankins, F. W. Branson, Frank Howard, Robert E. Holt, Robert E. Homer, Robert J. McMahon, Frank Whitehead. Has operated in Chicago, Ill.; Shoshone, Idaho, Cheney and Spokane, Wash. Warrants out for his arrest.

No. 114.—Look out for one J. J. Curl, who is cashing worthless checks drawn on Three Valleys State Bank of Three Forks, Mont. Described as about six feet tall; slender build; brown hair; brown eyes; talks with Southern accent and carries credentials from Miles City, Mont.

No. 115.—Look out for party described as about 5 feet, 11 inches high, thin, fair complexion, weighing 140 pounds, age, 26 or 28, who is attempting to cash checks issued by the Piper-Howe Lumber Co. This party is using a rubber stamp for the date, number and firm's name, signing in ink the name of their manager. These checks are forgeries and are generally made payable to G. Tanner or C. Weber.

No. 116.—Look out for a young man who signs his name as M. C. Dunrud. He has been drawing fraudulent checks on the George W. Getts Music House of Grand Forks, N. D. He is described as

about 30 years of age, about 5 feet, 10 inches tall, smooth face and a smooth talker. Our description is not very complete. It is believed he is now operating in Western Dakota, or perhaps in Eastern Montana.

North Dakota Bankers' Association,  
Office of the Secretary.

Fargo, N. D., April 11, 1911.

**BULLETIN NO. 115.**

You are again warned to look out for the smooth individual who represents himself as a prospective purchaser of a farm. He asks to be shown lands in which banks are interested and goes through the form of selecting and purchasing a piece of land, leaving drafts in payment and all papers with the bank, until the drafts are paid, but before leaving, gets a check for from \$200 to \$300 cashed, which is, of course, all he is playing for.

One of our members has just been defrauded by this plan by a man signing himself Howard E. Miller. He is described as from 37 to 38 years old, weight about 200 lbs., smooth face, brown wavy hair slightly gray at the temples, height about 5 feet, 10 inches, well dressed and a very smooth talker. Since making a touch in North Dakota we have advice that he has worked the same deal in Kansas, Florida, Texas and Oklahoma under the name of Farnsworth, and he may come back to North Dakota. Wire this office promptly if you are approached by a stranger answering this description.

We have notice of a large number of fraudulent checks which have been recently worked in different parts of the State and again caution our members to be on their guard. We have been successful in causing the arrest of a number of these artists and with the co-operation of our members can accomplish much more in this line than has already been done.

You are also warned to be on the look-out at this season of the year for the bank burglar. Two noted "yeggs," "Carroll," alias Chambers, Crawford, Carlisle, and his partner, "Reed," alias J. C. Miller, recently arrested at Marysville, Kan., who were at the head of a gang which is said to have robbed some 32 banks in Kansas, Nebraska and Oklahoma within a period of six months, escaped from jail recently and are again at large. Our detective believes that these men will now head for the Northwest and members should be on the look-out for them. We are getting out some cuts of these two men and will forward their pictures to all of our members as soon as possible. Rewards aggregating \$1,000 each or \$2,000 for both are offered for the arrest and conviction of these men and it is hoped that they will be recaptured before they reach our territory.

Time Certificate No. 950, issued by the Citizens National Bank, Hankinson, in favor of J. H. Polhamus for \$1,000, has been lost or stolen. Notify this office promptly if same is presented for payment.

Texas Bankers Association,  
Office of the Secretary.

Austin, Texas.

**\$50 REWARD.**

The Texas State Bankers Association will pay under its rules \$50 reward for the arrest and detention of the below described man, if he is held until the Sheriff of Wise Co., Texas, arrives with papers. Age 50 years, height 5 ft. 8 in., weight 160 lbs., shoes size 7, fat hands, hair gray, eyes gray, complexion fair, good dresser, nervous wine drinker.

When last seen was clean shaven, wears two rings on left hand. W. C. Duckworth, alias W. C. Stone, alias W. Clement Stone, alias W. C. Van Zandt, alias H. W. Van Zandt, alias Will C. Crusen; newspaper publisher; has worked in St. Louis, Mo., on Post-Dispatch. He at one time published a paper at Sidney, Neb., under the name of W. C. Van Zandt, skipped out, and afterwards published a paper, "Hughson Citizen," at Hughson, Cal., under the name of W. Clement Stone; issued a lot of bad checks, then skipped. Next heard from he published a paper, "Abbyville Register," Abbyville, Reno County, Kansas, under the name of Will C. Crusen. Skipped out last December, 1910, and came to Boyd, Wise County,

Texas, and published the "Boyd Call" and at Paradise, same county, published the "Paradise American," under the name of H. W. Van Zandt. Bought both printing plants on installment plan, making only first payment on same, left in three weeks, after buying last plant. Swindled banks in this vicinity before leaving, by cashing forged drafts.

If located, arrest and wire Sheriff of Wise County, Texas, at Decatur, Texas, who holds warrant for his arrest.

Oklahoma Bankers Association,  
Office of the Secretary.

Enid, Okla., May 6, 1911.

\$100 REWARD.

Two forged drafts were presented to-day to a Guthrie bank purporting to be drawn on it by nearby country banks which had no account with the Guthrie institution. The drafts had been cashed at Tulsa. They bear all the ear marks of being the work of a fellow who has been forging drafts in this section some time. His scheme is to get bank drafts printed and then fill them in. He seems to have an abundant supply.

We could not get a description of him. Watch closely signatures to drafts as he is a poor imitator. We will pay one hundred dollars reward for him in any jail in Oklahoma, Kansas or Texas.

Tell your local officer about this.

[From the New York World, Saturday, April 15, 1911.]  
**BROCK GANG OF DARING BURGLARS IS  
ROUNDED UP.**

**Four Months' Pursuit of the Bank Breakers Ends in the Arrest of Twelve Men in Toledo, O. Novel Way of "Blowing" Safes Betrays Them. Charge of Looting Post-Offices Enables Detective Burns to Have Them Held in Big Bail.**

The biggest roundup of burglars and yeggmen in recent years took place in Toledo, Ohio, early yesterday morning, when the Brock gang of twelve were captured in three groups. One man escaped, was captured later at Hamilton and taken back to Toledo. The gang leader, Felix Brock, alias Gilmore, is known as one of the most dangerous bank robbers in the country. Details of the arrest were given out last night at the New York offices of the William J. Burns National Detective Agency.

Brock, who recently finished a four years' sentence for burglary, in the Ohio State Penitentiary; Earl Redman, "Billy Haggerty" and John Bunker were taken in a house at No. 111 Avondale avenue, Toledo, after a hand-to-hand fight with detectives from the agency, who were backed up by a United States marshal and post-office and railroad detectives. The burglars were heavily armed, but did not use their weapons.

**Found Kits of Burglars' Tools.**

After the first group was safely in hand the detectives went to No. 914 Washington street and captured J. H. Hamilton, alias "Ham" Dempster; George, alias "Slim" Carruthers; William Clark, alias Gerard Roosch, and Charles McCarthy, alias Walluver. With these men, also well armed, were found several complete burglar kits. The next roundup was made at No. 224 Huron street and here John Martin and two unidentified men were taken on John Doe warrants. In the struggle John Norton, alias "St. Louis Slim," got away, but was taken later in the day at Hamilton.

The twelve were arraigned before the United States Commissioner in Toledo and were held on Federal warrants for burglary in post-offices in order to make the bail as large as possible. Brock and his gang were known to have a good deal of money and it was feared the bail which might be given in the municipal court would be so small they could pay it and flee the city. All will be taken to Columbus for trial in the Federal court.

Oklahoma Bankers Association,  
Office of the Secretary.  
\$300 REWARD.

For the arrest and detention of G. G. Guilfoyle just recently disappeared. The O. B. A. is authorized to offer three hundred dollars reward if the person described below is delivered before May 20th. His name is G. G. Guilfoyle and at the time of his disappearance he was out on bail at Mangum, Okla. If located or trace found of him wire the O. B. A. Secretary.

A man 6 ft. high, weight about 180 or over, carriage erect, deep or square shoulders, well proportioned, hair streaked with gray, had gray mustache. Eyes were either gray or light blue (they were not dark), very talkative, square full face, talks about nothing but construction work. Wore light suit of clothes and light hat when he left. Moved or stepped off quick and active for man of his age, more like man of forty. Quarrels or bosses his men in a manner that they do not like. Wore watch and chain, had old-fashioned Masonic charm (just the Square and Compass linked on chain, no front or back, just the two emblems). Guilfoyle worked for Sante Fe R. R. in Kansas from 1875 to 1880. Subject to the use of liquor, although was not drunk while here, may be on a big spree now. Left Elk City, Okla., April 25, 1911. Was working here for the Southwestern Construction & Paving Co., of Muskogee, Okla., and the Coffeerville Vitrified Brick and Tile Co., Coffeerville, Kans. (Was Supt. of paving gang.)

Three Hundred Dollars reward if returned by May 20, 1911.

**Pursuit Lasted Four Months.**

The haul is the result of patient and clever work on the part of the William J. Burns National Detective Agency operating for the American Bankers Association. The direct campaign against the Brock gang has been conducted personally by Mr. Burns and his Chicago office for the past four months. In February, 1910, Burns got the Stray Waddell gang in Ford, Kan., where they "tapped" a bank for \$3,500. Out of four arrests he got four convictions, the fifth member of the gang having been poisoned mysteriously before the trial, and after it had been announced he had turned State's evidence. The man's alias was "Teddy Bear."

In the middle of the summer Burns arrested and convicted John Gardner, August Meyer and another, who had taken \$10,000 from the Citizens' Bank of Chatsworth, Ill. These two "cleanup" served to warn the various gangs that the Association banks were being pretty well taken care of and it was evident that the burglars were fighting shy of them. During a period of two and a half months forty-five burglaries occurred in the Middle West and not one of them was a bank of the Association. But last October the Farmers' Bank at Riga, Mich., was entered and although the burglars were scared away they returned six weeks later and took \$2,000. Immediately afterward a bank in Winfall, Ind., was relieved of \$450, the robbers just failing to get \$10,000 in an inner vault.

**Used Autos in Their Flight.**

The methods used in both cases were similar and Burns knew immediately who the robbers were. It seems that Felix Brock and his assistant, Slim Carruthers, have a peculiar method of "blowing" a safe. Instead of drilling one big hole and relying on the explosion not being heard, they make several little holes around the lock and blow the safe with a series of small explosions. These are so slight, they are able to muffle them with carpets. In every job they have done there has been little or no damage to furniture or even the plaster of the room in which the safe was. Another peculiarity of the gang has been that its members usually escaped in automobiles.

Since the Winfall "job" the gang has been working in small post-offices in Coleman, Chelsea and Gehanna, Mich., and Powell, Ohio. It was because of these thefts that Detective Burns was able to call in the Federal authorities and obtain the heavy bail desired. It is estimated that the gang has "cleaned up" more than \$20,000 during the last four months.

# LEGAL DEPARTMENT

THOMAS B. PATON · GENERAL COUNSEL

## ASSOCIATION MEASURES.

Reports to date show very gratifying results in connection with the passage in different States of the protective and beneficial laws recommended by this Association. General Counsel has, during the last four months, been actively engaged in aiding the legislative campaign. Notwithstanding the burning of the State Capitol in Missouri, the bill to punish false statements for credit was passed in that State, as was also the bill to punish derogatory statements affecting banks. The false statement bill was also passed in Nevada and in California, and the bill to punish derogatory statements in Nevada and in Wyoming. The burglary with explosives statute has become a law in Kansas. The bill fixing a short period of liability of a bank which pays a forged or raised check was passed in Idaho with time limit of three months and in Maine, time limit one year. In Oregon, where this law was previously enacted with a time limit of thirty days, it was amended this year to include forged indorsements. Three States have, this year, passed the bill authorizing payment of deposits in two names to the survivor, namely, Massachusetts, South Dakota and Wyoming, and the bill relative to payment of deposits in trust has also become a law in Wyoming. The bill qualifying notaries who are stockholders of banks has been passed in Maine and South Dakota. The Uniform Negotiable Instruments Law passed both Houses of the California Legislature, but was vetoed by the Governor. The Uniform Warehouse Receipts Act has also become a law in three more States this year, namely, Missouri, Utah and Colorado.

This record of new legislation accomplished, as reported to date, is most satisfactory and later advices may still further augment these beneficial results.

## BILLS OF LADING.

We are pleased to report that the Uniform Bill of Lading Act has been passed by the Legislature of Iowa, and has also passed the House in Ohio with favorable prospects in the Senate.

In the State of New York, General Counsel, together with Mr. Elliott C. McDougal of Buffalo, Chairman of the Bill of Lading Committee of the New

York State Bankers' Association, attended a hearing on the Bill of Lading Act before the Assembly Committee on General Laws at Albany on April 19, and the bill has since been reported out of the Assembly Committee. On April 26th a further hearing was given this bill by the Senate Committee on Judiciary, and it is expected that the measure will be reported favorably by that Committee. There has been an active campaign in several other States this year in behalf of this measure.

The Stevens bill, supported by the Committee on Bills of Lading of this Association, which passed the House of Representatives last June, but failed in the Senate, has been reintroduced in both House and Senate of the Sixty-second Congress. Mr. Hollister, Chairman of the Committee on Bills of Lading of the American Bankers Association, visited Washington recently with General Counsel in connection with this measure and it is expected that it will be given a hearing by the new House Committee on Interstate and Foreign Commerce, to which it has been referred, during the Spring. This will give the new measure an earlier start than it had two years ago when first introduced in the House, and our Committee have great hopes that the bill will be passed at the Sixty-Second Session.

## INTERNATIONAL BILLS OF EXCHANGE.

The report of Mr. Charles A. Conant, American delegate to the Conference at The Hague last summer on International Bills of Exchange, has been printed by Congress and makes a volume of over five hundred pages. The full translations of the proceedings at The Hague and many special papers by English and Continental specialists on the law of bills and on the conflict of laws make the volume a compendium of much interest to the student. The Conference is to reassemble in September next to pass upon suggested changes in the proposed uniform law of bills and also to take up the subject of a uniform law on cheques. A Questionnaire on cheques prepared by the Government of The Netherlands is being sent by the American delegate to leading bankers, exporters and economic students. Mr. Conant delivered an address on April 11th, by invitation of Professor Francis M. Burdick, before the class on bills at Columbia University.

## OPINIONS.

Summary of Questions Received and Opinions Rendered to Members of the Association.

### COLLECTION OF CHECKS BY EXPRESS COMPANY.

Interstate Commerce Commission has not ruled that express companies have no right to make col-

lections—Right of drawer to insert words in check restricting collection through specified channels.

From Tennessee.—Our merchants in this city mail checks payable at our bank to their creditors in all



parts of the country and the checks find their way to the X Clearing House. Our rate of exchange extended to the X Clearing House (15c. per hundred) is not satisfactory and the Clearing House therefore turns the checks on us over to the Y Express Company for collection, and when presented at our window we have to pay that at par.

Please give us your legal opinion

(1) Whether under the Interstate Commerce ruling the express company has a valid right to make such collections, it being a banking function. We think the charter fails to cover this particular phase of the matter.

(2) If they have a valid right to make such collections could we successfully prevent the checks from going through the Y Express Company by inserting on the face of all our customers' checks "Not valid if paid through the Y Express Company."

1. While the business of collecting payment of checks is very largely in the hands of the banks, the express companies engage in that business to a certain extent and there is nothing in the ruling of the Interstate Commerce Commission (handed down Jan. 5, 1909, in the case of American Bankers Association vs. American and other express companies) which would compel such companies to desist from making such collections. Furthermore, in the present case, the Interstate Commerce Commission would have no jurisdiction in any event for the reason that the Clearing House which employs the express company in question to collect the checks and the bank from which the checks are collected are both in the same state.

2. The courts recognize the right of the drawer of a check to insert words therein restricting the channel of presentment so that the check may properly be refused payment if presented otherwise than as directed.

In *Farmers Bank v. Johnson*, 68 S. E. (Ga.) 85 a check drawn on the Bank of Nashville, Ga., contained the words, "Payable through Citizens Bank of Valdosta, Valdosta, Ga., at current rate." The check was presented to the Bank of Nashville, Ga., by the Farmers Bank of Nashville and the drawee wrote thereon: "Will pay when presented through the Citizens Bank at Valdosta, Ga." Thereupon the Farmers Bank caused the check to be protested. The court held that the drawer had a right to direct the bank to pay only when presented through a particular channel or by a specified person or bank; that the drawee bank had the right to decline to pay the check until presented through the Valdosta bank and that the collecting bank was not authorized to cause the check to be protested and notice given and by so doing rendered itself liable to the drawer for damages.

The above case is one where the channel of presentment was restricted to a specified bank. In *Commercial National Bank of Charlotte v. First National Bank of Gastonia* (decided by Supreme Court of North Carolina in 1896) the case differed in that the channel of presentment was left open to all, except certain persons discriminated against. The drawers of the check in this case, in order to prevent their checks from passing into the hands of their rivals in business who controlled a bank in the same town where the drawee was located, stamped thereon: "This check positively will not be paid to the Gastonia Cotton Mfg. Co., the Gastonia Banking Co., or any of its agents." One of these

checks passed from the hands of the payee ultimately into the hands of the Gastonia Banking Co., which presented it for payment and, payment being refused, the check was protested for non-payment and returned to the indorser prior to the Gastonia Banking Company and this indorser brought suit against the drawer and drawee. Judgment was given for the plaintiff in both the lower courts on the ground that the stamp was invalid as against public policy and was in the nature of a boycott upon the Gastonia Banking Company, but the Supreme Court reversed the judgment and held the restriction valid.

From the above cases it would seem lawful and effective for a bank to cause checks of its customers to be stamped with a restriction that they would not be payable if presented by or through a designated express company and to refuse payment when so presented.

### NEW YORK TRANSFER TAX.

**Deposit of non-resident decedent in New York Savings Bank subject to Transfer tax.**

From New Jersey.—Kindly advise me whether or not a deposit in a savings bank of New York City by a resident of New Jersey is subject to collateral inheritance tax in New York under the same rules as that of a deposit in a trust company as laid down in the following cases: *Matter of Houdayer*, 150 N. Y. 37; *matter of Blackstone*, 171 N. Y. 682.

In the *Houdayer* and *Blackstone* cases, it was held that the individual deposit of a non-resident decedent made by him with a trust company in New York, was subject to taxation under the Transfer Tax act. The deposit was a debt owed by the trust company to the depositor and this debt, although intangible, was nevertheless, "property" in the state within the meaning of the Transfer Tax act.

Concerning deposits in a savings bank, it is the established law of New York that when such a deposit is made, it becomes the property of the bank; the bank becomes the debtor and the depositor, creditor, and not a beneficiary of the trust. *People v. Mechanics & Traders Savings Institution*, 92 N. Y. 7; *Whitlock v. Bowery Savings Bank*, 36 Hun, 460. This being so, I believe that the rule of the *Houdayer* case would equally apply to a deposit of a non-resident decedent in a savings bank in New York and that such a deposit would be "property" in the state within the meaning of the Transfer Tax act.

### VERBAL CERTIFICATION.

In Indiana, differing from most States, oral acceptances are valid—But where bank merely answers over telephone that a certain check is good it is doubtful whether such answer is a sufficiently definite promise to pay to be binding as an acceptance.

From Indiana.—On February 4th, last, the First National Bank of P., Ind., telephoned us asking if the check of J. D. on us was good for \$350. We answered that it was, and a day or so later J. D. told us over the 'phone not to pay the check. We replied that the check had been certified as good and we were bound by our certification to the bank to pay it, and we did pay it.

Demand has been made upon us by J. D.'s attorneys for the \$350 and, incidentally adding that we

could have the mules that the check was given in payment for. Has J. D. any claim on us on account of having paid the check after his attempt to stop payment?

A notice to stop payment communicated by a customer over the telephone will bind the bank equally as a written notice, and unless at the time you received such notice, you were bound by a previous certification of the check, you should have refused payment in pursuance of your customer's stop order and, having paid in violation of that order, would be responsible to him for so doing.

The whole question, therefore, hinges on whether you had previously certified the check.

In most of the states certification of a check, to be binding, must be in writing, and a promise over the telephone to pay a check, not being in writing, does not bind the bank. This has been so held in a case decided in Colorado under the Negotiable Instruments Law.

But in your State of Indiana, where the Negotiable Instruments Law has not as yet been enacted, the courts have held that oral acceptances are valid and as a consequence, in your particular state, a promise over the telephone to pay a check would be binding on the bank as a certification. Where, however, in answer to an inquiry if a customer's check is good for a certain amount the bank merely answers that it is, it is very doubtful whether this answer is a sufficient promise to pay the check to be binding as an acceptance. If the word "good" were written on the check this would be clearly an acceptance, but it has been held in several cases, where inquiry of a bank has been made by telegram whether a particular check is good for a sum named and the bank has wired in reply that the check is good for such sum, that this language does not so clearly indicate an absolute promise to pay as to be binding as an acceptance. You will see in the Journal for December, 1910, on page 337, this matter more fully discussed with reference to your particular state of Indiana.

Unless you can maintain in your courts that your answer over the telephone that your customer's check was good, was binding as a certification, you were bound to obey the stop order of your customer, given over the telephone, not to pay the check and having paid same, contrary to such order, would be responsible.

#### LOST STOCK CERTIFICATE.

**Loss of undorsed certificate of bank stock—Issue of new certificate on bond of indemnity.**

From New Jersey.—One of our stockholders has lost certificates of stock aggregating twenty-five shares. Will you kindly advise me the best manner in which to proceed to protect him against dishonesty, in case these certificates should fall into the hands of some unscrupulous party, who would forge the name of our stockholder to the Power of Attorney.

I would suggest that you issue a new certificate or certificates of stock to your stockholder in place of the certificates he has lost, and, if you deem it necessary for your protection you may require from him a sufficient bond of indemnity against any claim that might be made against your bank upon the outstanding lost certificates.

Your stockholder is in no danger of loss because none of his rights can be transferred through forgery. No person, not even a purchaser in good faith and for value of the lost certificates from a finder who had forged the name of your stockholder to the Power of Attorney, can acquire any enforceable rights in such certificates. The only object of requiring a bond to protect the corporation before issuing new certificates in place of those alleged to be lost arises in those cases where the corporation might not feel safe in taking the word of the stockholder; that is to say, any stockholder of a corporation could transfer his certificates for value and then go to the corporation and say that he had lost them and obtain new certificates. In such a case the corporation would be liable to a bona fide transferee of the old certificates as well as to a similar holder of the new certificates.

#### FORGED CHECK.

**Bank cashing check upon which drawer's signature forged not liable under the law of Missouri to refund money to drawee which has paid check.**

From Missouri.—A party named Taylor Brown, under the alias of Tom Yoder, presented a check at this bank which was a forgery. Check purported to be signed by one R. for \$391.00, payable to Tom Yoder, drawn on a bank at A. Upon questioning him, he stated he was Tom Yoder, that the check was given him for his corn crop. We gave him \$41.00 in cash and a draft for the balance of \$350.00, which draft he cashed in an adjoining town, there also giving his name as Tom Yoder. We sent this check through our regular channels (our St. Louis correspondent) and it was paid by the bank on which it was drawn. They did not detect the forgery for about a week after they had paid it. We apprehended the forger and secured his conviction. Our indorsement on the back of the draft was our regular stamped indorsement in which "prior indorsements were guaranteed."

The bank at A claim we ought to stand half of the loss; but we take the position that if they had detected the forgery and refused payment, we would then have had to have met the loss unless we could have stopped payment on the draft; but that inasmuch as they paid the check that we are in no way responsible for any part of the loss, although the check bore the indorsement as stated. Kindly advise us if our position is correct.

Under the decisions in Missouri your bank is not liable to the drawee bank which paid the forged check for return of the money.

The case of National Bank of Rolla v. First National Bank of Salem, 125 S. W., 513 (decided by the Springfield, Mo., Court of Appeals, February 7, 1910), is an almost exact counterpart of your case. I quote the statement of facts from the opinion of the court:

"On September 23, 1907, one Martin L. Chambers, representing himself to be one J. B. Ragan, presented to defendant a check for the sum of \$42, purporting to have been drawn on plaintiff in favor of said J. B. Ragan, by one H. W. Lenox, depositor of the plaintiff. The book-keeper of defendant did not know any of these parties personally, but cashed the check without requiring any identification of Chambers. The defendant then sent the check to its correspondent, the Third National Bank of St. Louis, and through that bank presented the same to plaintiff for payment. When the check was presented to the plaintiff, the cashier thereof knew

that the signature thereto was not the signature of H. W. Lenox, but knowing Ragan and Lenox, and knowing that they dealt a great deal in live stock together, and noticing that the defendant had guaranteed the indorsement thereon to be the indorsement of Ragan, concluded that the check was genuine, and remitted the amount thereof to the Third National Bank of St. Louis, and the same was placed by that bank to the credit of the defendant. Soon after the 1st of October, the plaintiff's cashier sent to Lenox his paid checks for the month of September, included among which was this check. Lenox discovered that this check was a forgery, and returned same to plaintiff with notice of that fact, and he was given credit for the amount of this check. The plaintiff then wrote defendant that this check was a forgery, and that inasmuch as plaintiff had honored the same on the strength of defendant's indorsement and guaranty that the indorsement of Ragan was genuine, the defendant should refund the amount of said check to the plaintiff. After several days' delay, defendant notified the plaintiff that the amount of the check would not be refunded, for the reason that it considered it was not liable. Plaintiff brought this action before a justice of the peace to recover the amount of the check."

The court held that plaintiff was not entitled to recover.

The St. Louis Court of Appeals in *National Bank of Commerce v. Mechanics National Bank*, 127 S. W. 429 (April, 1910) approved of the decision in *Rolla v. Salem*, both cases holding that the old rule established in 1762 by *Price v. Neal*, 3 Burrows 1355, that where the drawee of a check or bill pays the same to a bona fide holder, such drawee cannot recover the money back upon discovering such check or bill to be a forgery, is perpetuated as the law of Missouri by the Negotiable Instruments Law.

The above citations, without more, should be sufficient for your purpose.

#### RAISED CHECK.

**Bank cashing raised check cannot hold drawer for raised amount.**

From Maryland.—Several days ago we cashed a check drawn by H. R. on the P. National Bank for \$11.45. It was given to a colored man for labor. We sent it forward for collection. It was returned to us marked "Not enough funds." We notified H. R. He came up and looked at the check, and said that he had made it \$1.45 and that the negro had raised it ten dollars. We noticed that it was slightly scratched but thought H. R. had done it himself. H. R. acknowledged that his signature to the check was all right. What can we do in the matter? Must we lose the ten dollars or can we hold H. R. for the whole amount?

You must lose the \$10 unless you can recover it from the colored man. All that you can look to H. R., the drawer of the check for, is \$1.45. Where a man makes his check for \$1.45 and the payee raises it to \$11.45, it is clear that there is no liability on the drawer of the check to the one who has cashed it for the raised amount, but only for the amount for which he drew the check.

#### NATURE OF DEPOSIT TICKET.

Deposit ticket or passbook entry is in the nature of evidence which may be explained—not a binding obligation or promise of the bank.

From Oklahoma.—Kindly advise me if a duplicate deposit ticket or entry of deposit in a bank passbook, made by one of authority to do so, is evidence in court as a receipt of money received by such bank, and in case of dispute can party to whom such credit was made recover such money from bank without further evidence of credit? It is claimed by some that such entries are merely memoranda and are not receipts from the bank issuing them.

A deposit ticket or entry of deposit in a passbook, made by one in authority in the bank, is evidence that the amount has been received as a deposit by the bank at the time stated but like any other receipt it is only prima facie and not conclusive evidence and may be explained by other evidence or shown to have been issued by mistake. You ask whether, in case of dispute, the party to whom the credit is given could recover the money from the bank without further evidence of credit. The deposit book or passbook entry is, as said, prima facie evidence of the deposit, but if the bank can establish by proof in any case, as it is open to it to do, that the credit was given by mistake and no deposit ever made, or, admitting the receipt, if the bank can show that the deposit had been paid out it would not be liable. You say: "It is claimed by some that such entries are merely memoranda and are not receipts from the bank issuing them." Such entries are receipts, but their validity is as evidence rather than binding obligations of the bank. The New York Court of Appeals in *First National Bank v. Clark*, 134 N. Y., 368, gives a good description of the legal characteristics of the deposit slip. The court says (page 372):

"The use of the deposit slip is well understood. It constitutes an acknowledgment that the amount of money named therein has been received. It is a receipt and nothing more. No promise is made to pay the sum named on return of the paper; nor is it expected, either by depositor or depository, that it will have to be presented to the bank again unless a dispute should arise as to the amount of the deposit, in which event it would become important as evidence. It is not intended to furnish evidence that there remains money in the bank to the credit of a depositor, but to furnish evidence as between depositor and depository that on a given date there was deposited the sum named. It may all, or nearly all, be checked out at the moment of making the deposit slip, but the depositor will not be refused it on that account, for long-established usage has fixed its status in banking as a mere receipt and acknowledgment that the depositor placed the amount named therein on deposit. It is not proof of liability and it will not support an action against the bank (Citing *Hotchkiss v. Mosher*, 48 N. Y. 482). Should a suit be brought on the debt, however, it would furnish evidence as to time of deposit and amount, but it has no other use unless it be to assist in the settlement of a dispute out of court. The delivery of the deposit slip, therefore, did not operate to assign the debt."

In *Talcott v. First National Bank*, 53 Kan., 480, the Supreme Court holds that a passbook given by the bank to a depositor is not a written contract, but is prima facie evidence that the bank received the amounts at the dates therein stated and binds the bank like any other form of receipt and is open to explanation by evidence aliunde. If shown to be a mistake it is no longer binding on the bank. The

receipt is also open to correction in favor of the depositor, if it be erroneous.

The North Dakota case of *Andrews v. State Bank*, 9 N. D. 325, is deserving of especial attention as, at first view, it may seem at variance with the cases above cited. In that case, one Diemer was agent at Wheatland for Andrews and Gage, grain dealers of Minneapolis. Diemer wanted to retire from the agency because of ill-health and the firm sent one Cousins to Wheatland for the purpose of closing the agency. Cousins and Diemer, after going over the data accessible, both arrived at the conclusion that Diemer owed the firm \$456.39. Diemer, who kept a personal account in the State Bank of Wheatland went to the cashier and stated he wanted a credit at the bank of \$456.39 for two days, that he expected a remittance by that time and would then balance the credit. The cashier instructed the bookkeeper to give Diemer credit for \$456.39 and Diemer took the credit in the form of a deposit slip in the name of Andrews and Gage for the amount. The bookkeeper also gave him a passbook for Andrews and Gage in which was entered, with same date as that of the deposit slip, a deposit of \$456.39. Passbook and deposit slip were turned over by Diemer to the agent of Andrews and Gage. Andrews and Gage a few days later drew on the bank for the amount of the deposit. Payment was refused on the ground that no deposit was made by Diemer, as promised, to balance the credit of \$456.39. Andrews and Gage sued the bank and recovered. Counsel for the bank insisted that the deposit slip and passbook were open to correction and furthermore that the principle of estoppel did not apply to bind the bank. The majority of the court held that no question of estoppel entered, but decided that plaintiffs were entitled to recover upon the theory shown in the following language of the court:

"If the deposit was not, in legal contemplation, made, then plaintiffs cannot recover; if it was so made, then they should recover. And, moreover, we agree with counsel that the issuance of a deposit slip or the entry of a deposit in the passbook has no other or greater force than a receipt for money and is open to parol explanation. But we are clear that, in legal effect, the deposit was made by plaintiffs just as the entry shows. Diemer told the cashier that he desired credit for the amount for a few days and he would then deposit to balance. The cashier extended the credit. Without taking a note or any written evidence of indebtedness, he instructed his bookkeeper to extend the credit and it was done. The transaction was in effect a loan by the bank to Diemer of that much money. He could deal with it as he saw proper. He might have checked it out at once and given the currency to Mr. Cousins. If then the latter had taken the currency back to the bank and deposited it in the name of plaintiffs and taken the deposit slip and the passbook, the rights of the parties would have been exactly the same. Yet in the latter case there could be no claim that the money was not deposited. Instead of pursuing that course, Diemer pursued the course that is adopted in the great mass of commercial transactions consummated through banks and transferred the credit. Had there been no credit in fact given, and had Diemer received the deposit slip in his own name and subsequently given plaintiffs a check for the amount with the deposit slip attached, then the case would come within *Bank v. Clark*, 134 N. Y. 368. \* \* \* But the difference in the facts is so radical that

that case can have no controlling influence here. To say that nothing was deposited is to show that no credit was given. The difficulty lies in the fact that the promise upon which the credit was given was not fulfilled. The logic of defendant's position is to force the plaintiffs to bear the loss of its bad debts. Of course the fact that plaintiffs might recover the shortage in a direct action against Diemer or might recover on Diemer's bond to plaintiffs cannot change the legal rights of the parties to this action."

One of the judges in this case concurred in the result, but preferred to base his concurrence upon the ground that the bank was estopped from denying liability to plaintiffs.

This decision, when examined, does not conflict with the proposition that a deposit slip or passbook entry is merely prima facie evidence of the receipt of a deposit, which may be explained or corrected by other evidence and which does not itself create a liability; but the court holds that under the facts of this case, a deposit was actually received and a debt or deposit liability created to the plaintiffs, with the same legal effect as if the currency had been actually paid out and re-deposited and that the liability thus created could not be defeated because the promise, which constituted the consideration for its creation, was not fulfilled.

#### THEFT OF REGISTERED MAIL.

Nature of railroad's employment in carrying registered mail is as public agent and not as common carrier for the individual—Railroad not liable to individual owner in case of theft, even by an employee, unless the corporation itself, as distinguished from subordinates, chargeable with negligence.

From Kansas.—Last Tuesday night about 11 o'clock, the mail pouch was stolen off a truck outside of the depot of the U. P. Railroad Co. at this place, which contained a registered letter mailed by this bank addressed to the First National Bank, Kansas City, Mo., which had in it \$1,500 currency. The next morning the pouch was found with stap cut, mail emptied out and all there except two registered packages that were missing, one of which was our letter containing the money. It appears that the pouch had been left by the R. R. employees for a considerable time without attention, hence it would appear to me that the R. R. Co. would be liable. How about it?

According to the decided cases there is no liability of the Railroad Company in such a case. A bank, to be safe, should insure its registered mail.

It may be of interest to know just what the courts have decided.

The first case in which such a question arose is *German State Bank v. Minneapolis, St. Paul, etc., R. R.*, 113 Fed. 414 (decided by the U. S. Circuit Court D. Minn., Fourth Division, in 1901). A Minneapolis bank mailed a registered package containing \$3,000 currency to the German State Bank, Harvey, N. D. The mail sack containing the package reached Harvey and was delivered to the railroad's night station agent, who was not an employee of the post-office department. His duty was to safely care for the mail sack and its contents during the night and deliver the same to the Harvey postoffice, which was within eighty rods of the railroad station. He deposited the mail sack in a room in the depot and absented himself therefrom for a time, during which

a foreman of the railroad entered the room and with a duplicate key, unlocked the mail sack, took the package and stole the money. The bank brought suit against the railroad company on behalf of the Bankers' Casualty Company, which had paid the insurance. The court in denying liability of the railroad held that a railroad carrying mail for the Government owes no duty to the sender or addressee or owner of the contents of any letter or package contained in the mail which can be made the basis of an action at law. The court remarked that even were it to be conceded that under some circumstances an action might be maintained by the owner against the railroad and that some privity might be imagined between the two, the railroad would not in any event be liable as common carrier, but only at most for the reasonable care which an ordinary bailee for hire must exercise and that the facts alleged in this case did not show a lack of reasonable care.

The case came up again before the United States Circuit Court of Appeals, Eighth Circuit, in July, 1902, upon a new complaint by the insurance company against the railroad. *Bankers Mutual Casualty Co. v. Minneapolis, etc., Ry. Co.*, 117 Fed. 434. The court, deciding in favor of the railroad company, announced the following propositions:

1. It makes no difference whether the railroad was carrying the mail by virtue of a contract with the United States or by virtue of the constitution and laws thereof; in either event it was a public agent of the United States and its liability must be determined accordingly. It was in no sense a common carrier.

2. As public agent, the railroad is liable for its own negligence but not for the negligence or tortious acts of its subordinates or employees, in the selection of whom it has exercised ordinary care.

3. If the railroad exercised proper care in the selection of its night agent it would not be liable even if the latter himself stole the money. Mere proof that the package of money was stolen, no matter by whom, creates no liability against the railroad, unless its own negligence was the direct cause of the larceny as distinguished from the negligence of its night agent at Harvey. In this case if the negligence of any one directly contributed to the larceny it was the negligence of the night agent, for whose negligence in the matter of carrying the mail the railroad is not liable.

A similar decision was made by the Supreme Court of Iowa in October, 1902, (in which the court refers to the decision in 113 Fed., but does not mention the decision in 117 Fed. Rep.) *Boston Insurance Co. v. Chicago, Rock Island, etc., R. Co.*, 118 Iowa, 423. A bank in Kansas City mailed \$2,000 currency by registered package to a bank at Kinsley, Kansas. The mail car was wrecked at Volland, Kansas, through the negligence, as alleged, of the employees of the Rock Island and the package was destroyed by fire. The package was insured and the action was brought by the insurance company which had paid the loss, against the Rock Island on the theory that the railroad company was under a duty to the Kinsley bank to safely carry all proper mailable material

properly addressed to it, which duty was said to arise both by statute and by contract between the Government and the railroad. The court in deciding the railroad not liable, held in substance:

The duty of the railroad, whether created by statute or arising out of contract is to the Government; and railroad companies in carrying the mails are agents of the Government in the exercise of a public function. Neither the sender nor the addressee of mail matter has any contract with the railroad company, and there is no duty owing from one to the other, except as that other is an integral part of the whole people. There is no privity whatever between the individual and the railroad in the carrying of mail. The railroad is neither a common carrier nor a private carrier for the individual. The railroad is not a bailee of the sender of the letter nor does the relation of master and servant exist between the sender or addressee of mail matter and the railroad.

The railroad's liability then must be predicated upon contract or arise out of a duty created by statute. The contract is made by the general Government for the public, but the individual has no such direct interest in that contract as to give him a right of action thereupon.

The railroad is a public agent in the discharge of public duties and if responsible at all is liable only for its own personal negligence. It must be shown that the corporation itself neglected to do some act which was required of it in the exercise of ordinary care. As it is a corporation and can act only through agents, there is always some difficulty in determining whether or not the act complained of was its act or the act of a mere subordinate. If it used ordinary care to supply suitable cars and a sufficient number of competent employees for the work, it fulfilled its duty and it is not liable for the negligence of subordinate employees to whom it must of necessity delegate its work. No cause of action therefore is stated.

I have set out these cases quite fully as they are instructive in showing that the nature of the railroad's employment in carrying registered or unregistered mail, is as public agent and not as common carrier for the individual and that there is no liability to the individual owner for loss of registered mail caused by negligence or even theft of a railroad employee, unless in any particular case it could be established that the negligence of the railroad corporation itself, as distinguished from the negligence of its employees, was the direct cause of the loss.

#### PROMISSORY NOTE.

Stipulation in note consenting "that time of payment may be extended without notice thereof" makes negotiability uncertain—The point not covered by the Negotiable Instruments Law and State decisions conflict.

From Oklahoma.—I herewith hand you blank customer's note as is generally used by the banks in this State:

\$..... Muskogee, Okla.....19....  
 .....days, without grace, after date,  
 for value received, I, we, or either of us, as  
 principals, promise to pay to.....  
 or order.....Dollars, at  
 The First National Bank, Muskogee, Oklahoma,  
 with interest at.....per cent. per annum  
 from.....until paid, and ten per cent. on  
 the entire amount as attorney's fees if placed  
 in the hands of an attorney for collection, or  
 suit is filed thereon. The makers and indorsers  
 of this note hereby severally waive present-  
 ment for payment, notice of non-payment, pro-  
 test and notice of protest; and consent that  
 time of payment may be extended without  
 notice thereof. Appraisalment and all exemp-  
 tions waived.  
 No. ....  
 Due .....  
 P. O. ....

One of our courts has ruled that the provision in this note that "time of payment may be extended without notice thereof" renders the instrument non-negotiable.

The bankers of Muskogee would thank you to advise us if under the negotiable law you consider the note I herewith enclose you as non-negotiable. And if this latter part I have mentioned does not render it non-negotiable, will you kindly cite me cases wherein this question has been raised before; and any other provisions in this note that in your opinion makes it non-negotiable, will thank you to point them out.

You enclose form of note containing extension clause which, you say, has been held by one of your courts to make the instrument non-negotiable. You ask for a citation of cases as to the effect of this clause; also whether under the Negotiable Instruments Law a note would be negotiable notwithstanding such clause.

There has been a conflict of decision whether such a clause, consenting that time of payment may be extended without notice, destroys the negotiability of the instrument. I collected some of the conflicting cases in the Journal for February, 1911 (see page 467). By reference to the cases there cited, you will notice that the Supreme Court of North Dakota (First National Bank v. Buttery, 116 N. W., 341) held that a clause in the exact language contained in your form of note, did not destroy the negotiability of the instrument. It may be, if your Supreme Court has not yet ruled upon the point, it may adopt the view of the North Dakota Court notwithstanding one of your lower courts has ruled to the contrary. The Kansas courts, however, hold just the opposite from North Dakota.

There is nothing in the Negotiable Instruments Law specifically relating to the effect of provisions for extension of time of payment, which settles this conflict. The Negotiable Instruments Law simply provides as one of the essentials of negotiability that the instrument "must be payable \* \* \* at a fixed or determinable future time." This is substantially the rule of the law merchant that the time of payment must be certain and definite. In a decision of the Supreme Court of Kansas which has just come to hand (Rossville State Bank v. Heslet, decided March

11, 1911) a note executed since the enactment of the Negotiable Instruments Law and containing an extension clause is held non-negotiable, following the cases decided before the enactment of that law. The decision makes it clear that there is nothing in the Negotiable Instruments Law which expressly makes such a note negotiable and that the question is left as at common law. There is likely, therefore, to be the same conflict in different States under the Negotiable Instruments Law, as before, as to the effect upon negotiability of a clause authorizing extension of time of payment.

Aside from the uncertainty as to negotiability created by the extension clause in the note submitted, the instrument is negotiable. The provision adding to the amount payable "ten per cent. on the entire amount as attorney's fees if placed in the hands of an attorney for collection or suit is filed thereon," does not destroy negotiability for the Negotiable Instruments Law expressly provides that "the sum payable is a sum certain within the meaning of this Act although it is to be paid \* \* \* (5) with costs of collection or an attorney's fee, in case payment shall not be made at maturity." Concerning the provision waiving presentment, protest and notice, such waivers have been uniformly held not to affect negotiability; and the clause waiving "appraisalment and all exemptions" does not destroy negotiability for the Negotiable Instruments Law also expressly provides that "The negotiable character of an instrument otherwise negotiable is not affected by a provision which \* \* \* (3) waives the benefit of any law intended for the advantage or protection of the obligor."

**BEARER CHECK.**

**Does not require indorsement and payment to bearer is perfectly proper and chargeable.**

From Pennsylvania.—Can we get some information from you as to the general custom among banks regarding the cashing of checks payable to "Bearer"? Our habit has always been to cash these checks regardless of indorsement, and either with or without indorsement, but the question has arisen as to the proper procedure.

Supposing a check payable to the bearer is presented at the bank's counter, and the unidentified holder is requested to indorse the same; the teller, of course, does not know whether he is signing his own name or not, and we take it no benefit is gained from the indorsement.

In law a check payable to bearer does not require indorsement and payment to the bearer without indorsement is perfectly proper and chargeable. But many banks request the holder of a bearer check, when presenting same, to indorse his name thereon. The object presumably is to have something to show to whom the money was paid in case the information should become important for any reason; but there is nothing to prevent the holder, as you say, from placing therein a name other than his own if he chooses. If the holder in any case refuses the request for an indorsement such refusal is not, in law, a sufficient reason for refusing to pay the check.



# PROTECTIVE DEPARTMENT



L. W. GAMMON

MANAGER



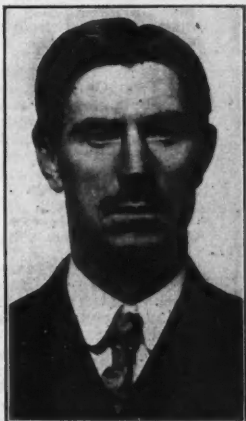
FELIX BROCK.



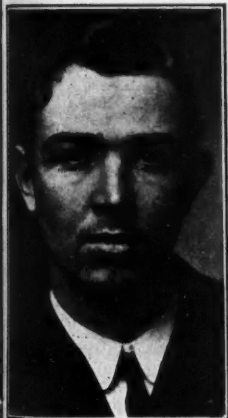
GEO. CARRUTHERS.



JOHN CARMODY.



JOHN NORTON.



C. R. HAMILTON.



EARL REDMOND.



WM. HOFFMAN.



FRANK BROCK.

On the night of September 5, 1910, the premises of a bank (M) at Riga, Mich., were entered, the safe and vault blown and \$2,007.26 stolen. The William J. Burns National Detective Agency, detective agents for the American Bankers Association, immediately started an investigation for the purpose of apprehending the guilty parties, and they determined that the men who burglarized the bank consisted of a gang of four yeggmen comprising Felix Brock, John Norton, Frank Graham and one other.

After an extended investigation the Burns Agency located these men. It was deemed inadvis-

able to arrest the men unless they could all be taken into custody on the same day, because if one was apprehended the others would learn of it and remain under cover.

In the course of their investigation the Burns Agency determined the whereabouts of a number of other notorious yeggmen, whose rendezvous has been Toledo, Ohio, and who have for years been a menace to banks in the Middle West, in addition to which the men have burglarized post-offices in a number of small western towns, besides robbing freight cars and freight stations belonging to railroad

companies running into Toledo. It was agreed that it would be to the best interests of the members of the American Bankers Association if all of these men could be rounded up and placed behind the bars.

Therefore, the Burns Agency consulted with the postal authorities and the officials of the railroads concerned and a plan was formulated whereby the arrest of ten men was to be undertaken. In the meantime Frank Graham, one of the men, had gone to Detroit, where the local police caught him in the act of committing a burglary, and immediately placed him under arrest. He therefore now awaits trial in Detroit.

The remaining nine men were shadowed constantly until it was decided that the time was ripe to make the arrests, and as a result on April 12, 1911, the Burns Agency took into custody the following men, arresting them at their residences in Toledo and vicinity:

- Felix Brock, alias John Gilmore.
- John Carmody, alias J. W. Clark.
- John Norton, alias St. Louis Slim.
- C. R. Hamilton, alias Ham Dempsey.
- Earl Redmond, alias Earl Murray.
- Jos. Sherrer.
- Dave Kelly.
- Wm. Hoffman.
- Frank Brock.

And one George Carruthers was arrested by an uniformed police officer of Toledo, on April 13, 1911.

In making these arrests, the Burns Agency was ably assisted by Superintendent Sapp of the postal stations at Toledo, Post Office Inspector Hutchinson and railroad detectives McGinnis, McGraw, Kellog and Roper.

The men came up for a hearing in Toledo on April 28th. Felix Brock, Carruthers and Carmody were bound over to the Southern District Court under \$5,000 bond to answer to the specific charge of burglarizing the Gahenna, O., post-office. These three men have been returned to Columbus for trial.

Norton, Hamilton, Redmond and Sherrer were held to await the action of the Grand Jury for robbing the freight cars of the Clover Leaf Railroad Company. When these men were arrested, the house they occupied was found to be stocked with large quantities of valuable stolen property.

There was no specific charge on which Frank Brock, Kelly and Hoffman could be held, and these men were therefore released from custody.

The Protective Department appreciates the good work done in this case by the Burns Agency and the hearty co-operation and assistance rendered the above Agency by the Postal authorities and officials of different railroad companies, whose efforts enhanced the possibility of bringing this investigation to so successful a conclusion.

One Harry A. McKinley, whose occupation is said to be that of a telegraph operator, is wanted in Oklahoma, Okla., for delivering a forged telegram and obtaining funds on the strength of same. McKinley is described as 25 years of age, 6 ft. 1 in. tall, weight 180 lbs., fair complexion, gray eyes, light hair, smooth shaven, upper lip protrudes slightly. When last seen he was attired in light gray sack suit with light fedora hat.

Joseph C. Morris is wanted in New York City for forging the signature of a depositor to a check drawn on a New York bank. Morris is described as a clerk, 19 years of age (looks to be 24), 5 ft. 7 in. tall, weighs about 130 lbs., sandy complexion, hooked nose, Hebrew cast of features, smooth shaven, medium

brown or sandy hair, and when last seen wore a gray suit with a gray Alpine hat. A sample of Morris's handwriting is reproduced below.

*Bear Ten  
Philip 10<sup>00</sup>  
Jos Morris*

One Arthur Burden is drawing bogus checks on a New York bank. He has recently operated in Chicago. Burden is described as 30 years of age, 5 ft. 7 in. tall, weighs 150 lbs., medium build, sallow complexion, light brown hair, smooth shaven. He claims to be a stock broker with offices in New York City. A number of merchants have suffered losses through handling Burden's worthless checks.

Information comes to us from an Englewood, N. J., bank, that one Chas. C. O'Hara, a former depositor, is drawing checks on that bank, though there are no funds to his credit. O'Hara was last heard of in Albany, N. Y.

Fred Robinson is wanted in St. Paul, Minn., for forging a depositor's signature to a check drawn on a St. Paul bank. Robinson's description is given as 31 years of age, 5 ft. 2 in. tall, weighs 135 lbs., brown hair, smooth shaven, large brown eyes, small hands, is an inveterate cigarette smoker. Robinson is said to be an electrician. A sample of his handwriting is reproduced below.

*Fred Robinson  
35 10<sup>00</sup>  
hundreds Jos V. C.*

One Grover W. Reynolds formerly had an account with a St. Paul, Minn., bank. In October, 1910, however, he withdrew all of the funds standing to his credit. Reynolds has since drawn a number of checks on the bank in question, which have been cashed by tradespeople in Buffalo, Detroit, Chicago, Milwaukee and other Western cities. Reynolds's description is 35 years of age, 5 ft. 11 in. tall, weight 180 lbs., smooth shaven, sharp nose, good dresser.

We are advised that one Robert E. Holton deposited with a bank in Snohomish, Wash., a check for \$5,600. This check later proved worthless, but in the meantime Holton had been given a passbook purporting to show that he had \$5,600 to his credit in the bank in question. Holton has since been traveling through the Northwest where he has succeeded in having tradespeople and hotelkeepers cash his worthless checks on the strength of his passbook. Holton's description is given as 26 years of age, 5 ft. 5 in. tall, weighs 140-150 lbs., medium build, brown hair, gray eyes, long Roman nose, smooth shaven, Jewish cast of features.



A person, who is said to give the name of Hood MacDonald, is wanted at Milner, Idaho, in connection with the issuance of a worthless draft drawn without authority on a physician in Pocatello, Idaho. MacDonald is 35 years of age, his occupation is given as that of an insurance agent, and he is also said to be connected with a Florida Irrigation concern.

One A. F. Powell, who fraudulently represents himself as a salesman for the Western Buyers' Association of Omaha, is wanted in Walnut Ridge, Ark., for having negotiated a draft drawn without authority on the Western Buyers' Association. Powell's description is given as 33 years of age, 6 ft. tall, weight 180 to 185 lbs., light brown hair, fair complexion, smooth shaven, good talker.

A sample of Powell's handwriting is reproduced below.

*A. F. Powell.  
Trenton 20  
For Loring*

The authorities of Laton, Cal., hold a warrant for the arrest of J. C. Smith, who succeeded in cashing a forged check on a Lemoore, Cal., bank. Smith is said to have forged the signature of a depositor to the check in question. The description of Smith is: 30 years of age, 5 ft. 6 in. tall, weight 150 lbs., dark hair, dark eyes, dark beard, spoke with foreign accent, looked like a Portuguese and was dressed as a ranchman. A sample of Smith's handwriting is reproduced below.

*J. C. Smith  
1811825  
eight hundred*

A person giving the name of E. E. Hess, is drawing worthless checks on a Winchester, Va., bank. Hess defrauded a jeweler in New York City with one of these checks.

A person, who is employing the name of Joseph Marks, is drawing worthless checks on a Pittsburgh, Pa., bank (M), having within the past few weeks defrauded two or three New York hotelkeepers.

Page 591 (first column) of the April, 1911, Journal contains an article regarding the operations of one Howard E. Farnsworth. We understand that this swindler is still pursuing his fraudulent operations, employing different aliases on each occasion. His mode of operation, as explained in previous issues of the Journal, is as follows: He makes a contract to purchase land costing about \$2,000; he then secures an introduction to some local bank where he deposits a bogus certified check for \$300 or \$400; later in the day he draws out about two-thirds of his "deposit" and immediately decamps. The description of this swindler is 38 years of age, 5 ft. 8 in. tall, weight 160 lbs., heavy build, square, broad shoulders, dark hair, dark eyes, light complexion, smooth shaven, good dresser, fluent, convincing talker.

Worthless checks purporting to bear the signatures of the Burke Manufacturing Co., and the Standard Engineering Co. are being circulated by one A. L. Stuart, who is described as 5 ft. 10 in. tall; weighing about 175 lbs.; dark complexion; dark hair; dark eyes. Stuart was last heard of at Davenport, Iowa.

A person giving the name of L. G. Atwood has recently appeared in the South, where he fraudulently represented himself as a salesman for the New Jersey China and Pottery Co. This swindler has defrauded a number of hotels with worthless checks purporting to bear the signature of the above named Company. All of these checks are drawn on a Trenton, N. J., bank.

A warrant charging forgery has been issued in Vineland, N. J., for the arrest of Mose Lozia, alias Philip DiLucia, alias Carlo Villa, who forged the signature of a depositor to a check drawn on a Vineland bank. Lozia is 34 years of age, 5 ft. 6 in. tall, weighs 140 lbs., medium build, fair complexion, light brown hair, sandy mustache, the ends of which have a slight curl upwards. He is an Italian. He speaks excellent English, and his occupation is said to be that of a school teacher. When last seen Lozia wore a light suit of clothes with light gray Fedora hat.

One E. Newman is wanted in Rush Springs, Okla., in connection with the cashing of a worthless check. Newman is 23 years of age, 5 ft. 10 in. tall, weighs 150 to 160 lbs., ruddy complexion, light gray eyes, smooth shaven, light brown hair. His occupation is that of a machinist.

Matt. Conners is wanted in Hinton, W. Va., charged with forging the signature of a depositor to a check drawn on a bank in that city. Conners' description is given as 33 to 34 years of age, 5 ft. 8 in. tall, weighs 135 lbs., slender build, gray eyes, sandy complexion, light brown hair, smooth shaven.

Members are warned to be on the look-out for one Charles D. W. Sturrup, concerning whom, an article appears on page 592 (second column) of the April, 1911, Journal. As explained in that issue of the Journal, Sturrup wears a full United States Navy uniform, and claims to belong to the U. S. S. "Constellation." He tells a tale of having over-stayed his shore leave, and states that he lacks sufficient funds to get back to his vessel. He then presents a draft ranging in amount from \$5 to \$20 drawn on a bank in some distant city where he states he has an account. All such drafts are absolutely worthless. Sturrup was at one time coal passer on the U. S. S. "Independence," but was dishonorably discharged a little over a year ago. He is 23 years of age, 5 ft. 5 in. tall, weighs about 145 lbs., light complexion, smooth shaven, brown eyes, brown hair, burn scar between eyebrows.

The Dominion Express Co. has issued the following warning notice: "Mark Farrant, alias Henry Hotspur, alias H. T. Bliss, stole Dominion Express money orders Nos. 609276 to 609299. It is supposed that Farrant will attempt to cash some of these orders. He is an Englishman, about 50 years of age, slight build, 5 ft. 6 to 7 in. tall, dull complexion, prominent cheek bones, small gray mustache; bald and gray, thin lips and nervous.

The police of McKees Rocks, Pa., hold a warrant charging forgery against Ignac Pivacek, alias John Koveracera, who is described as 32 years of age; 5 ft. 4 in. tall, weight 165 lbs., stocky build, light gray eyes, blonde hair, light complexion, smooth shaven, ill kept teeth. Pivacek is a foreigner, speaks Slavish fluently, and is also able to talk English fairly well. He is a heavy drinker.

One William Denton of Benton, Ark., is wanted on a charge of obtaining funds on a check to which he had fraudulently obtained the endorsement of a prominent local citizen. Denton claimed to be connected with the United States Census Bureau. He is described as 22 to 24 years of age, 5 ft. 7 or 8 in. tall, weighs 135 to 140 lbs., light brown hair, ruddy complexion, smooth shaven, dressed in dark blue suit.

One James T. Sons, who represents himself as a General Agent, is issuing worthless drafts drawn on the New Orleans Home Trust Co., of New Orleans, La. There is no such institution in New Orleans. Sons' description is given as 50 to 60 years of age, 5 ft. 6 in. tall, hair somewhat gray. There is good reason to believe that this is the same swindler who has previously operated with worthless drafts drawn on the Western Loan & Trust Co., of Los Angeles, Cal. Sons has recently appeared in South Dakota.

The police of Boston, Mass., hold a warrant for one F. W. Johnson, who is charged with forging a check drawn on a Boston bank. Johnson is said to be 28 years of age, 5 ft. 9 in. tall, weight, 140 lbs., light complexion, chestnut hair, teeth filled with gold, smooth shaven, wore a blue serge suit when last seen.

On April 14, 1911, a report was received from a bank (M) in Oklahoma City stating that it had been defrauded out of a small sum, and that an attempt had been made by the same party to victimize the bank out of almost \$1,000. Investigation by our detective agents, developed the fact that the bank in question had a depositor named Geo. Lindsey. A communication had been received from Lindsey at Dallas, Texas, requesting information concerning the status of his account. The bank wrote Lindsey at Dallas advising him as to his balance at the bank and also informing him that certain interest had accumulated and that the amount of his account had, therefore, increased. On April 5th, it appears, the bank received what purported to be a second letter from Lindsey containing a request that the bank mail him check to cover the amount of interest mentioned above. The bank complied with this request and the letter was mailed to Geo. Lindsey enclosing check. This check was cashed in Dallas and was returned to the Oklahoma City bank in due course. Later a third communication was received purporting to come from Lindsey requesting the bank to mail a check closing out the account. The bank sent the check and it was deposited in a Dallas bank. When this check reached Oklahoma City, however, the suspicions of the bank there were aroused by reason of the fact that the endorsement seemed different from Lindsey's genuine signature. The Burns Agency soon determined that Lindsey's mail arriving in Dallas had been appropriated by one Geo. Lenzy, colored, and that he had fraudulently been carrying on correspondence with the bank in Lindsey's name. The Burns Agency, therefore, caused the arrest of Geo. Lenzy in Dallas on April 17th. He has since been returned to Oklahoma City for trial.

Last October a bank (M) in Bixby, Okla., reported that it had suffered a loss of almost \$2,000 through the fraudulent operations of one Wm. M. Nance, to whom the bank had advanced money on mortgages which proved later to be valueless. Our detective agents, conducted an extended investigation of this case, and were finally successful in locating Nance in Wilbur, Neb., where they caused his arrest on April 4, 1911. Nance, who has since been returned to Tulsa, Oklahoma, where he is being held for trial, is described as 40 years, 6 ft. tall, weighs 175 lbs., slender build, light brown hair, slightly bald on top, blue eyes, smooth shaven. Occupation ranchman.

On April 18, 1911, a report was received from a New York bank (M) that a boy had come to the bank with a check, bearing what appeared to be the forged endorsement of one of its depositors. Our detective agents, immediately assigned one of its men to investigate the matter. He carefully questioned the boy, who finally admitted that the check had been given to him to be cashed by a party whom he had met on the street and whom he only knew as "Mike." Further investigation resulted in the disclosure that "Mike" had worked for a New York printing concern, and it was ascertained that his correct name is Ernest Bernard, a resident of Brooklyn, N. Y. The Burns Agency located Bernard in Brooklyn on the evening of April 18th, and immediately caused his arrest. Bernard now awaits trial in New York City. His description is 28 years of age, 5 ft. 5 in. tall, weight 140 lbs., ruddy complexion, smooth shaven, brown curly hair, blue eyes.

On April 19, 1911, a person giving the name of H. C. Thomas and claiming to represent the New England Forestry Co., deposited with a bank (M) in Albany, N. Y., a certified check on a New Haven bank. Shortly thereafter "Thomas" left town, but before leaving, the bank had issued to his order a check for \$6. On April 26th, the \$6 check reached the Albany bank raised to \$60, having been deposited with a Trenton, N. J., bank (M). The Albany bank immediately wired to the Trenton police authorities advising them that "Thomas" was a swindler, and requested that he be apprehended. The Trenton police then placed the party under arrest, and it developed that in his operations "Thomas" was assisted by another swindler. The second party was located in New York that day and immediately placed under arrest. Their correct names have since proven to be Jules H. Frost and Chas. H. Frost, respectively. The former awaits trial in Trenton, N. J., while the latter has been returned to Albany and is being held in custody in that city.

A bank member in Kansas City, Mo., reported on April 7, 1911, that it had been defrauded in the latter part of March by cashing four (4) checks which purported to be signed by one of its depositors. Our detective agents traced the forgeries to one Clifford Webster, 19 years of age, 5 ft. 8 in. tall, 150 lbs. in weight, dark hair, smooth shaven. It developed upon further investigation, that shortly after committing the forgeries, Webster was apprehended in Kansas City for breaking his parole from the Booneville, Mo., Reform School, where he is now incarcerated and will remain in custody for two years.

On March 25, 1910, a bank (M) in Shreveport, La., cashed a check which, it developed later in the day, was a forgery. Our detective agents traced the forgery to one Samuel Baker, colored, and they caused his arrest in Shreveport on the evening of March 25. Baker now awaits trial in Shreveport.

On April 1, 1911, a report was received from a Chicago, Illinois, bank (M) stating that they had cashed in the middle of March five forged checks. Our detective agents determined that these checks had evidently been forged by one D. A. Sapio, alias C. W. LaMare, 27 years of age, 5 ft. 11 in. tall, weight 200 lbs., very stout, black hair, smooth shaven. The Burns Agency succeeded in tracing Sapio to San Francisco, Cal., and later to Sacramento, Cal., where on April 13, 1911, they caused Sapio's arrest. This forger has since been returned to Chicago for trial.

Page 592, (first column) of the April, 1911, Journal contains an article in regard to one Geo. Costan. On March 22, 1911, Costan defrauded a bank (M) in Pensacola, Fla., by means of a worthless check. Our detective agents undertook to investigate this case

and during the course of their investigations Costan appeared in Mobile, Ala., on April 6, 1911, where he was picked up and later returned to Pensacola for trial. He is now lodged in jail in Pensacola and it develops that his correct name is Russel E. Keinner.



JOS. A. HULL.

On March 4, 1911, a bank (M) in Phoenix, Ariz., was defrauded through cashing a worthless check for a party giving the name of Ben Hall. Our detective agents undertook to locate Hall and cause his arrest. During the course of their investigations the police of St. Louis, Mo., picked up on suspicion one Jos. A. Hull, who was later identified by the Burns' Agency as being the party referred to as Ben Hall. Hull defrauded a hotel in Cleveland by means of one of his worthless checks and has been returned to that city for trial. He is described as 33 years of age, 5 ft. 9 in. tall, weight 190 lbs., smooth shaven, round face, well built.

On the night of March 23, 1911, a bank (M) in Hudson, Kans., was burglarized and \$4,598.25 was stolen. The burglary was the work of professionals. Our detective agents, the William J. Burns National Detective Agency, made a search for the guilty parties, and on April 26, 1911, they succeeded in causing the arrest in Omaha, Neb., of Chas. McKimsie as one of the men implicated in this job. A second man who was connected with this burglary was arrested on April 17, 1911, in Hutchinson, Kans., for a murder committed by him in Ottawa, Kans. This person gives the name of Heiney Bowers. He has confessed that he took part in this burglary. Bowers has been sentenced to serve a life term in the Kansas State Penitentiary for murder.

An article was published in the April, 1911, Journal, on page 593 (second column), concerning Geo. Leopold, who defrauded a Dennison, Ia., bank (M) by means of a forged check. Leopold attempted to cash one of his forged checks in a town in Montana on April 28, 1911, and was immediately picked up by the local authorities. He has since been returned to Dennison, Ia., for trial.

Under date of April 28, 1911, we are in receipt of the following communication from a bank at Barnegat, N. J.:

"We send you herewith the description of a forger, who has been operating in the west recently, and passing checks drawn on this bank. The name of the forger is Harry Sapp and he formerly lived at Tuckerton, N. J., where his family still live and are of some means and very much respected. He usually poses as a wealthy oyster dealer who is traveling, and being thoroughly acquainted with the business and situation all along the oyster district from Virginia to Connecticut, he can usually win the confidence of some merchant in the town to cash his checks. He is over 6 ft. tall and straight, weighs probably 180 lbs., has dark complexion and very dark sharp eyes, and prominent cheek bones, hair is black and slightly curly and hands rough. He has been operating under the name of Sapp and James Speck and offering large checks, drawn in the name of James Speck on this bank, as deposits to western banks. The signatures are forged, as James Speck does not have an account here, but is a well-rated oyster dealer from Tuckerton, N. J. Sapp has served sentences in Norristown, Penn.; the New Jersey State Penitentiary and, we are told, recently in Canada. He is now at large and we received a check for \$1,500 in the name of James Speck drawn on us in favor of a bank in Madison, O., on April 7th, which appears to be his work. To-day we received another check drawn by the same party, in favor of a Latonia, Ky., bank, which shows that he is still operating."

A specimen of Sapp's handwriting appears below.

*James Speck*

On the night of April 6, 1911, three yeggmen forced their way into the Electric Light plant at Broken Arrow, Okla. They held up the night watchman, Clarence Mote, and walked him to the railroad tracks, where they locked Mote in a freight car. Mote, however, had in his possession a pair of pliers, which he had been using in his work, and with these he forced open one of the doors to the car. He then made his way to the home of ex-City Sheriff James Patten, and told him what had occurred. In the meantime two explosions were heard and it was then seen that the yeggmen were attempting to gain entrance to the safe of a Broken Arrow bank (M). A number of the town residents were awakened and hastened to the bank, but the men had taken fright and made their getaway without obtaining any of the bank's funds. Telephone messages were then sent to the surrounding towns asking the authorities to be on the lookout for the men. Sheriff W. M. McCullough of Tulsa, Okla., saw the men coming into Tulsa along the railroad on a handcar. He opened fire on them. Two of the men made their escape, but one was captured. The prisoner gave the name of Fred Walker, alias William Willis, who has a criminal record in Oklahoma and Missouri, is 38 years of age, 5 ft. 3½ in. tall, weighs 140 lbs., hazel eyes, dark chestnut hair. Walker now awaits trial at Broken Arrow.

Page 343 (second column) of the December, 1910, Journal contains an article concerning one C. C. Stuart, a bogus check operator. We understand that this swindler is still active, having recently operated in Tennessee where he fraudulently represented himself as an employee of J. G. White & Co. Members are warned to be on the lookout for this party who carries forged letters of recommendation purporting to have been issued by White & Co.

The police of Allegan, Mich., hold a warrant charging forgery against Wm. B. Simpson, alias Walter B. Sherman, 26 years of age, 5 ft. 8½ in. tall, weight 145 lbs., dark complexion, brown eyes, dark brown hair and smooth shaven. This swindler represents himself as being connected with the Sprague Mercantile Agency, but he has positively no connection with this agency.



WM. P. McVOY.

On March 16, 1911, a New York bank (M) cashed a check bearing a depositor's forged signature. Our detective agents traced the forgery to one Wm. Parker McVoy, 23 years of age, 6 ft. tall, weight 160 lbs., slim build, smooth shaven, medium complexion and brown eyes. McVoy left town shortly afterwards and strenuous efforts were made to locate him. He returned to his home in Brooklyn on April 24th and realizing that he was wanted for the forgery which he had committed he at once surrendered himself to the Brooklyn police. McVoy now awaits trial in New York City.

In May, 1910, a Portland, Ore., bank (M) was victimized by a gang of clever swindlers. The William J. Burns National Detective Agents Agency, acting for the American Bankers Association and the Oregon Bankers Association, have been investigating the case. The Burns Agency determined that there were four men involved in the scheme, and within the past month they have succeeded in running down and causing the arrest of all of these men for this and other crimes. The names of those arrested are Charles Barrett, Orville Cavaness, James Whelan and Ed. I. Wheeler. The following account of the arrests is taken from a Seattle, Wash., newspaper:

"Operatives of the William J. Burns National Detective Agency, working in conjunction with the Portland Police Department, believe they have cleared up the mystery of a swindle committed against a bank in Portland in May of last year and that they now have under arrest the principal men concerned in it. The men in custody are Charles Barrett, arrested in Salt Lake; Orville Cavaness, arrested in San Francisco, and James Whelan, arrested in Seattle. The fourth man is Ed. I. Wheeler, of Portland, who was run down by the Burns Agency and taken from his bed to the Portland police headquarters.

"The chase for the bank suspects ran to Pocatello, Idaho, and occupied several months. The swindle was one of the keenest ever pulled off in this section and was worked through the innocent assistance of a Portland attorney. The bank lost \$2,169 by the operation.

"On April 22 of last year a man giving the name of Geo. S. Stimson, who has been identified as

Barrett, entered the lawyer's office on the plea of looking for another lawyer, and engaged him to collect \$2,300 on a chattel mortgage given by one J. O. Ross, who purported to be a stockman of Pocatello. Cavaness has been identified as Ross. "During the early negotiations Stimson got the lawyer to introduce him to his bank, where he deposited \$200 in cash. The lawyer opened negotiations with Ross, but with poor success for some time, Ross stating that he had a number of deals on hand and would be unable to pay the debt until these deals were closed.

"In the meantime Stimson kept manipulating the account at the bank, depositing and checking out, but always keeping a comfortable balance. Most of the checks were cashed through Wheeler Whelan, who then was a saloonkeeper in Portland.

"Finally the negotiations continued with Ross to such an extent that a certified check on a bank in Pocatello, was received from Ross in payment of the accrued interest on the account. This check was as good as the \$200 first deposited by Stimson in the Portland bank and, like it, was a part of the tools with which the swindle was worked. Other paraphernalia consisted of printed letter heads bearing Ross's assumed name and business connections.

"The certified check was used to secure a fac-simile signature of the cashier of the Pocatello bank and the general form of the certification.

"About May 10 the lawyer received from Ross a second certified check for \$2,300 in full payment of the mortgage. The certification, as in the case of the smaller check, purported to be that of the Pocatello bank. The check was turned over to Stimson, who deposited it in the Portland bank. The following day he checked against his account \$1,710, which was cashed by Wheeler, and \$275, which was cashed by Whelan. Then Stimson disappeared, leaving a balance to his account in the bank of \$139.

"The check was in due time returned by the Pocatello bank as fraudulent, and the Portland bank found that it had suffered a loss of \$2,169. The case was given to the Burns Agency, with the result stated."



H. LEE RUSSELL.

The above is a photograph of H. Lee Russell, a bogus check operator who, on April 13, 1911, was arrested in Los Angeles, Cal., through the efforts of our detective agents, the William J. Burns National Detective Agency. Russell claimed to represent the Clyde Steamship Company and carried forged credentials purporting to have been issued by that company. He has defrauded a number of hotels and railroad ticket offices with his worthless checks. Russell is described as 50 years of age, 5 ft. 2 in. tall, 120 lbs., dark hair streaked with grey, smooth shaven.

**STATISTICS OF THE WORK OF THE PROTECTIVE DEPARTMENT.**

**AS REPORTED TO THE STANDING PROTECTIVE COMMITTEE.**

From September 1, 1910, to April 30, 1911.

New York, May 1, 1911.

Criminals arrested, convicted, sentenced, awaiting trial, etc.

	Awaiting Trial Sept. 1, 1910.	Arrests From Sept. 1, 1910. To March 31, 1911.	Arrests in April, 1911.	Total	Convicted.	Released.	Escaped or Fugitives.	Suicide or Died.	Awaiting Trial.
Forgers, etc. ....	50	92	16	158	60	30	4	1	63
Burglars .....	5	1	13	19	4	5	1	..	9
Hold-up robbers .....	2	1	..	3	2	1	..	..	..
Sneak thieves .....	..	..	..	..	..	..	..	..	..
	57	94	29	181	66	36	5	1	72

**FORGERS.**

Apl. 4, Wm. M. Nance, arrested in Wilber, Neb.; defrauded Bixby, Okla., bank (M); returned to Bixby for trial.

Apl. 18, Ernest Bernard, arrested in Brooklyn, N. Y.; attempted to defraud New York bank (M); awaits trial in New York.

Apl. 26, Jules H. Frost, arrested in Trenton, N. J., and Chas. H. Frost arrested in New York for defrauding Albany, N. Y., bank (M); Jules H. Frost being held in custody in Trenton, Chas. H. Frost returned to Albany for trial.

Apl. 10, Clifford Webster, arrested for breaking parole; returned to Booneville, Mo., Reform School; identified as forger who defrauded Kansas City, Mo., bank (M).

Apl. 17, Geo. Lenzy, arrested in Dallas, Tex., for defrauding Oklahoma City bank (M); returned to Oklahoma City for trial.

Mar. 25, Samuel Baker, arrested in Shreveport, La., for defrauding Shreveport, La., bank (M); awaits trial in Shreveport.

Apl. 13, D. A. Sapio, arrested in Sacramento, Cal., for defrauding Chicago, Ill., bank (M); returned to Chicago for trial.

Apl. 6, Russell E. Keiner, arrested in Mobile, Ala., for defrauding Pensacola, Fla., bank (M); returned to Pensacola for trial.

Apl. 17, Jos. A. Hull, arrested in St. Louis, Mo.; defrauded Phoenix, Ariz., bank (M); returned to Cleveland, O., for trial for passing bogus check in that city.

Apl. 24, Wm. P. McVoy, arrested in Brooklyn, N. Y., for defrauding New York bank (M); awaits trial in Brooklyn.

Apl. 28, Geo. Leopold, arrested and returned to Denison, Ia., for defrauding Denison bank (M); awaits trial in Denison, Ia.

Apl. —, Chas. Barrett, arrested in Salt Lake City; Orville Cavaness, arrested in San Francisco; James Whalen, arrested in Seattle; Ed. I. Wheeler, arrested in Portland, Ore.—all are implicated in forgery committed against Portland, Ore., bank (M); and await trial in Portland.

**BURGLARS.**

Arrested in Detroit, Mich., Frank Graham; arrested in Toledo, O., Apl. 12, Felix Brock and John Norton—these three men burglarized Riga, Mich., bank (M) Sept. 5, 1910. Apl. 12, seven additional yeggmen arrested in Toledo, O.—John Carmody, C. R. Hamilton, Earl Redmond, John Sherrer, Dave Kelly, Wm. Hoffman and Frank Brock.

Felix Brock and Carmody returned to Columbus, O., for trial; Norton, Hamilton, Redmond and Sherrer held for trial in Toledo; Frank Brock, Kelly and Hoffman released; Graham awaits trial in Detroit.

Apl. 17, Helney Bowers, arrested in Hutchinson, Kans., for murder; Apr. 26, Chas. McKimsie, arrested in Omaha, Neb.—both men implicated in burglary of Hudson, Kans., bank (M). Bowers was given life sentence in Kansas State Penitentiary; McKimsie returned to Hudson, Kans., for trial.

Apl. 7, Fred. Walker, arrested in Tulsa, Okla., while trying to make his get-a-way from attempted burglary of Broken Arrow, Okla., bank (M); awaits trial in Broken Arrow.

**CRIMINALS AWAITING TRIAL, MAY 1, 1911.**

**FORGERS.**

- Eug. C. Brockaw.....Chicago, Ill.
- Irving G. Crocker.....Chicago, Ill.
- S. M. Griggs.....San Francisco, Cal.
- Wm. J. Jones.....Claremore, Okla.
- Samuel H. Keeler.....Cincinnati, O.
- Floyd Koon.....Chicago, Ill.
- W. J. Williams.....Richland, Ga.

- Roger Stephens.....Booneville, Ind.
- Walter Johnson.....Morris, Okla.
- S. H. Gray.....Athens, Tenn.
- Ollie Hilliards.....West Newton, Pa.
- Hume H. West.....Baltimore, Md.
- Chas. M. Meeker.....Dalhart, Tex.
- R. L. Peoples.....Birmingham, Ala.
- John C. Walsh.....Brooklyn, N. Y.
- Walter E. Neal.....Scottsburg, Ind.

J. W. Sharick.....Scottsburg, Ind.  
 S. Blum.....Cleveland, O.  
 A. W. Euard.....Pueblo, Colo.  
 Edw. F. Duffy.....Newark, N. J.  
 Howard C. Stanley.....New York City.  
 Earl Samuel.....Nashville, Tenn.  
 L. M. Hunter.....Charlotte, N. C.  
 F. Von Gordon.....St. Louis, Mo.  
 A. F. Strange.....Abilene, Kans.  
 H. F. Worley.....Hope, Ark.  
 G. R. Jones.....Los Angeles, Cal.  
 A. D. Smith, Jr.....Beloit, Kans.  
 J. E. Whitney.....Jacksonville, Fla.  
 Chas. A. McElaney.....Brighton, Mass.  
 Geo. Bitter.....Groton, S. Dak.  
 Geo. S. Hart.....Detroit, Mich.  
 Leopolt Muller.....Jamestown, N. Dak.  
 A. H. Templeton.....Birmingham, Ala.  
 Jack Truscott.....Helena, Mont.  
 L. B. Price.....Clarksburg, W. Va.  
 John Box.....Los Angeles, Cal.  
 Walter Hester.....Los Angeles, Cal.  
 W. E. King.....Marshall, Mo.  
 Wm. M. Byrd.....Joplin, Mo.  
 Roy Cunningham.....Guthrie, Okla.  
 Frank Kunza.....Detroit, Mich.  
 W. A. Fuller.....Boston, Mass.  
 F. B. Hatfield.....Winkelman, Ariz.  
 F. A. Olasz.....Pittsburg, Pa.  
 Chas. R. Bynon.....Washington, Pa.

John J. Walsh.....New York City.  
 Thos. Milton Waller.....Morse, Kans.  
 Wm. Nance.....Bixby, Okla.  
 Ernest Bernard.....New York.  
 Jules H. Frost.....Trenton, N. J.  
 Chas. H. Frost.....Albany, N. Y.  
 Geo. Lenzy.....Oklahoma City, Okla.  
 Sam'l. Baker.....Shreveport, La.  
 D. A. Saplo.....Chicago, Ill.  
 Russel E. Keiner.....Mobile, Ala.  
 Jos. A. Hull.....Cleveland, O.  
 Wm. P. McVoy.....Brooklyn, N. Y.  
 Geo. Leopold.....Dennison, Ia.  
 Chas. Barrett.....Portland, Ore.  
 Orville Cavaness.....Portland, Ore.  
 James Whalen.....Portland, Ore.  
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**BURGLARS.**

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 John Carmody.....Columbus, O.  
 Frank Graham.....Detroit, Mich.  
 John Norton.....Toledo, O.  
 C. R. Hamilton.....Toledo, O.  
 Earl Redmond.....Toledo, O.  
 Jos. Sherrer.....Toledo, O.  
 Chas. McKimsie.....Hudson, Kans.  
 Fred. Walker.....Broken Arrow, Okla.

**ATTACKS UPON MEMBERS FROM SEPTEMBER 1, 1910, TO APRIL 30, 1911.**

		Losses.	Total Losses.
Burglaries .....	7	\$21,439.76	.....
Attempted Burglaries.....	{ Professional.. 10 } { Amateur..... 8 }	.....	.....
Hold-up Robberies .....	1	3,200.00	\$24,639.76

**THE AMERICAN BANKERS ASSOCIATION FIDELITY BOND.**

In the April, 1911, Journal is published a full list of companies licensed to write the American Bankers Association copyrighted form of fidelity bond. Since publication of that list, privilege has also been granted to the Great Southern Accident & Fidelity Company, Atlanta, Ga.

**Official Badges.**

After providing for the delegates who attended the Los Angeles convention, a few of the official badges prepared by the Association were left over. Any of our members not present at Los Angeles who would like one as a souvenir, can obtain same by

writing to the General Secretary. These will be sent out in the order in which the applications are received until the supply is exhausted.

**Credit Blanks.**

There was published in the May issue of the Journal a description of credit blanks and a questionnaire for use in the credit department of banks, which forms were prepared by Mr. James G. Cannon, of New York City, and reproduced in the Journal mentioned. The prices were also quoted at which they can be obtained in quantities of 250 up to 1,000.

Anyone desiring these forms can send their order to the General Secretary of the Association, who will forward same to the printer, and the blanks will be shipped direct to the purchaser, together with bill.



J. W. Sharick.....Scottsburg, Ind.  
 S. Blum.....Cleveland, O.  
 A. W. Euard.....Pueblo, Colo.  
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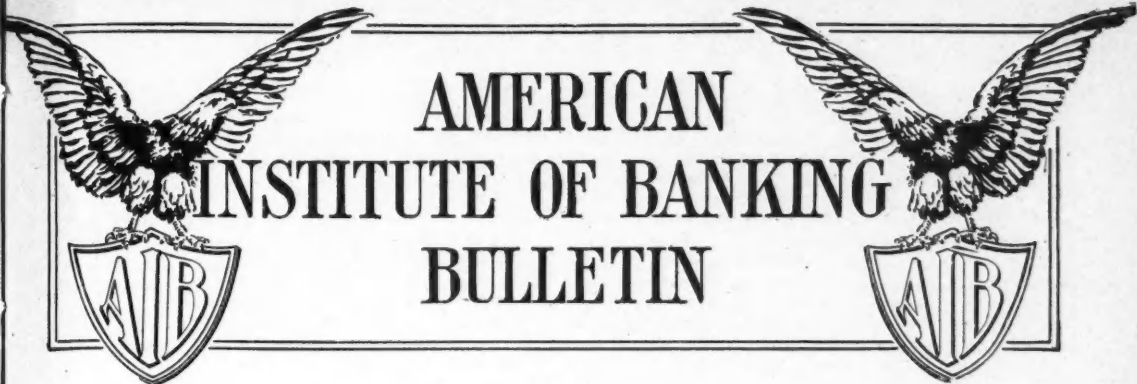
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1911

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1912

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 CARROLL PIERCE, Alexandria, Va..... Citizens' National Bank  
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1913

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 HARRY F. PRATT, Cleveland, Ohio..... First National Bank

**DEMAND LOANS.**

By William M. Rosendale, Assistant Cashier of the Market and Fulton National Bank of New York—Address Before Pittsburg Chapter of the American Institute of Banking.

In taking up the subject of loans I am reminded of Chet in "David Harum." In telling the new clerk, John Lenox, how much he would have to do and how little David Harum did, Chet said: "Dave, don't give himself no trouble about the business. All he does is to look after lendin' the money and seeing that it gets paid when the time comes, and keep track of how much money there is here and in New York."

It is conceded by all that there is not money enough in the world to transact its business on a cash basis. There are very few large business transactions which can be consummated without help from the banks. If our business men could not add to their own resources the monies which the banks have for the sole purpose of assisting business progress and de-

velopment then this grand country of ours would stand still.

Those who are engaged in feeding and clothing the world must obviously be in a position to make contracts for the purchase and sale of commodities for future delivery. To do this they must borrow. In some cases the borrower has not actual possession of the commodities, still has bound himself legally to take them over at the maturity of the contract. In these days of high finance the system of dealing in future contracts is frequently abused by reckless manipulation, having for its object the cornering of certain products. It is to be hoped that public sentiment, disapproving of such operations, will continue to grow until the banker who assists corner conspiring speculators will be as severely condemned as if he were found to be dishonest.

It has been claimed that the losses to banks due to improperly secured collateral loans will exceed the losses from trade or single name paper. In only a modest proportion of collateral loans can we afford to loan upon collateral regardless of the worth or ca-

capacity of the borrower. A bank president when urged to equip his new building with a vault of the heaviest armor plate, replied, "It is not armor plate that is wanted, but a vault that will keep out bad collateral."

The loan department should occasionally freshen its records upon the would-be permanent borrowers and upon the inactive and not well-known collateral.

All money that is loaned to be paid on call is classed under the head of Demand Loans. In most New York banks a large portion of this is made to Wall Street brokers. The banks consider this a secondary reserve because these "Street Loans" can be called when wanted without sentiment or consideration for the broker. This is not possible with "Demand Loans" made to depositors.

While occasionally a loan is made on a note backed only by the maker's credit, most loans are secured by some evidence of actual property, such as bonds, stocks, bills of lading or warehouse receipts. With these securities a promissory note is given. This note has a pledge of collateral scheduled therein so worded that whenever the bank deems it proper it may call for additional security.

A margin must be maintained and in default the note provides that the loan becomes immediately due and the securities therein pledged may be sold without notice at public or private sale to pay the loan or any other indebtedness due by the maker.

Under the law of New York State a bank would have the right to apply the proceeds of the collateral in satisfaction of the general indebtedness of the maker of such a note. Cases have occurred where the statement (any other indebtedness) was not in the note and attempts to apply unused portions of the proceeds to other indebtedness have not been successful.

Where personal property is specifically assigned as collateral or pledged for a particular debt or loan, it cannot be held arbitrarily for any other debt or advances.

In the case of *Duncan v. Brennan* (83 N. Y. 487), *Duncan, Sherman & Co.*, bankers, loaned to *Boyd & Hobson* \$10,000.00 on pledge of certain warehouse receipts for whiskey, and subsequently the loan was paid, and the Sheriff of New York County attempted to levy on the whiskey under an execution upon a judgment against *Boyd & Hobson*. The bankers claim that *Boyd & Hobson* were indebted to them for specific advances and claimed the right to hold the warehouse receipts as security for *Boyd & Hobson's* indebtedness to them. The Court of Appeals held: Personal property specifically pledged for a particular loan cannot in the absence of a special agreement be held by the pledgee for any other advances. The general lien which bankers hold upon securities deposited with them to secure the payment of a specific account cannot be applied to the payment of other claims.

In speaking on this very subject, the Supreme Court of the United States, in *Reynes v. Dumont* (130 U. S. 354) holds: A banker's lien rests upon the presumption of credit extended in faith of securities in possession or expectancy, and does not arise in reference to securities in possession of a bank under circumstances, or where there is a particular mode of dealing inconsistent with such lien.

The Court of Appeals of New York State, in

*Wyckoff v. Anthony* (90 N. Y. 442) held: "Where securities are pledged to a banker or broker for the payment of a particular loan or debt, he has no lien upon the securities for a general balance, or for the payment of other claims.

Temporary injunctions were issued in October, 1907, to prevent the sale of collateral which would result in a sacrifice of securities owing to panic conditions, the injunctions were dismissed and not made permanent, court holding that the form of note already described gave them right to sell.

Certificates of stock received as security should be dated, signed, sealed and duly attested by the Registrar. Powers of Attorney upon the back of certificates should be carefully filled in leaving the name of attorney and of the party to whom the transfer shall be made in blank.

The signature to the power must correspond with the signature upon the face of the certificate and should be witnessed. Bonds offered as collateral should be closely scanned to note if registered. If so power of attorney must accompany. Signature, date, seal and next maturing coupon must all be in place. When a portion of the securities is withdrawn care should be exercised that a payment is made proportionate to the value of the withdrawn securities and in case of substitution that the value of the security be not lessened.

"Loans" are not only made on stocks and bonds listed and regularly traded in on the New York Stock Exchange, but occasionally on securities not so listed.

It is impossible to express a hard and fast rule governing securities pledged for loans, for the reason that the nature of the loan is dependent upon the contract between the borrower and the lender. As a general rule 20% margin is required to be kept good. In some cases even greater margins are required. Where high grade bonds form the security a much smaller margin is required. During the panic days of 1907, 40% margin was in certain cases demanded by the banks on loans. Some lenders insist on all dividend paying railroads, others are willing to lend on various mixtures of railroads and industrials and this is the general rule. The ordinary Wall Street loan is secured by about 60% railroads and 40% industrials, sometimes half and half, sometimes all industrials. Generally in the case of a preponderance of industrials a slight advance over the current rate of interest is asked.

The Stock Exchange ticker informs all investors or intending investors daily as to the prices at which they can buy or sell securities on the active list of the exchange.

The New York Stock Exchange has no set rules governing loans. The payment of call loans may be demanded up to 1 o'clock, and custom requires that they shall be paid by 2 o'clock. The law, however, gives them until 3 o'clock. The time up to which renewals may be made on call loans is 1 o'clock. The renewal rate on call loans is made in accordance with the supply and demand on the floor of the New York Stock Exchange any time before 1 o'clock. After the Stock Exchange rate has been communicated to the various offices renewals of the entire list are made on that basis between lender and the borrower direct. The rate of money after 1 o'clock frequently differs from the renewal rate. Margins on loans are less

liable to be quickly wiped out or impaired when secured by a line of mixed collateral than secured by one security, even if it be of particular merit. About 80% of the stock pledged by brokers are securities purchased by them for their customers and is stock that the customers have ordered to be carried on margin.

Sometimes a dishonest broker will put up securities that he has no claim on, but if to all general appearances the securities are properly assigned the loaning bank has good title to them.

In the case of William W. Tracy & Company, Bankrupts, United States District Court, Southern District of New York, Judge Holt: The National City Bank received for collection a draft, to which was attached Certificates of Stock, and its messenger took the same to the office of Tracy & Company, where he presented the draft for payment, and left it with them for examination. It being the custom of National City Bank to leave drafts and the stock attached so that the banker could look into the transaction and before 3 o'clock the custom required the banker to send a certified check for the amount of the draft to the National City Bank. Tracy & Company, instead of following out the custom, as soon as the messenger left, took the certificates of stock from the draft and pledged them with the Royal Bank of Canada as security, and after 3 o'clock sent to the National City Bank an uncertified check. The next morning the National City Bank demanded a certified check or the return of the draft with the stock attached. The National City Bank then brought proceedings to recover their stock on the ground that inasmuch as the draft was not paid, title to the stock had not passed to Tracy & Company, and, therefore, the stock was illegally pledged with the Royal Bank of Canada and The National City Bank was entitled to the return of the stock. The Court held that when the National City Bank's messenger left the stock and draft with Tracy & Company, in accordance with the custom that prevailed, title to the stock did not pass to Tracy & Company, and that Tracy & Company had no right to pledge the stock with the Royal Bank of Canada, but inasmuch as the stock was all properly endorsed and the Royal Bank of Canada was an innocent party who had parted with value on the strength of the certificates of stock, the Royal Bank of Canada has the right to dispose of the stock to pay their loan.

(Although the broker has no right to pledge the stock, and in pledging it is guilty of larceny, nevertheless, by reason of the circumstances that the stock was duly endorsed with a transfer in blank, executed by the real owner, the real owner exposes himself to the risk of losing his stock if the person to whom it was pledged in good faith for a valuable consideration found it necessary to sell it in order to secure payment of his advances.)

The United States Circuit Court of Appeals, in J. A. McIntyre & Company bankruptcy matter decided the same principle of law, although the facts were different.

In the matter of McIntyre & Company, Bankrupts, United States Circuit Court of Appeals, Judges Lacombe, Ward and Noyes: One Pipey left a certificate of 18 shares of Pullman Co. common stock duly endorsed with McIntyre & Co. as security for transactions thereafter to be had between them, but

no authority to pledge the stock being given to McIntyre & Co. Thereafter transactions were had; some stock was bought and sold, and on April 9th all pending transactions were closed out and the firm owed to Pipey about \$500.00 and had his Pullman Co. stock. Thereafter McIntyre & Co. pledged Pipey's Pullman stock with the Metropolitan Trust Co. as a substitute collateral security for a loan of \$200,000. The Trust Company liquidated its claim of \$200,000.00 by selling securities, but retained the 18 shares of Pullman Co., which was subsequently returned by the Trust Company to the Receiver in Bankruptcy of McIntyre & Co. Thereupon Pipey made a motion to compel the return by the Receiver in Bankruptcy of the 18 shares of Pullman Co. The Court said the stock was deposited with McIntyre & Co. merely as security to protect them against any loss from transactions on the market for Pipey's account. The firm had no right to pledge them for any of its own debts. When it did pledge them to the Trust Company the day before its failure, the firm had no transaction pending and was itself indebted to Pipey. This was a larceny of his stock; no one disputes that proposition. By reason of the circumstances that when he left the certificate with the brokers, it was duly endorsed with a transfer in blank executed by himself, he exposed himself to risk of losing his stock if the person to whom it was pledged, in good faith for a valuable consideration, found it necessary to sell it in order to secure payment of his advances. That would be solely because Pipey would be estopped from asserting his title against the person who had parted with value on the faith of the transfer he had signed. But the pledgee has not found it necessary to sell the Pullman stock; it has repaid itself from other items of the pledged property; it no longer has any lien on such property; it can no longer avail of any doctrine of estoppel; Pipey's title to his stock is absolute, he is entitled to the certificate which represents that title. The Trustees in the language of the United States Supreme Court "have no better right in it than the Bankrupt."

A large number of our banks make loans for correspondents, using same care as with their own loans.

Where one bank acts as an agent for another in loaning funds it is only required to use the ordinary care which is customary in the transaction of business of that nature, that is, the bank is not a guarantor.

A bank receiving money for investment even without compensation, is responsible for any loss or injuries resulting from want or exercise of ordinary skill or knowledge.

The omission of a Bank upon accepting shares of stock as collateral security to present them for verification where there is nothing upon their face calculating to raise suspicion is not sufficient to charge the Bank with negligence.

If the number of shares represented by the certificates accepted as collateral has been raised by a forgery so skillfully and deftly executed that no ordinary skill exercised upon a reasonable examination, would have disclosed the fraud or raised suspicion, the Bank is not liable.

In the case of the Clinton National Bank, of Connecticut, against the National Park Bank, of New York, (37 App. Div. 601), the New York correspondent

of a Connecticut banking corporation which received from the latter the following letter: "Please receive of Messrs. Quigley & Tuttle their demand note for \$5,000, payable to our order at the National Park Bank, rate 7 per cent., with \$7,000 City of Davenport, Iowa, 6 per cent. street improvement bonds as collateral, and hand them the enclosed draft on you for \$5,000," is only bound to give the bonds when deposited such an examination as is customary among bankers engaged in the same transactions under the same circumstances.

The fact that the clerk who received the bonds, which subsequently proved to be spurious, only looked at the backs of them to see that they aggregated the amount mentioned in the letter of instruction, but did not open them, and that, had he done so, it would have been apparent that the coupons and the bonds were printed on separate sheets of paper of slightly different shades and were not sealed, does not show such negligence as will render the correspondent liable to its principal, where it appears that the business of loaning money upon municipal bonds is transacted very largely upon confidence in the character of the persons with whom such dealings are had; that the almost invariable custom of bankers in receiving such collateral is to examine the outside of the security to see whether it purports to be of the amount called for, whether the going coupon is attached to the bond, and if the bond purports to be registered, whether it bears the certificate of registration; and where it further appears that it would be impracticable, in view of the number of such transactions, to give the securities anything more than such a cursory examination.

It is immaterial whether the correspondent acted gratuitously in receiving the bonds for its principal.

Bills of Lading and Warehouse Receipts should be properly assigned to the bank. The following interesting case on forged Bills of Lading has been recently decided.

**Spring v. Hanover National Bank.** Knight, Yancey & Co. drew a draft for \$39,000.00 on Springs & Co., to which was attached bills of lading for cotton, but no reference was made in the draft to the bills of lading. Knight, Yancey & Co. had the drafts, with the bills of lading attached, discounted by the First National Bank of Decatur, Alabama, which bank forwarded the drafts with the bills of lading attached to the Hanover National Bank of New York for collection, who presented the draft to Springs & Co., who paid it, and the Hanover Bank remitted the proceeds to the First National Bank of Decatur. Shortly thereafter Springs & Co. discovered that the bills of lading were forgeries and demanded of the Hanover National Bank their \$39,000.00, and it not being paid, brought suit, claiming that they paid the \$39,000.00 to the Hanover National Bank under a mistake of fact, and were therefore entitled to recover it back. The Court held that the plaintiff was not entitled to recover because the First National Bank of Decatur were bona fide holders for value, and the Hanover National Bank acted merely as the agent of the Decatur Bank. That neither the Decatur Bank nor the Hanover Bank knew that the bills of lading were forged. They did not guarantee the validity of the collateral.

If the draft had mentioned the bill of lading and had been drawn against it, the decision of the Court

in all probability would have been for the plaintiff, because in that case the acceptance of the draft would not have been absolute, but would have been against the bill of lading.

Constant watch should be kept upon all security quotations. Loans should be always kept sufficiently margined.

(Elementary Detail.)—The collateral with the note should be placed in an envelope. On the envelope should be recorded, number of the loan, borrowers' name, date, amount, rate per cent. All loans should be filed alphabetically. An entry of the loan should be made in a loan book containing a record of each day's loans. This book is presented to the Board of Directors for examination at regular meetings. It is ruled in columns entitled, number, date, borrowers' name and address, rate per cent., amount, collateral, valuation, then columns for a record of the day's payments. A record is made on a card of number of loan, borrowers' names, date, amount, etc. There are spaces for changes in the interest rate and for partial payments and for a description of securities and their value. These cards are filed alphabetically. An account of the changes of collateral, of valuations, and credits is kept on these cards.

A record is also kept in a loose leaf liability loan ledger, showing number of loan, date, amount, rate, collateral, credits and interest paid. This has the borrowers' name at the top of the page and is kept as a permanent record. Pages are in alphabetical order.

The loan is credited to the account for which it is made and charged to "Demand Loans" by a ticket which passes through a teller's department. When the loan is paid, the money is credited to "Demand Loans" and the interest to "Interest Account."

All the credits are made on the cards so that the total record outstanding on the cards equals the balance of "Demand Loans" in the General ledger.

Receipts for the return of the collateral are taken on the cards. All letters, memoranda, etc., are filed in the envelopes. It is also a good plan when stamping the note "Paid" to have it read "Collateral Returned." If there is anything in a loan that requires attention on a certain date, record it under the proper day in a diary or better by card system.

The rate of interest changes frequently on "Street Loans." Payment of interest is usually made monthly. The interest in addition to an interest table can be calculated by multiplying the rate per cent. by the number of the days it stood at that rate.

Find total of these products, add four decimal places, then divide by 36. The answer will be the interest on \$100,000.00 in dollars and cents. Thus \$100,000 loaned Oct. 1, 1910, at 3 per cent., changes Oct. 4 to 2½, Oct. 8 to 4 per cent., and Oct. 10 to 3½, paid Oct. 15, 1910:

Oct. 1 to 4 at 3	per cent.,	3 days..	\$9.00
Oct. 4 to 8 at 2½	per cent.,	4 days..	10.00
Oct. 8 to 10 at 4	per cent.,	2 days..	8.00
Oct. 10 to 15 at 3½	per cent.,	5 days..	17.50

\$44.50

36)44.5000(123.61

36''''

85

72  
 —  
 130  
 108  
 —  
 220  
 216  
 —  
 40  
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 4

Some banks keep a daily skeleton balance ledger of the loans at the rate per cent. the loans are made, posting the new loans and payments under the rate per cent. This enables the bank to tell at once just at what rates all the loans stand.

This completes my paper. I hope you have been benefited a little by my effort. I should be glad to answer any question or make any part of my paper clearer if I can.

TRANSITS AND COLLECTIONS.

By O. Howard Wolfe, of the Philadelphia National Bank—Synopsis of an Address Before Baltimore Chapter—Work of Transit Departments and Difficulties Encountered—Methods of Adjusting Exchange Charges—Theory of Checks—How the Exchange Problem Might Be Solved.

We are told by the text-book writers and teachers of banking generally, that the primary reasons or cause for the establishment of banks was for the safe deposit of money or valuables to be used at some future time. It is this feature that gave rise to the name "bank" or "pile." This is why the young school-teacher who was being examined for a position made a somewhat excusable mistake in one of her answers. The question was "What is a 'wild-cat' bank?"

Her answer follows:

"Years ago there were a great number of wild-cats all through the Northwestern part of the State. They had a commission which was to root them out. The commission offered a prize of a dollar for each wild-cat skin. From far and near the hunters came, bringing their skins. The commission would look at the skins, and as fast as they got through looking at them, they would throw them out of the window, where they would pile up in great mounds or banks. These were wild-cat banks."

But in addition to being a place to pile up or bank money another step was taken some ten centuries ago; that was, to loan this money and keep it in circulation, thus preventing an economic waste. This—the books tells us—is the important part of modern banking and one which admits of scientific study and examination.

Then there is another very important step in banking which thus far—as least so far as I have seen—has been sadly neglected by the writers and theorists of banking. We are told that the use of paper money, credit instruments or bills of exchange, was begun in Venice or Genoa about the twelfth century. As a matter of fact, the Chinese used this

method of transferring credit by the use of paper some three centuries earlier, but as they still carry their loose change on a string, we have somewhat ignored the Chinese as a factor in the development of banking.

Be that as it may—we have lost sight of a very important use which the bank fills to-day in addition to being a depository and a manufactory of credit—and that is its position as a medium through which credit is transferred—not from one person to another—but from one place to another, between places that are as far removed as the equator from the poles.

That is to say, we have not given the subject the scientific attention that it deserves. And we are beginning to wake up to the fact that something is wrong with the machinery with which this business is done.

Bank Checks.

We don't handle our commerce like we did when our present banking system was inaugurated. In addition to the natural growth in volume, the building of railroads and water-ways; the development of steam and electricity; the telegraph and the telephone have so extended the possibilities of commerce that it is as easy to deal now with the Pacific coast as it once was for the merchants of Baltimore and Washington—let us say—to exchange their wares. It is no longer surprising to see the fruit and early vegetables of the tropic states sold in the New York markets in mid-winter. Our apples come from Washington and Oregon, instead of the old orchard down on the farm. New England shoes are worn in Southern California and are carried the whole way over steel rails made in Pennsylvania.

This great interchange of commerce has introduced a new situation into the banking world. We have found a way to pay our bills very easily—assuming, of course, that we have the price—whether they are due in South Carolina or North Dakota. And the little credit instrument that we use is this little slip of pink or blue paper—the Bank Check.

The Clearing of Checks.

Always bear in mind that a check may be called a cash item, bill of exchange or what not; but it is never money. It is an order for the payment of money, and it is this little fact that complicates the situation. The various methods and systems employed in the presentation and collection of these orders for the payment of money or credit, is what I want to talk to you about to-night.

I need not, of course, explain to you the use of a Clearing House in the settlement of daily transactions between banks in the same town. There is a lot to say, however, about the clearing of checks between the twenty-seven odd thousand banks in this country. The most interesting point from which to discuss the situation is from the viewpoint of the collection or reserve centers—a combination of terms which I shall discuss later.

The amount of business transacted between country banks within a radius of say twenty miles of each other, is comparatively small and for a very natural reason: People do not need to buy of their immediate neighbors because, generally speaking, they can produce those things themselves. The great

bulk of checks for collection are handled through the reserve centers which I have marked on the map. You will notice these points are natural, geographical selections.

#### Reserve Centers.

The country banker, therefore, uses his reserve balances for a dual purpose—for reserve and for a general bank account. Right here is a factor which caused most of the trouble in 1907 and one which shows the alarming weakness of our present reserve system. When the rainy day comes, you want a nice dry reserve to fall back upon. In 1907 the country banker found that his reserve had gotten all soaked up by his reserve agent charging up and entering for collection all the checks he had forwarded for a week or more. Then we had a fine illustration of catch-as-catch-can, scramble-for-the-penny and devil-take-the-hindmost banking. But I shall speak more of that later.

When the banker in the reserve centers receives these checks, he becomes—to a certain extent—a clearing agent. The checks as they come in are in the morning credited to the depositing account—they are endorsed, reassorted and reforwarded in the proper direction. As a rule, those checks are sent direct where the bank has accounts, and the others are concentrated in the other centers. The larger the bank collecting, the fewer the concentrated points, as they are called.

#### Transit Departments.

The largest collection center to-day is the city of Chicago. A day can be very profitably spent in the Transit Department of a large bank in that city. One-third of their force of 600 or 700 men is engaged in this work. When you count the bookkeepers it is probably a full half. It looks like nothing so much as a busy mill or factory. Men, boys and young women all working like beavers; adding machines, transit machines—mostly driven by electricity; typewriters and endorsing paraphernalia; all in full blast, make the place look to a stranger like anything but a bank.

I want to say just a word as to the adding machine. It is the one tool a banker has that has made possible all this volume of domestic exchange. That and the decimal system are the biggest things we have to help us turn out this vast amount of work.

As to the accounting systems employed, the object aimed at is to handle the items the least number of times with the greatest possible accuracy. Generally speaking, the use of carbon is best adapted to transit work. I have not time here to describe in detail these various systems; but we try to make every figure count and to waste the least possible time in making proofs and balances. For all this work is the white elephant end of the banking business and economy of clerk-hire and stationery, coupled with great efficiency, is the goal of every successful transit manager.

In routing checks, they should be sent as directly as possible to the place where they are payable. But, unfortunately, there are many obstacles thrown in the way and the stream of collections soon learns that natural law—to find the line of least resistance.

I will recount briefly the biggest obstacles that stand in the way of the proper and natural course of

transit collections. In the latter half of this talk we will investigate them more specifically and consider the remedies.

First, place must be given to the item of exchange cost. That is the mountain that some are trying to tunnel by paying outright all sorts of excessive charges and have done it. Others evade it by frankly dodging and sending their traffic in the opposite direction. Still others adopt Rocky Mountain engineering tactics and build their transit lines to rise by successive grades until they get over the summit. We call this "circuitous routing." Some brave souls are trying to remove the mountain out of their own way into some other fellow's; but the chosen few—the prophets and the seers—the visionaries, if you please, are telling us that this mountain need not exist; that it can be removed for all time; and I predict that you and I are going to live to see their efforts crowned with success.

A second obstacle is the interest-on-deposit question. The country banker no longer seeks for a reserve agent who will give him the greatest security and service; where his funds will be safely and wisely invested so that he can have them when needed and where his checks are collected with some idea of sanity. No, he auctions his account off to the highest bidder. You may tell the ordinary, average banker anything at all—it makes no difference. He consults his Board of Directors of doctors, merchants and farmers who know nothing of the subject of scientific banking and they want to know only one thing: "How much interest do we get for our deposit?" It makes no difference if the fellow who promises 3 per cent. actually pays less than 2 per cent.—the high man gets the verdict.

The last obstacle—not so noticeable as the other two, but more important perhaps—is the question of the legal status of the bank check in process of collection. Now I do not profess to know anything of law, but I venture to say that the lowliest banker among us; the greenest member in our whole Institute; knows more of law and equity than the average judge knows of banking. We had an address a few weeks ago in Philadelphia by a very learned gentleman of the bench—and a fine, inspiring talk it was, too—but he prefaced his remarks with an apology for assuming to talk to a body of banking students, for he admitted he knew nothing of banking.

Yet we are at the mercy of these well-meaning, but poorly-informed public servants when, as bankers, we find ourselves in litigation between banks as to liabilities when some of our transit machinery goes wrong.

#### Bank Statements.

The importance of the transit item may best be shown by a few figures which, unfortunately, must be very incomplete since we can secure accurate returns only from the National Association.

To go back once more to the medieval ancestor of the modern bank, we find the capital—as such—does not appear in the statement. Those were the days of paternalism. The capital was the confidence which the depositor had in the establishment—whether

private or public—where he placed his funds. So that first came the deposit, secured on the other side of the statement by confidence, which we will enter last as capital. The next step was the loan item. As against the loan, the depositor is secured by the next item, that of reserve. Other details not bearing directly on our subject we will omit. In the evolution of banking, however, as was shown at first, the depositor began calling upon his bank to pay his bills out of his deposit, not only in his home town, but all over the country. So then we have this last item of the statement, which is the subject of our study—due from banks. These are the figures with which the Analysis Department—another evolution of the transit business—deals in its daily work. The Analysis Department is really the eyes and brains of the Transit Machine.

In all banks, notes, drafts and bills of exchange other than checks, are handled separately in the Collection Department. These items are subject, however, to the same processes, with two exceptions, as are checks. The exceptions are that they are not credited until paid, and having a fixed maturity more care must be given in their presentation at the place payable. In all other respects they are accorded the same treatment as cash items, being endorsed and handled with carbon systems of recording, and in every other way subject to the same conditions.

#### Transit Problems.

It has not been so many years since the railroads unloaded and reloaded all exchange freight at the termini of their roads with much expense, delay and danger to perishable goods. The banks at this period—about thirty years ago—handled transit business the same way. All checks on other cities were entered for collection and the amount placed to the depositor's credit only when returns were received. Compared with our present railroad and business methods, both these systems seem antiquated in the extreme. For the purpose of comparison, let us continue this figure of the railroad and the bank into another phase.

The problem of the freight traffic manager is the empty freight car. There is no profit in hauling a train of "empties" and there would be no necessity for it if the commerce of the country, North, South, East and West were always evenly divided. We have much the same problem in the transit business. Trade exchanges do not, by any means, balance. That is at certain periods of the year the entire country owes the West money. Then it is the South, and so on. In other words, there are seldom any periods when there is no debit and credit balance in the National Clearing House. And at such times, actual currency must be shipped.

Here we have the beginning of the exchange problem, which is to-day by far the biggest question in the transit world. By common consent bankers have always agreed that New York funds shall be the basis of the majority of domestic exchanges. True, at times, New York exchange rules at a slight discount in certain quarters; and in certain localities Chicago, St. Louis or other funds may be desirable; but generally speaking, New York exchange commands a premium or is at least at par, the country over. Now New York

is the financial—if not the geographical center of the country. It is a Central Reserve City; the demands of business make it imperative for almost all banks to keep a deposit there. It was no doubt due to this fact that a very clever schemer, or combination of them, saw a way to make considerable money for the New York banks, and so about April 1, 1899, the New York Clearing House exchange rule went into effect—a move which has had a more far-reaching effect than anything since the National Bank Act became a law. The New York banks made this move to reimburse themselves for exchange charges they had to pay for the collection of checks. These charges—generally speaking, were at that time very reasonable, and about covered the cost of shipping whatever currency was necessary to maintain equilibrium.

But mark the effect. New York divided the country into  $\frac{1}{4}$  of 1 per cent. and  $\frac{1}{10}$  of 1 per cent. sections; both, almost without exceptions, exorbitant rates. Up to this time the country banker by sending to New York City his Eastern and Western items which were received at par, was able to carry very comfortable balances without much expense, these balances compensating the New York banks for the expenses involved. But now his facilities for making New York funds which he is forced to employ in daily settlements, are seriously curtailed. Instead of remitting in New York funds at  $\frac{1}{20}$  of 1 per cent.—let us say—the country banker made a general advance in rates. This practice of increase has multiplied in every direction until to-day it is the most annoying and disgraceful feature of our banking business.

A great number of banks in rural districts make their entire living off exchange, or as a New York State banker recently said: "living and dressing as well." I know personally of a gentleman who lives about three miles from the nearest banking towns, and he says he is constantly importuned by banks who send solicitors with horse and buggy asking him to open an account and pay all bills by check. No mention of balance is made. Indeed, they are quite willing to loan him a balance.

In some districts you will find banks with 50 per cent. reserve showing handsome profits. Travel through the South, the Promised Land of exchange grafters, and you will find State banks doing business in grocery stores and real estate offices and wherever else they can find elbow room. Their outfit consists of a ledger, a draft book and a clerk who can figure exchange.

Nor is the traffic confined to the little fellows. The charge which the country bank imposes, inspires the bigger cities to increased efforts and so we have double and triple charges, discriminations and evil practices so numerous that I will not tire you with enumerating them. They are common to all sections.

The result has been a most distressing and harmful practice known as "circuitous routing." Every here and there on the financial map there are localities where they have the high interest habit which I have mentioned. There is a mad scramble for deposits and where interest alone doesn't attract sufficient balances, they also offer unwarranted par facilities. This draws checks from out their natural channels

for collection, piles up all sorts of fictitious reserve figures and in many places raises the "due-by-banks" item to an amount far in excess of the Capital and Surplus.

**Methods of Adjusting Exchange Charges.**

Now whose problem is this exchange question? Obviously not the rural depositor's, the maker of the check. It is a great convenience for him to be able to pay his bills by check with no expense to himself. The little country bank which is growing rich at the game is obviously unconcerned. There remain, therefore, the combined or associated banks in the reserve centers or the Clearing Houses, and we find them pursuing all sorts of policies.

They may be roughly divided into two groups—those who are seeking only their own good; and those who are genuinely and thoughtfully trying to correct the evil. I can give you many notable examples of the first group. New York is the chief—because the first—offender; New Orleans, Montgomery, Mobile, Salt Lake City, Denver and a long string of others follow after. They are all working on the theory that the solution is to put the whole country on an exchange basis, which is a short-sighted policy.

Destroy every par point in the country and the little fellow will raise his rate again and there the circle begins once more. The New York Clearing House admits that its charges are, as a rule, more than actual exchange cost; but they claim that the depositor is more than compensated because he is allowed the use of the money before the checks are collected. This is a false position and very dangerous ground. It has educated the general banking public into the delusion that a deposit is cash as soon as it is entered in the pass book. What happens is shown when panics come.

In the other group of Clearing Houses—and unfortunately they are few in number—we have the shining example of Boston, with Kansas City next in point of importance; and later—to a degree—Atlanta, Ga., and I believe a few others. These cities are working on the theory that a check presented by mail should receive the same treatment as one presented at the counter, and that no bank should be permitted to settle its indebtedness at 75 cents to 90 cents on the dollar. Some allowances must be made for express charges when it becomes necessary to ship currency. That is all. To charge full express rates on all remittances is unjust, because there is always a flow of exchange and it is seldom that a bank ships the entire amount remitted in cash.

For example, Berwyn is about 15 miles from Philadelphia. Practically all the checks received by the Berwyn Bank on deposit are sent to Philadelphia where they are credited at par. Yet Berwyn charges us \$1.25 per thousand to remit in Philadelphia exchange, which is \$1.00 in excess of the currency express rate, and the round-trip ticket to Philadelphia is about 60 cents.

If you are interested in this subject, I would suggest that you read the September number of the Journal, in which is reported the symposium held at the Chattanooga Convention. You will find the subject pretty well threshed out by delegates from every

section of the country, and every variety of opinion expressed.

Boston is on the right track. Their's is the only solution. Let the country be divided into sections after the New England plan; all—so far as possible—on a par basis, and the question is solved.

I said I would mention some results of the practice of paying high rates of interest or buying deposits. This seems to be confined to a section of which Pittsburg is the center. Artificial discount rates, fictitious reserves, circuitous routeing and "high finance" generally, is the result.

**Legal Complications.**

Then there is one other problem—that of law. I hesitate to discuss this point, because I am not a lawyer. However, I do not feel so much like a "fish out of water" as like one in too much water. While working up this subject I read several years' reports on this subject. Each decision reversed the other, and I gave up in despair. That is pretty much what the banks have done.

When a bank with which you are in touch in the transit business fails, you will never know from precedent where you stand. However, it is mighty poor law but good practice, where there are two banks in a town, to send your collections to the bank on which the checks are not drawn. If the bank on which the checks are drawn fails, you can hold the other fellow for accepting a check instead of the cash. If the drawee bank fails, the Courts have usually decided that you are a depositor, and you take your place with the others. Sometimes you have recourse to your depositor, but every now and then you get a legal "black eye" in this direction also.

The whole difficulty is that the Courts try to make the question of bank collection fit the laws of agency, and it won't fit. Common carrier is perhaps nearer to it. What is needed is an active campaign of the A. B. A. to have proper laws passed, as was done in the case of the Uniform Negotiable Instrument Act.

**The Theory of Checks.**

The bank check is the medium through which approximately 95 per cent. of business is transacted in this country at the present day. It will be seen, therefore, of what great importance it is that the subject should have careful consideration.

Properly handled, the check is elastic currency in its highest degree of perfection. But inasmuch as it is strictly a credit instrument, secured by individual and personal assets rather than aggregated capital in the form of bonds, it is very essential that it should be quickly redeemed and this can be done in only one way—by forwarding it through proper bank channels to its place of payment as directly as possible. That there must be some cost attached to this process of collection is self-evident, but who is to pay?

It was the custom—in the beginning of postal service—for the carrier to collect postage when he delivered the letter. That this system was fundamentally wrong there is no question. Yet we continue to tolerate this hind-foremost idea in the placing of charges for collections.



Let us use a practical illustration. If a man in Tennessee buys a carload of potatoes from a farmer in Iowa, he will send him his check drawn on the Fourth National Bank of Nashville—let us say—for \$200, which the Iowa farmer accepts as a cash payment. In effect our Southern friend has said to the Nashville Bank: "I keep a balance with your good institution which should be of some profit to you; therefore do me the service to charge my account \$200 and send it to Mr. X., of Iowa, for value which I have received of him."

The Nashville bank charges the account \$200 as the check directs. But it delivers to Mr. X. at his bank in Iowa only \$199.80. The difference of 20 cents may be assumed to represent the cost of transferring the cash from Tennessee to Iowa. As a matter of fact, no cash was transferred. The Nashville bank very likely passed along the obligation of payment to its Chicago correspondent where final settlement was made. The cost did not fall upon the Tennessean nor the Iowan. Somewhere along the line the wrong man paid the bill.

Therefore our problem is not only what charge shall be made, but who shall pay it. And the charge must be no higher than is necessary to cover the actual cost; anything else is a taxation that is detrimental to the best interests of all concerned. New York merchants are already adding exchange cost charged them by their banks to the "overhead" expenses, thus adding another factor in the inflation of prices.

#### The Solution.

There is, however, a solution to this exchange problem; or, as I have said earlier, a way to remove this obstacle from our path for all time. The chief difficulty in making domestic exchanges lies in the fact that we have no common medium of standard value. If we can supply this deficiency the question is solved. We do not find the exchange problem in any country save our own. The branch banking systems of all other nations certainly in this one particular—if in no other—are far superior to our own patchwork, disjointed machinery. But we are beginning to see the light.

First, let us have more uniform laws, both as to banks and to banking practice. Let the functions of each kind of bank be well-defined and let us prohibit extravagant practices that are the outgrowth of ruinous and unwarranted competition to get hold of deposits. This is the foundation.

Next we must rebuild our collection machinery, for which, fortunately, we have covered much of the advance work. As I have shown, we have already about 46 reserve cities which would serve—as they do now, to a certain degree—as collection centers. These should be planned after the Boston system—at least one to a State, although more would add to—rather than detract from—the efficiency of the plant.

And then, last of all, there must be a branch of the "Reserve Association" or whatever else you choose to call it, in each of these centers. This will give us the medium of exchange which is at present lacking.

I have tried to point out in this talk the essential ideas of transit work. Many of the subjects which I have only touched upon in passing are problems to

which a whole series of lectures might be devoted before the matter could be fully covered. The problem seems to me to be a vital one with only the banks at present involved in the discussion; the general public knowing next to nothing of the subject. There is a wide and fertile field here—not only for the young man in his own particular bank—but for the Institute as a whole. It is a question to fire one's ambition as to its solution and it can never be solved until it is done on broad and solid principles of banking and economy.

#### WOOLGROWING AND BANKING.

By F. A. Freeman, Assistant Cashier of the Lumberman's National Bank, of Portland, Oregon—Opportunities for Intelligent Co-operation—Address Before Portland Chapter.

This day of modern commercialism is a day of specializing and concentration. This condition makes necessity for more detail, more energy, more modern methods on the part of the Western sheepman, cattleman, manufacturer, banker and business man in whatever line of trade. There is ever a process of evolution and progression, a movement from East to West and the Western business man in whatever business he may be engaged can profit by the experience born of success or failure in the East where the total volume of business is so enormously great.

Any big Eastern bank to-day has a corps of trained specialists officering it. The administrative duties and interior detail are under the direction of a Chief Clerk and an Auditor. The President and generally one or two of the Vice-Presidents give their attention to the more weighty matters of policy and administration, but of the other officers each concentrates his attention and keeps in close contact with particular lines of industry. For instance, one Assistant Cashier will take flour, grain, cereals and hay; another agricultural implements, automobiles and hardware; another packing houses, livestock, wool and hides and so on down the line, each having extensive files of credit information at his command and being constantly added to, the bank employing a corps of credit men whose duty it is to gather and compile information and verify statements for quick reference when application is made for a loan. When a customer desires a loan he applies to the officer who makes a specialty of that particular industry in which the applicant is interested.

The livestock industry is the foundation on which Chicago, Kansas City, Omaha, St. Joe and in fact all the large packing centers were built. It is to-day looked upon by Eastern bankers as one of the most desirable classes of business obtainable, embracing as it does packing house, cattle, sheep and hog business. Feeder paper as it is called is looked upon with particular favor by Eastern banks and if based upon the right proportion of security there is no more desirable class of paper for a bank to hold.

A bank that has a diversified class of business, if properly administered, is in the best position to take care of its customers and on the whole is destined to be the most successful. Seasonable ac-

counts are the most attractive to a bank and the woolgrowers have the means at command to place their banking business among the most attractive and the most desired of all, having as one may say, three crops a year, lambs, wool and mutton and an every day market. By seasonable accounts is meant business that borrows in season and that may be depended upon to clean up its loans at intervals more or less regular, permitting loans to be made to other customers out of the same funds. The Oregon woolgrowers are in a position to make their paper as attractive locally as any commercial paper handled by banks and brokers is in the East. Paper that has the reputation of being met promptly at maturity is always desirable and during ordinary conditions is in demand. When such paper does not meet with ready sale the makers are right in interpreting the financial barometer to read slow down and dress up.

The field for specializing in the Northwest in banking is more limited than in the East. Here we have comparatively few lines of great activity, each of which is of tremendous volume, the most important ones being grain growing, fruit raising, lumbering and the livestock industry, a most important branch of which is woolgrowing. Portland has, for logical reasons, been looked upon to finance the grain business from the beginning, and with the growth of the industry the demand for money has kept pace with its development. Our old substantial banking institutions have grown along with it until now they are looked upon as being peculiarly fitted to take care of the needs of the grain grower, the miller, the exporter. New industries are now being established with large requirements to be cared for which makes necessity for new financial institutions. The needs of the lumbering industry have been met, its local requirements not being so great as those of the grain business for reason of the substantial lumbermen here being in most instances able to draw from their resources in the East and having brought great sums of new capital into the Northwest, the aggregate of which is being constantly increased by Eastern investors. Recently there has begun a new era in the livestock industry through the establishing of a big packing plant in Portland, the forerunner of a great development in that line. This again affords a new field for banking and assists towards the solution of the Oregon woolgrowers' financial problems furnishing the basis upon which they may expect to secure the co-operation of the banker politically as well as financially. Formerly a Western bank was run entirely by its Cashier, he making all loans from personal knowledge of the condition of his customers' finances, but the great influx of people from the outside with the opening of great tracts of land, which have been quickly settled, and the establishing of numerous entirely new industries in his vicinity have combined to make the lot of the old time banker who depends upon his intuitive instincts alone a hard one. To-day every properly equipped bank has a more or less elaborate credit system, ranging from the simple card file in the small country bank to the thousands of reports and statements covering the entire range of operations of the large city bank which uses every means of gathering data regarding the industries that come within its scope and compiling in-

formation regarding the character, ability and financial condition of its clients.

This is the foundation upon which the co-operation of the banker may be established by the sheepman. The progress of a successful sheepman is to a great extent attributable to his following carefully studied and tried methods which to the ordinary business man or the average banker is incomprehensible. Right there is where the sheepman neglects his opportunity. Facts supported by figures are what the banker wants far more than general results. Put the livestock industry upon a firm commercial basis and it will command the support of every financial institution in the State.

In the sheep industry as in other lines it requires more capital as the sheepman extends his operations and of recent years with the high prices for wool and for mutton he has often been handicapped by lack of capital to take full advantage of the opportunities that his judgment and experience have pointed out to him. To begin with, every woolgrower should open a set of books, the more simple the better, but carrying sufficient detail for him at any time to show a comparison of his present condition with a given previous date. He should render statements to his bank semi-annually,—just after the wool clip and just before winter feeding. Progress is what the banker desires to see; an account that stands still, that shows no headway, is undesirable and goes begging. With two or three statements before him for comparison the banker can quickly decide his policy toward the applicant. A frank statement open to investigation is often the means of establishing a better understanding, inspiring mutual confidence, paving the way for an intimacy that develops mutual support. Having established the confidence of the bank in himself as a business man and due respect for the importance of his business, the sheepman should purchase stock in his local bank and when possible, be elected a member of the board of directors, affording him a voice in the disposition of the funds of the bank and an opportunity to pass on the loans. As most of our country banks have demand for money far beyond their ability to supply during the wool season on account of harvest requirements and again during winter feeding, with the additional limitations of loans by the State and National banking laws the woolgrower is often forced to seek outside sources for securing money. As a director of his bank, the sheepman will have a voice in the selection of the correspondent city bank that gives his industry the most favorable consideration and that may for that reason be best fitted to take care of it. Having established a firm credit standing for himself and a market for his paper through the city bank he has solved his financial problem and at the same time assisted in relieving his local bank of one of its heaviest burdens,—financing the crop movement—and can turn his attention to the political questions for which possibly without appreciating it he has built up a strong line of contact from which he may expect to gain friends and supporters just as a reasonable reciprocation. He will not only have established his business firmly, but will have made his patronage valuable to his city bank correspondent.



# INSTITUTE CHAPTERGRAMS

## CONVENTION PROGRAM.

**Prospects of Features of Extraordinary Strength and Interest—Plans for Broadening and Bettering Institute Work—Outline of Expectations at Rochester, September 7, 8 and 9.**

If the plans contemplated by the program committee mature, and there is every assurance that they will, the Rochester Convention should be a great opportunity for all bank men, whether they be deeply or indifferently interested in their local chapters. They are fully in keeping with every other phase of the present administration which has developed such marked advances in all Institute matters.

The time of the year is ideal. The hot weather will be about over, yet it will still be warm enough to be pleasant. The strain of the languid summer months will be becoming evident, and bank men will be wanting a change of thought and occupation, a rejuvenation of their spirits, a rehabilitation for another year's work of the ambition which may have melted in the sun's hot rays. Elsewhere in this issue Rochester presents its claim of being a delightful city to visit and the Entertainment Committee of the Convention is going to surprise the five hundred "good fellows" to be there assembled with the novelness and completeness of the opportunities which they offer for "rejuvenation." Important and carefully considered as this phase is, yet in the minds of the committee it recedes to a secondary place. While such elaborate plans as they have in view cannot be perfected and announced so many months in advance it might be of interest to the Institute members to know the committee's conception of the true objects of a convention, of which they hope the program to be a demonstration. They realize that banking is not a local problem in each community, but a national problem of which the Institute aims to be a directing factor; that individual chapters can accomplish their local purpose and much more if they are all working in harmony and systematically toward the same end; that each year these plans must become broader and farther reaching; and that once a year there must be assembled for such conference the brightest men of each community—the local directing influences. Hence considerable time will be devoted to a general discussion of Institute policies and plans looking to a Greater Institute.

Institute men are to-day the country's financial students and are fully able to discuss any such questions which demand public consideration. Several

of these will be introduced by legislators or senior financial experts who will invite and urge the opinions of the delegates present. The committee does not anticipate that these problems will be settled, but it is confident that the banking fraternity of the country will be assured that the Institute is composed of men of the highest calibre from the opinions and extemporaneous remarks that will be recorded.

Appreciating the advantages which accrue to a bank clerk who knows how his class of work is being done in other sections of the country and knowing that in the minds of the earnest men gathered there from nearly every State in the Union there will be as many individual ideas on bank work, arrangements will be made to develop this feature of the convention opportunity.

While the convention is to be largely in the hands of the delegates themselves yet the committee expects to have on the program not only some of the most prominent bankers in the country, but also some of the nation's foremost statesmen and some of its greatest thinkers and orators—such men as the individual chapters might not be able to secure, but whom the Institute in its national capacity is justified, with certainty of success, in writing. The scope of the banker, be he embryo or fully matured, is not limited to the technique of his profession and the convention would not be entirely successful if it did not give its delegates a higher conception of some other matters also.

A bank man does not enjoy the fullest interest in his work until he realizes its bigness and broad significance; to do this he must step from out the confines of his local surroundings and view the situation from a higher altitude, from a national standpoint. For this the convention is the most excellent opportunity, both in connection with his bank work and his chapter work.

Those who have attended an Institute Convention must agree with all of the foregoing and should be over-anxious to be present at its fuller demonstration. Those who have not had that privilege should consider the value of this broadening influence and acquaintance to be acquired under such enjoyable conditions and should endeavor to be present in Rochester during September 7, 8 and 9. Three days of a vacation could not be spent more delightfully or advantageously.

The Program Committee: Raymond B. Cox, Baltimore, Chairman; H. J. Dreher, Milwaukee; Irving H. Baker, Detroit.

**PRIZE CONTESTS.**

**Institute Prizes.**

The Institute offers prizes amounting to \$150 for the best essays for and against the Aldrich banking and currency plan, divided as follows:

Affirmative.—First prize \$50, and second prize \$25. Negative.—First prize \$50, and second prize \$25.

Essays should consist of about 5,000 words of original composition without unnecessary quotations. They should be typewritten in triplicate and sent to the Educational Director of the Institute not later than August 1. The winning essays will be read at the convention in Rochester, September 7, 8 and 9.

**Chapman Prizes.**

Prizes amounting to \$100 will be given by Joseph Chapman, Jr., Vice-President of the Northwestern National Bank of Minneapolis, who is popularly known as the Father of the Institute, for papers and extemporaneous speeches on Institute work, as follows:

The first prize will be \$50 for the best paper on "Institute Education." Contestants should write their essays in triplicate and submit the same to the Educational Director of the Institute not later than August 1.

The first prize paper will be read at the Rochester Convention and utilized as a basis for discussion. The maker of the best extemporaneous speech in such discussion will be awarded a prize of \$30, and the second best \$20.

**BALTIMORE.**

**By Adrian J. Grape.**

We are very studiously engaged, preparing our final review before taking the examination in our Banking and Finance studies for the year.

Our previous review was conducted on March 7th, and since then we have had talks on analysis, exchange, trust accounting, investments, trust company functions, methods of conducting a brokerage house and workings and system of savings banks.

These topics were all dealt with in a very practical manner, and, it is needless to say, we profited much.

Dr. Geo. E. Barnett, who has had charge of our class this year, and whose particular instructions to us have been on the theoretical side of our business, has, in conjunction with his regular lecture, explained very fully to us, the workings and methods of the Bank of England, the Bank of France and the Reichsbank. Later on he intends explaining, possibly criticizing, too, American banking methods in comparison with those of foreign countries, and as we are presumably the future bankers of this great country of ours, and furthermore, that our instructor is a recognized authority on the subject with which he deals, we should, undoubtedly, obtain some excellent ideas to help form opinions of our own, as to the correct methods of solving the financial problems which frequently confront the American banker of to-day.

Our examinations on the year's work will be held on May 23rd, and in former years the chapter practically disbanded shortly after this date, for four or five months; but this year the Board of Governors has hit upon a very good scheme, for an experiment, in the hope of continuing and prolonging the interest in the chapter, even in the summer months. Of course, it is not expected that our members will engage in

real study during the warm weather, so that our idea will not affect the seriousness of our general work, nor interfere with the primary intentions or objects of the Institute.

The plan we have been working on, and, which we expect to soon put in operation, is to take advantage of a very liberal offer made to us, in the way of a river shore of about ten acres.

We have had three baseball diamonds laid out, and we have plenty of room for tennis courts, as well as ideal surroundings for camping out, if any of our members so desire it. A handsome new club house has been erected on the place, and, close by, flows a beautiful river probably a half mile wide. In fact, everything is there to make one's visit enjoyable.

We feel that this idea will develop much enthusiasm in the chapter undertakings, and furthermore, that our study classes of next year will show a larger membership and better attendance, even than this year, as a result.

**BOSTON.**

**By Wm. T. Killoren.**

The warmer weather finds the Boston Chapter still very much alive and finishing the second year of its existence in an energetic and enthusiastic manner, under the leadership of our efficient, aggressive President and painstaking and enthusiastic officers and general committee.

The Negotiable Instruments course under the direction of Professor Williston has been completed, and the members are now looking forward to their examination in the subject. The bound copies of the lectures will soon be ready for distribution and with their elaborate index they will form a valuable book for the future use of our members. This course was well attended and was followed with the closest attention up to the very last lecture. There is no doubt but that all will agree in pronouncing it most successful.

Our evening lectures on subjects of general interest, contributed by different prominent men, have been well attended—especially so considering the fact that Boston is so generously supplied along these lines.

While it has not been the aim of the chapter to emphasize the social side to any great extent, we find that members of the chapter have made acquaintances and friends to an extent utterly impossible before the advent of the chapter into the banking life of our city. This was evident at our first annual dinner, held Monday, April 24th, when the reception preceding the dinner found all the members present actively engaged in discussing topics concerning the welfare of the chapter. We feel that this social aspect has pleasantly flavored the true object of the chapter; namely, the permanent betterment of our knowledge of the banking business.

On Friday evening, May 5th, a debate and an adding machine contest will be held, the first to be given in the history of the chapter. They have caused a great deal of discussion in banking circles, both among members and non-members, and all indications point to a very successful evening.

Another pleasing feature of the chapter's activity has been the sectional work of the savings bank mem-

bers. There have been several meetings the past winter, which have been open to all the members of the chapter, and a great deal has been accomplished along lines of special interest to savings institutions.

Taken all in all, the past year has been very gratifying, inasmuch as we feel that the chapter has accomplished much permanent good and has developed in a substantial way the educational feature among the men in the banking business of our city, a city which has the reputation of fostering many educational institutions along many different lines.

### BUFFALO.

By James Rattray.

A perusal of last month's issue of the "Bulletin" brings forcibly before one the fact that spring is now here, soon to be succeeded by the glories of an all too-brief summer, for is it not recorded by many chapters, that what was planned six months ago has now been performed, and a wider and deeper knowledge of financial matters is the recompense for many hours of arduous study?

We have made excellent progress in the study of Banking and Finance, but, having made a late start, it will be necessary to continue our class into the summer in order to take the Institute examination this year, but, with the enthusiasm and ambition which has characterized our members this session, even the advent of warmth and verdure should not materially impede our progress.

Already we are being inundated with literature describing in glowing terms the beauties of local summer resorts, any one of which would undoubtedly be an ideal place for budding bankers to disport themselves, and perhaps, when Niagara has taken its last toll of ice from the lakes, and Nature has bedecked herself in all her summer splendor, we shall have a day off, forgetting economics and all its concomitants, and hie back to taste the joys of a pristine existence, for all work and no play produces certain proverbial results, that one can dispense with.

Our annual meeting will be held at an early date, when an election of officers and Executive Committee will take place, and plans made for the ensuing year, and as this year's Convention of the Institute will be held so near home, considerable prominence will undoubtedly be given to making arrangements for efficient representation on that occasion.

Our recently adopted Articles of Association provide for direct nomination of candidates for office, and election by popular vote, and in view of that we anticipate a lively meeting when election time comes round.

### CHATTANOOGA.

By T. R. Durham.

A. M. Dickinson, T. R. Durham, D. H. Griswold, Charles W. Hall, W. E. Harrell, E. Lazard, W. G. McMurray, Louis H. Potter, J. G. Prince, H. B. Sadd, E. B. Shadden, S. A. Strauss and H. D. Wallin have passed the Institute final examination in "Banking and Finance." Mr. Dickinson had already received such credit on account for his prize essay at the Chattanooga Convention, but nevertheless buckled down

with the rest of the boys and got the benefit which comes from systematic work. [Mr. Durham's modesty prevents him from stating that he has himself passed the Tennessee State bar examination, an equivalent of the Institute final examination in "Commercial and Banking Law," and therefore becomes an Institute graduate-Editor of the Bulletin.]

At the April meeting our Mayor, the Hon. T. C. Thompson, made an interesting talk on the new charter which has been adopted for Chattanooga. The apparent oppression of the political forces in control of our city affairs has caused an upheaval among the business men and their efforts to secure a commission form of government for Chattanooga has proven successful. Ward lines have been wiped out and from this on Chattanooga will take up a regime similar to Galveston, Des Moines and other cities.

A resolution approving the candidacy of Frank L. Underwood for the Chairmanship of the Executive Council was unanimously adopted. Mr. Underwood is an Institute graduate and stands for Institute education. Incidentally he has been recently elected Cashier of his bank. He is a tireless worker, a man of good broad ideas, takes a keen interest in Institute affairs, and we feel confident that he is the proper man for the high position to which he aspires.

### CHICAGO.

By C. A. Peterson.

The past month of the Chicago Chapter was one of extreme activity as compared with preceding months. The class in "Commercial and Banking Law," under Mr. Ennis, finished its course, fifty-six members passing successfully final examinations. The class in "Banking and Finance," under Professor Howard of the Northwestern University, was started March 28th in Booth Hall. A record crowd was on hand as the value of the courses had been pretty well advertised by the certificate holders of last year. It is safe to say that this department of the chapter is here to stay, that it is not a transitory matter nor a fad, but a long felt want, which has already proved itself the foundation for a permanent system of instruction in banking. The text-book used, entitled "Money and Banking" is written by Prof. Howard himself. The course consists of ten lectures. While these may not be sufficient to turn out expert political economists, it will give us a good foundation to work upon.

The debate society has been a little hot bed of activity during the past month. Craig B. Hazlewood, Assistant Secretary of the Union Trust Company, gave a talk on "Preparation for Debate" before the society, Tuesday, March 21st. A few years back Mr. Hazlewood was a very active and energetic member of the debate society; in fact he was the originator of it. He was also chairman of the Western Debating Conference. His remarks were opportune, coming just before the contest before the chapter at large, which took place the following Tuesday.

The general chapter meeting of March 28th was turned over to the care of the society, John Drummond, Chairman of the Debate Committee, presiding. The question for debate was "Resolved, That United States Senators should be elected by the people."

Messrs. Rich, Ashley and Coleman spoke on the affirmative side of the question, while Messrs. Todd, Kuhn and Schroeder took the negative. The arguments were presented in such a convincing manner as to render a decision by the judges a somewhat difficult matter. After a considerable wait, during which the crowd was pleasantly entertained by Edward Englebrecht of the First National Bank, with a number of excellent piano selections, the decision was finally announced by Mr. Hill of the Bankers Life Insurance Company in favor of the negative. The judges at the same time picked the team which will represent Chicago in the next inter-city debate. O. J. Kuhne, of the First National Bank; W. W. Todd, of the Continental & Commercial National Bank, and Louis Rich, of the Illinois Trust & Savings Bank, were the fortunate members selected. Mr. Hill devoted a few minutes at the close of the meeting to a sound and interesting talk on public speaking, its benefits to the young man, together with numerous suggestions on its acquirement.

John Drummond, Chairman of the Debate Committee, announces that negotiations with Milwaukee Chapter for a contest next month have been dropped, as it is impossible for Milwaukee to get her team together again this year. It may be possible that arrangements can be made with the St. Paul Chapter for a debate in the near future and Mr. Drummond is using his best efforts to that end.

The political pot is boiling in Chicago Chapter as never before. It looks as if we are going to have a real live contest this time, as three candidates for the presidency are already in the field, with probably one or two more still to be heard from. Those who have signified their willingness to run for the office of president are Harry S. Smale of the Continental & Commercial National; Louis S. Rich of the Illinois Trust & Savings Bank and Charles W. Allison of the Northern Trust Company.

On March 25th Charles E. McNeill, Vice-President of Eck, McNeill & Co., and Secretary of the National Poultry, Butter and Egg Association, gave a talk before the chapter on "Cold Storage and Its Relation to Banking." Cold storage is a subject which interests not only the consumer, but the banker. At the conclusion of the address, at Mr. McNeill's suggestion, he was bombarded with questions pertinent to the subject, covering everything from bad eggs to bad fish.

The Y. M. C. A. Debating Club has issued a challenge to the chapter for a debate to be held in the near future. The challenge has been accepted and those who were picked to debate Milwaukee Chapter will represent Chicago Chapter, with the exception of W. W. Todd, who has left the banking business. Either Fred. Burbach, J. H. Ashley or J. J. Schroeder will be chosen in his stead. The subject has not been definitely decided upon, but all seem to favor the question of direct election of Senators.

#### DALLAS.

By Geo. L. Hern.

Dallas Chapter is pursuing the even tenor of its way, and at the same time blazing the way for our neighbors, Ft. Worth, Houston, and other Texas

cities who are "getting wise" to the benefits to be obtained from the A. I. B. However, we are not drifting—we are to meet once a week for the next five consecutive weeks—two lectures, elections, and a final dance are our present offerings.

At the organization of Ft. Worth Chapter, March 2nd, our President, H. P. May, and Forrest Mathis, an active member of our Executive Committee, attended and made short talks and suggestions on the "trials and tribulations" of chapter work, inviting Ft. Worth Chapter to visit and inspect our well-oiled, fast-action machine. Ft. Worth responded to the tune of thirty-six able bodied men, arming themselves with their latest published bank statements and Fat Stock Show "dope." They chartered, or to carry out the metaphor, captured an interurban car, and advanced on Dallas. For heavy field use, they had several orators under way. They passed inspection, and were classed A1.

Dallas Chapter met them half way with the "glad hand," and what all present pronounced to be a pleasant and instructive evening. After the regular business feature of the meeting A. A. Cocke, Instructor in the Commercial Law Course, gave a 30-minute demonstration of our method of lecture-study, making "partnership" the basis. J. M. Logan, National Bank Examiner, the speaker of the evening, was then introduced, and delivered a highly practical and instructive talk on "Bank Organization." After the lecture, and following the practice of our Commercial Law curriculum, Mr. Logan invited questions on any point of the subject, and before the evening was over nearly every point of the National Bank Act was discussed and explained. This is our first lecture in the "Finance and Banking" Course, which we believe will prove an incentive for increased attendance, as all the members appear to be vitally interested in the banking course, and we expect to double our regular working force.

Besides Mr. Logan, who by the way is from Ft. Worth, S. P. Berry, Cashier of the State National Bank, Ft. Worth; Mr. Fender, President of the newly organized Ft. Worth Chapter, and Mr. Fabian, Secretary, made short talks, telling of their aims. This delegation makes a strong argument for their contention that everything good comes from Ft. Worth. But seriously, the fact of Ft. Worth Chapter organization, and the further fact of their enthusiasm, spells increased success for Dallas Chapter, furnishing the competition and incentives for debating teams, athletic contests, and joint social functions. We are pleased to have met the active young men whom Ft. Worth numbers in its membership, and trust that this visit may be the first of mutually advantageous connections between the two chapters.

#### DENVER.

By W. Campbell Garver.

The April meeting was out of the ordinary in that the program was carried on entirely by the members, which proved to be very interesting.

Prize speaking, conducted after the same manner as a similar contest held at Chattanooga last June, was the main feature of the evening. The contestants drew one of the following subjects: Exchange

Charges, Irrigation, Public Improvements, each talking ten minutes upon the subject drawn. Carl B. Means won the first prize of \$10 in gold, and George Brown won the second prize of \$5 in gold.

The nominations for officers for the ensuing year were made at the April meeting, the election to be held at the May meeting.

The annual banquet, to be held early in June, is the next feature of especial interest and it is going to be made by far the most delightful one of all.

The prize of \$10 in gold, offered by Mr. Davis for the best essay on "The Man Inside and His Health," was won by George M. Link.

## DULUTH.

By John L. Evans.

The Institute final examination in "Banking and Finance" has been passed by Messrs. John L. Evans, Henry Grieser, C. J. Grogan, R. C. Kreimer, G. H. McCarthy, H. C. Matzke, A. W. Taylor and John R. Wells. As the foregoing candidates have previously passed the final examination in "Commercial and Banking Law," they are now entitled to the Institute certificate.

At a meeting of Duluth Chapter on March 30th, an adding machine contest was held. About twenty of the boys tried their skill at it. While we broke no speed laws, it was an exciting affair, and some were so excited that their totals were "off." Speed at the expense of accuracy was found to be a delusion and a snare. The Burroughs Adding Machine Company offered prizes. Edgar C. Johnson won first prize, \$15; time, 3.45; W. A. Putman, Jr., won second prize, \$10; time, 3.48; R. Magie won the \$6 prize and Nathan Dann the \$4 prize. The two hundred checks were new, and stuck together. It was interesting and instructive to all of us.

Some of our older members have graduated into other fields and our membership fell off a little. But we are trying to interest the younger bank men. We took in eight new members at our last meeting.

## HARTFORD.

By W. C. Goeben.

The ninth annual banquet of the Hartford Chapter took place at the Allyn House on Tuesday evening, April 18th, and was declared by all to be one of the best banquets this chapter has ever held, if not the best in its history. A well-ordered menu, a list, not too long, of brilliant speakers, and a record attendance including practically all the officers of Hartford's banks, brought out a spirit of congeniality and good fellowship together with a quiet dignity, that made the occasion a notable one in the life of the Hartford Chapter, and brought forth many expressions of congratulation. Much credit for such a success is due Arthur H. Cooley of the Speakers Committee, and to the Banquet Committee, William B. Bassett, Luke W. Lyman, and Warren T. Bartlett. At the speakers' table sat the President of the chapter, Newton W. Larkum, Gates W. McGarrah, President of the Mechanics & Metals National Bank of New York; Sereno S. Pratt, Secretary of the Chamber of Commerce of New York; George E. Allen, Educational Director of the American Institute of

Banking of New York; Rev. Dr. W. A. Bartlett of the Farmington Avenue Congregational Church of this city; G. F. Hills, President of the State Bank; J. H. King, President of the American National Bank; H. W. King, of Springfield, Mass., and E. W. Poritt of this city.

Toastmaster Larkum introduced Mr. McGarrah as the first speaker, who spoke on the subject of Wall street and its relationship to industry. Wall street, he said, contrary to the pictures painted by so-called reformers, is a constant aid to the industrial development of this country. "Wall street is painted as the center of all evils," he said, "but it is many times better than in former years and it is our duty to endeavor to correct what remains to be corrected. I believe that Wall street has better ideals, indeed, a cleaner slate, than ever before, in spite of the political and literary reformers.

"It is gratifying to know that thinking people throughout the country are coming to have more and more confidence in our banking institutions," the speaker went on. "Wall street must meet with reckless banks, and foolish speculators, but it is more and more becoming respected by thrifty citizens from Maine to California.

"The trade of the world," said Mr. McGarrah, "is now carried on by the use of other people's money. A great credit system has developed and yet the most misunderstood function of Wall street is the exchange. Without the exchange men would be powerless to put into effect the great principles of modern organization.

"The speculator," said the speaker, "is really the risk-bearer on modern production and New York is a natural financial reservoir. Money, like labor, goes where it can get the most pay."

Mr. McGarrah went on to speak of the enormous growth of our country, comparing our own financial institutions to those of Lombard street in London. "Already we make an enviable comparison," he said, "despite the fact that we pay the largest wages in the world."

Sereno S. Pratt, Secretary of the New York Chamber of Commerce, left the discussion of banking and financial affairs to Mr. McGarrah, and gave a thoughtful and eloquent address on the subject of the tendencies of democratic government. Mr. Pratt is a prime favorite in Hartford and his address was published in full in the leading newspapers of the city.

Rev. Dr. W. A. Bartlett, among many other delightful things, said: "The church and the bank stand closer than we think. The guaranty company is glad to know that a bank man goes to church and has a place in its work. A bank president once said to me with tears in his eyes: 'It is not that we have lost money by this defaulter—we are protected—but it is the disappointment to think that a man we trusted has proved untrue.' When he told me of the watch that was kept of the young men in their employ I exclaimed: 'Why, you outdo the old-fashioned Methodist church in strictness.' 'I think we do,' he said. But with all the watchfulness and care, in the last report you have to depend on the men themselves. The church teaches honesty because it is the command of God. The bank teaches it because it is the best and safest policy. The bank is not all

cold-blooded. Many a young man over-tempted, has been given another chance, and has come out a strong, true man because of that humiliation and restoration.

"I have known the dishonesty of a previous generation to bear bitter fruit in the next one, when two young men of the best families looted a bank and made a city tremble on the verge of financial collapse, till the bank could compound felony with them to restore all its deposits. These fellows remembered a bad example of the same sort years before. The church and the bank have assets not on the books in the way of adding to public stability and confidence. It does not pay to let any one fail. Time was when we might chuckle when our competitor went down. But not now. The last few years have developed a fraternity which has caused one bank or more to hurry with their gold to another that was in distress, and thus the community was saved from disaster. The Brotherhood spirit is in all our churches, and where you have the spirit of Christ in one place you are bound to have it in another. The same men are praying and doing business.

"There never was a day when business integrity was rated as high as it is to-day. There is less cant and more of the real thing than ever before. Every boy who is trained in the splendid Sunday Schools and Christian Endeavor societies of to-day is an added asset to the bank, whether as a future customer, employee or official. The plain teachings of the ten commandments will always be needed as long as we have banks and institutions of trust."

The Educational Director of the Institute "also spoke."

#### KANSAS CITY.

By C. W. Allendoerfer.

One of the several things which we can't seem to do well in the Kansas City Chapter is the writing and forwarding of Chaptergrams. The work that has been done here in the last two months is certainly worthy a brief report, and I am happy to advise that the program as outlined at the first of the year has been altered in only one instance. J. W. Perry could not appear on January 26th, and the subject of Cash Reserves was most ably and entertainingly handled by Stanley Young, Clearing House Auditor.

The local bank officers who have supplemented the printed lectures with original addresses have most delightfully surprised the Program Committee by the care which they have devoted to the preparation of their addresses. Nearly all of them have read papers, and we regret exceedingly that we did not wake up to the opportunity at the first of the year and preserve all of them, so that they could be put into a year-book. We hope to do that another year and possibly to insert some of those delivered this year, which are still available.

#### LOS ANGELES.

By H. C. Hurst.

A year of chapter work and activities has gone swiftly by with the Los Angeles Chapter, and its passing is signaled by two recent events; one, the taking of the examinations by the class in "Bank-

ing and Finance," the other the election of a board of directors for the coming year.

The "Banking and Finance" class has been very enjoyable and profitable under the leadership of our President, Leo S. Chandler, and the number taking the final examination was four times the number to see the finish of the course last year. We hope next year's class will also show as pleasing a gain.

The Institute final examination in "Banking and Finance" has been passed by Messrs. H. E. Allen, Wm. H. Barbour, Leo S. Chandler, R. C. Downie, A. S. Forman, J. W. Gaskill, Jr., Fred A. Grace, Don S. Haskett, H. C. Hurst, R. E. Jennings, P. W. DeLacy, S. W. Murray, J. W. Pettijohn, C. F. Seidel, L. E. Smith, George E. Taylor, W. H. Thomson, George H. Treide and Edward H. Wallace. Having previously passed the final examination in "Commercial and Banking Law," Messrs. H. E. Allen, Leo S. Chandler, A. S. Forman, H. C. Hurst, P. W. DeLacy, S. W. Murray, W. H. Thomson and Edward H. Wallace are now entitled to the Institute certificate.

The following comprise the new board of directors: Messrs. Leo S. Chandler, W. H. Thomson, G. C. Bradley, Don W. Carlton, Geo. S. Greene, W. W. Gibbs, Jr., and T. J. Flinn.

With these men at the helm, the Los Angeles chapter is assured of one of the most prosperous years in its history.

The most pleasant evening of the year just passed was the reception tendered the Chapter by the associated banks of Pasadena, at the Hotel Maryland, the evening of January 26, 1911. The crowd that attended was immense; every fellow was there. The menu was fine and the program was better still, and the Proverbs of a Western Paying Teller brought down the house. It is bound to become a classic in banking literature, and will be found complete in another column of this number of the Bulletin. The new board takes hold the first of May, and there are going to be some developments that will make every man who isn't a member of the chapter wish he was.

#### MILWAUKEE.

By Louis Petran.

Milwaukee Chapter has just completed the most successful year since its organization. That is to say, politics which has played such a prominent part in chapter work in the past, has been conspicuous by its absence and in its place has sprung a healthier idea, Harmony. For without harmony, what would the educational feature be? Not only has the latter been a big success but it has called forth many new members, more than doubling the list of a year ago. Besides, it has made the bankers of the city and State sit up and take notice and as a result, make the chapter a section of the Wisconsin Bankers Association. So much for the chapter!

We are exceedingly grateful towards our president, H. J. Dreher, for the able manner in which he presided over a most difficult year and are trying to persuade him to act again in that capacity. We feel that genuine chapter work has just begun and need his faithful services for another term, so that our chapter be put on a plane with the foremost.



As a result, the interest manifest is much to be commended upon and we're looking forward to another just such year, in fact a better one.

### MINNEAPOLIS.

By T. M. Rees.

Our annual banquet, April 22, was a splendid affair. The principal address of the evening was delivered by E. D. Hulbert, Vice-President of the Merchants Loan and Trust Company of Chicago, who spoke on "Banking Reform," a subject of particular interest at this time to all bankers because of the fact that the Democratic majority in the house of representatives will probably call on the Aldrich currency commission for a report of its investigations. The plans formulated by the commission have already been given out by Mr. Aldrich and have caused an immense amount of discussion among bankers regarding their practicability. Mr. Hulbert was the first to oppose the plan and last night stated his reasons for doubting the value of the commission's recommendation.

"The matter of banking reform has been largely taken out of the hands of the bankers of the country," said Mr. Hulbert. "The literature on the subject has practically all been written by newspaper men or college presidents. Political conventions, which formerly tried to settle all questions of the finance of the country, have discovered that the gun of banking reform is loaded and they have begun to let it alone. The fundamental principals of the system we now have are right.

Comparative statistics of the bank failures of the United States and Europe and Canada show a remarkable percentage in our favor. The two greatest strains on our system are the crop movings and the speculative periods of the New York Stock Exchange.

"In Europe this crop moving does not enter into the monetary question. The railroads are owned by the government and the farmer sells his grain when the railways are able to move it and consequently there is no strain on the banking facilities of the country as we have here where the crop is all moved as soon as the harvest is completed.

"The popular idea of a central bank is one whose notes could be issued at crop moving periods to relieve the strain. It occurs to me that if a great reservoir of credit is established like this it may have a tendency to diminish caution among the bankers. The plan before us is entirely a new one and the most comprehensive one ever outlined. It proposes a central bank with a capital of \$300,000,000 whose stock would be owned by the national banks and whose affairs would be managed by 45 directors. The directors would select a committee of nine to make the bank and these nine would be the most powerful men in the country.

"It is a great question whether it is wise to put so much power in the hands of so few men. The idea is to do away with cash reserves and put the money in the central bank. I can't see why bankers will want to place their reserves in the hands of a reserve association. I am going to offer a prize to any one who will show the advantage to banks of placing their funds in the hands of a reserve association instead of keeping it at home.

"The only place the plan would benefit would be New York. It is a question whether all the money the reserve association could get together would be enough to relieve the strain in case of panic. The day of reckoning for banks will always come and the notes of the reserve association will have to be paid some way. Short cuts to perfection are usually found to be mirages. The new plans are being brought forth by theoretical financiers who have proposed several schemes in the past which we know to be fallacious. We hear a great deal about the power of the Bank of England, but more people starve to death within five miles of its headquarters than in any other place on earth. When great power is placed in the hands of a few it will usually be found to be used for the benefit of a few."

Other speakers were Governor Eberhart, Mayor Haynes and the Rev. S. Banks Nelson.

### NEW ORLEANS.

By John Dane.

On the last of March, New Orleans Chapter listened to a very instructive talk on statistics and charts of the money market and the stock and bond market as compiled in Babson's report on fundamental conditions, the Brookmire economic charts and science of the stock market, and the Financial Graphic service, by our highly esteemed friend, Dr. Morton A. Aldrich, Professor of Economics in Tulane University. The meeting was made more interesting by the addition of quite a number of Tulane men, and after the lecture an informal discussion took place for quite a little time.

Franklin L. Johnson, former President of the Institute, happened to be passing through New Orleans, and he graced our meeting with his presence, and delivered a short talk on the Institute.

### NEW YORK.

By George Edwards.

New York Chapter will close its season in a blaze of glory. Looking back upon the year as a whole, one is astounded at the enormous amount of work which has been done in a brief period of eight months. The interest in the meetings shows no abatement. The lecture by Professor Escher, March 27, on "Investments," gotten up in a few hours upon a "rush order," was admirably done.

Edmund D. Fisher, Deputy Comptroller of the City of New York, spoke on the sixth of April on "Municipal Credit."

Hon. Lawson Purdy on "Taxable Values in New York," and Charles Lyman Case, Resident Manager of the London Assurance Company, on the subject of "Fire Insurance," on April 13th, brought to a close the seven savings bank sessions, which have been such a pronounced success.

Robert A. Parker, Vice-President Market and Fulton National Bank, spoke on "Credit," with stereopticon illustrations in a most acceptable manner, on April 20th, and after reviewing the fundamentals of credit, analyzed statements covering all sorts of business operations with a marked degree of skill.

Two papers by Howard Bayne, Vice-President of

the Columbia Trust Company, on "Trust Company Laws and Administration" will close the season so far as the general meetings are concerned on April 27 and May 4, but this does not mean that the work stops by any means. Plans for the coming season are now to be given close attention, and the program outlined in the last number is to be whipped into shape.

Seventy out of ninety-eight passed that "trying" examination in Banking Law, and while the seventy successful ones are happy even to get through, the twenty-eight who failed are in no sense discouraged, because it was a pretty stiff test for a bank man.

Special examinations are to be held in Practical Banking on Thursday, May 18, at Assembly Hall; Foreign Exchange on Saturday, May 20, at 11 Pine street; in Finance, Thursday, May 25, at 11 Pine street, and another examination in Banking Law, Saturday, May 27, at the same place, open to all who care to put themselves under test.

Educational circulars, giving details of the above, will be sent upon request to the Secretary.

The winner of the Cannon prize is about to be decided. Out of twenty-two papers submitted, six have been selected by the Preliminary Committee as of enough merit to pass on to the final judges, and the decision will be announced probably before the issue of this publication.

The six papers selected are as follows:

W. H. Kniffin, Jr., Secretary of the chapter.

E. T. Schenck, Mechanics Bank, Brooklyn.

G. M. D. Clove, Metropolitan Bank.

R. Dawson, Guaranty Trust Co.

V. F. Hann, Fifth Avenue Bank.

B. P. Gooden, New Netherland Bank.

The chapter dance was conducted with the usual high order of excellence characteristic of everything New York Chapter does, and was a pronounced social success.

Nothing remains for the present administration but to hold the annual meeting, the Consul's dinner and the last Board of Governor's meeting, which by President Minor's invitation will resolve itself into a big smoke at the Hotel Chelsea on May 23d, behind which the evening sun will hide its face for a little time, while the new administration gathers itself together for the biggest year we have ever known—the season of 1911-12.

W. H. Pierson of the Empire Trust Company, who passed the law examination with the highest mark, has been made Assistant Secretary of the same company.

Wm. M. Rosendale, who has been endorsed by New York Chapter for membership on the Executive Council from the Fellow Class, has just been made President of the Collegiate club, the largest and oldest men's church club in New York. This club is composed of men from the Dutch churches of upper New York, and is a prominent organization in New York religious circles and numbers in its membership some of the most prominent men of the city. Mr. Rosendale has also been Treasurer of the Royal Arcanum Hospital Bed Fund Association for the past ten years, which takes care of over two hundred men yearly.

## PHILADELPHIA.

By Arthur R. Elmer.

As this season draws to a close, it may be considered that the past year has been a successful one in nearly every respect. An unusual degree of interest in the welfare of the chapter has been manifested both upon the part of bank officers and of the members, due largely to the creation of the advisory board. The attendance at the meetings has been uniformly good, and excellent speakers have been secured.

At the meeting on April 7th, William H. Kniffin, Jr., Secretary of the Savings Bank Section of the A. B. A., and Secretary of New York Chapter, was a guest, and made a few remarks indicating the value of Institute work. The speaker of the evening was Hon. Hampton L. Carson, and his subject, "Benjamin Franklin." Mr. Carson has the faculty of entering heartily into the spirit of the times that he describes, which rendered the more graphic many of the scenes in which this great statesman took part. Franklin's ingenuity and business ability were well brought out, as well as his success, for arriving in Philadelphia at the age of seventeen, he was able to retire at the age of forty and devote himself entirely to those discoveries and to the statesmanship that later played such an important part in his career. He aided the colonies materially in the days of their early struggles. And it is interesting to observe that he was one of the signers of the Articles of Confederation, of the Declaration of Independence, of the Treaty of Paris, and that he helped in framing our Constitution. The lecture was illustrated with reproduction from paintings, some of them quite rare, representing Franklin at different periods of his life and the incidents with which he was connected.

On April 20th the examination in the courts in Banking and Finance was held and about forty men responded. The test was a fair and a broad one, relating mostly to banking functions.

On Friday the 21st a team composed of O. Howard Wolfe, Adin Rich, and Charles B. Engle went to Scranton to uphold the affirmative in the question, "Resolved, That the United States Government should retain the ownership of the forests and mineral lands now in its possession." The debate was well contested and the merits of the subject brought out. A decision was granted in favor of the negative.

The final meeting of the season will be on May 5th, being the annual election and a smoker. Following the custom established last year, five men are to be elected to the Board of Governors to serve for three years. These men have been nominated: David Craig, Wm. Freidgen, John C. Frankland, J. T. Hoshbach, Charles B. Engle, H. T. Leedom, O. H. Wolfe, Charles Osborne and S. S. Moorhead.

## PITTSBURG.

By John DeM. Werts.

The principal event of the month was the opening of new headquarters for the chapter, which took place on April 25th. The speaker of the evening was Hon. Joseph G. Ralph, Director of the Bureau of Engraving and Printing at Washington. His talk was on "Making Uncle Sam's Money," and went into the de-

tails of the operation of the plant of which he is the head. Beginning with the manufacture of the paper he told with what care it was made that it would have been incorporated in it all the safeguards that were absolutely essential to make counterfeiting as difficult as possible. From there he outlined the processes the paper was subjected to that we might have the best paper money in the world, which he claims we have. In addition to the regular work of the Bureau there is a large amount of research work being carried on having for its object more economical methods in the manufacture of paper money. The cost of maintaining our paper money is high on account of the many different kinds, and it is especially so with the National Bank Notes, the Bureau having in its custody no less than sixteen thousand plates from which to print their notes. The speaker advocates the least possible number of kinds of paper money and stated that the expenses of his Bureau would be reduced to an amount that would show a saving of hundreds of thousands of dollars if we issued but one kind of paper money. The government intends wherever possible to renovate money sent in for redemption by a process of laundering which will increase the life of the average note to about twice that at present; this little item itself means a saving of several hundred thousand dollars a year.

In addition to his talk on paper money, Mr. Ralph touched on the Postal Savings Bank and endeavored to show that the agitation on the part of the existing banks against this idea, for fear the government would become their competitor, was unfounded, and that the idea was not conceived to in any way compete with the banks but to teach thrift to the American people and especially the children, and he also stated that if the government succeeded in doing that, the small amount of money necessary to put it into operation would be well spent.

This meeting was well attended, and entertainment in the form of music and monologues was rendered and lunch served. This chapter has long felt the need of more centrally located quarters and those which we now occupy are almost ideal. There is a library, billiard room and large assembly hall located on the fourth floor of what is known as the Jenkins Arcade Building, and so situated that it is within easy reach of the banks where the majority of the members are employed.

All arrangements for our minstrel show have been completed and although we are holding it in one of our largest theatres, standing room only sign will probably be used as the sale of seats has been beyond all estimates, and success both artistic and financial is assured.

In spite of a busy month preparing for the show we have not neglected our educational work, and results have been very satisfactory. We expect to enlarge our library by adding all the latest works on banking and other kindred subjects, and as it will now be so conveniently located its use by the members is expected to greatly increase.

#### PROVIDENCE.

By E. D. Armstrong.

At the regular April meeting the chapter was addressed by Hon. Wm. P. Goodwin, State Bank Com-

missioner on "Proposed recommendations for changes in our State Banking Laws." The address was very interesting and received the fullest attention of all present.

It is expected that the amendments to the banking laws, as proposed by Mr. Goodwin, will be passed by the Legislature during the coming week.

The various recommendations were in the nature of corrections of apparent errors and inequalities in the present law and the broadening (under proper restrictions) of the legal investment field for savings banks and participation departments of trust companies.

Mr. Goodwin praised the present State banking law as sane and one of the best in the United States, but believes that the proposed amendments will make it even better and fairer and no less safe and sane.

After Mr. Goodwin's instructive remarks the gathering was highly entertained by Elmer Nickerson, of the Atlantic National Bank, introduced as an "Actorine." His impersonation of a county parson delivering a sermon from the text: "Old Mother Hubbard, etc.," was especially good.

The last speaker of the evening was James M. Scott, of the Industrial Trust Co., a good friend of the chapter, whose remarks are never dry.

Mr. Scott spoke on "Recollections of Jamaica," and gave incidents to show why the Jamaica negro was lazy, and made it very clear that the high cost of living has not disturbed the native. It was easy to see, from the stories told, that even a New England conscience is not enough to keep one going long in such an enervating climate. The scenic descriptions were good and the anecdotes about the natives were right to the point, such as "T's a Wesleyan I is." Why? "I dunno, but I is."

#### PORTLAND IN OREGON.

By Geoffrey St. Aubyn.

Portland Chapter's past year has been a prosperous one financially and a profitable one from an educational standpoint.

The chief feature of the chapter has been the establishment of a series of lectures on commercial and banking law. The large attendance at these lectures has been very gratifying and have been very useful to many of the chapter members, who firmly believe that the fundamental principle of the Institute is education.

On the evening of the 16th inst., Emery Olmstead, Vice-President of the Portland Trust Co., addressed the chapter on Clearing House examinations. While not depreciating in the slightest the services of State and National Bank Examiners, Mr. Olmstead made it clear that their work should be supplemented by that of a clearing house examiner. He said the system was introduced in Chicago in 1906 and has been in active operation since then. The clearing houses of many large cities have adopted the system and found it eminently satisfactory. Owing to the speaker's large experience in the banking field and the importance of his official position, the remarks of Mr. Olmstead were listened to attentively and needless to say many interesting questions on the subject were discussed.

Last month the chapter held its annual concert and social, which consisted of a very pleasant program, and is as follows: Instrumental trio by Messrs. Larson, Budd and Shapiro; vocal solo by Miss Laura Ferguson; monologue by Walter Knack; piano solo by Leo Shapiro; vocal solo by Miss Helen White. Much credit is due to the Entertainment Committee for their efforts in providing such a successful and enjoyable evening, and nothing is more conducive towards promoting good fellowship amongst the chapter members than occasions of this kind.

The first call on baseball was issued the other day, resulting in the organization of a Bankers' League. There was a very encouraging display of enthusiasm among the boys and the opinion was generally expressed that the Bank of California team would lift the cup that is being given by the Portland Clearing House. James Gleason, of the Hibernia Savings Bank, has been elected captain, and W. Webber, of the same institution was elected manager for the coming year.

The chief feature of next month's meeting will be the election of officers for the ensuing year. Election of delegates for the coming Rochester Convention will also take place. The annual banquet will be held the latter part of May, when speeches from the retiring officers of chapter will be heard.

Joe Wiley, the popular teller of Hibernia Savings Bank, is away on a trip in Mexico. It is rumored around town that he is in search of Mutt and Jeff.

### ROCHESTER.

By Fred Mutschler.

As all eyes will be turned towards Rochester in the near future looking forward to the Convention here in September. Rochester is one of the most beautiful cities in the country, and it is especially well adapted for conventions. It provides excellent hotel accommodations, and is a centre from which many delightful side trips may be made.

Rochester has in late years won an enviable reputation as a cordial entertainer, and in making preparations to welcome its guests no details will be overlooked. Rochester bids her visitors "Feel tu Hum"—and she means it.

Rochester was settled in 1812, incorporated as a village in 1817, and as a city in 1834. The growth of the city in wealth and population has been substantial and rapid, and it is now one of the great manufacturing centers of the United States. It has a population of 225,000, and the largest number of varied industries of any city of its size in the United States. There are 1,313 manufacturing establishments engaged in more than 200 branches of trade.

Rochester got her start in manufacturing from the abundant power furnished by the falls of the Genesee River, which descends 260 feet within three miles, and has three falls within the city limits—96, 28 and 84 feet in height, respectively. Among the leading products of Rochester's mills and manufactories are clothing, boots and shoes, agricultural implements, wagons and carriages, flour, scientific instruments, photographic appliances and optical goods.

Rochester is also the leading city of the country in the nursery business, and has an enormous trade in garden seeds, plants and trees. Its conservatories are known everywhere, and it has aptly been named "The City of Flowers."

Rochester is rendered very attractive by its well shaded streets and avenues, and is bountifully provided with picturesque parks and gardens. It is a city of delightful homes, and its public buildings are notably fine. Among the educational institutions are the University of Rochester, Wagner Memorial College, Rochester Theological Seminary, St. Bernard's Seminary, Mechanics' Institute, and Reynolds Library.

It is but a few miles east of Rochester, near the



CONVENTION HEADQUARTERS.

town of Palmyra, that Mormon Hill is located, where Joseph Smith, founder of the Mormon Sect, claims to have discovered, in 1827, the golden tablets engraved with symbols from which, according to his story, the Book of Mormon was translated.

Rochester has a diversity of attractions, offering endless means of diversion and recreation. The Genesee, with its three falls, adds charm to the surroundings. At Genesee Valley Park it is especially attractive, and hundreds of graceful canoes dot its tranquil surface during the summer days and bright moonlight evenings. The falls are in the center of the city, and are consistent kaleidoscopes of color.

**ST. LOUIS.**

**Moser for Institute President.**

Byron W. Moser is presented to the Institute as the candidate of St. Louis Chapter for the office of President of the Institute. Resolutions to this effect were adopted unanimously at the regular chapter meeting, April 11. Mr. Moser is Manager of the Publicity Department of the St. Louis Union Trust Company, and is now serving his second term as President of St. Louis Chapter. In his administration of the Chapter's affairs, he has shown judgment, tact, and efficient energy. He is especially qualified to perform the duties of the high office for which he is just placed in nomination.

FRANKLIN L. JOHNSON,  
LOUIS W. FRICKE,  
JOHN J. SCHERRER, JR.

**ST. PAUL.**

**By T. L. Lee.**

The annual election of St. Paul Chapter took place at the Merchants Hotel on the evening of April 13. Two tickets were in the field designated for convenience as the "Standpat" and the "Insurgent." The result was a victory for the "Standpatters" though only after a hard fight. Robert W. Lindeke of the National German America Bank was the unanimous choice for President, running on both tickets. E. O. Nordstrom of the Merchants National Bank was elected Vice-President over E. J. Gifford, of the Capital National Bank, by the narrow margin of four votes, and Walter Honebrink of the First National Bank was re-elected treasurer, defeating N. Paul Delander of the Merchants National Bank by seven votes. In the run for secretary Owen E. Thomas of the Capital National Bank just landed, defeating his opponent, Lawrence Drew of the American National Bank, by one vote. S. R. Harley of the Second National Bank was the strongest of the insurgents and was elected over R. B. Tudor of the Merchants National Bank to fill a three year term on the Executive Board. The following delegates were chosen to represent St. Paul Chapter at the Rochester Convention: M. Ernst, Merchants National Bank; F. M. Bloomquist, Merchants National Bank; George C. Power, Jr., Second National Bank; H. C. Kronke, First National Bank; J. A. Holman, State Savings Bank; George R. Miner, National German American Bank.

On the evening of March 18 the debate club, otherwise known as the "Spellbinders," terminated its year's work in a debate with Minneapolis Chapter. The question under discussion was, "Resolved, That the cities of the United States should adopt the commission plan of government." Minneapolis, supporting the affirmative, was represented by A. C. Thomson, Northwestern National Bank; J. E. McGulgan, Northwestern National Bank, and F. J. Mulcahy, Minnesota Loan and Trust Co. The negative was supported by St. Paul and its representatives were Rodney Sturley, Capital National Bank; Lawrence Drew, American National Bank, and O. J. Schumacher, Stockyards National Bank. Both teams showed considerable preparation, presenting their arguments clearly and forcibly, and were adjudged merit by all present. But the St. Paul debaters, owing to previous experience and an unusual balance in team work,

proved the stronger and a unanimous decision was rendered in their favor.

The class in banking and finance is reviewing the work of the year preparatory for the final examination. The last few sessions have been especially beneficial, officers in the different banks having been secured to lecture on various topics of direct interest to the clerks. Attorney Mayo, who has had charge of the year's work has labored hard and faithfully and with success, and every man should give a good account of himself in the examinations. Mr. Lindeke, President elect for 1911-12, is already laying plans for next year's work and aims to map out a course which will double the size of any preceding class.

**SALT LAKE CITY.**

**By Q. B. Kelly.**

The 1912 Convention Committee consists of President S. G. Saville, R. C. Barnes of the Deseret National Bank, and Q. B. Kelly. We have gotten an impetus behind the movement to go after the A. I. B. Convention for 1912, for Salt Lake City. We have a fund already started, and have every assurance that the banks will aid us, and the Commercial bodies, together with the State and city officials, have signified their willingness to do all in their power—not only to aid in securing the Convention, but in welcoming and entertaining the visitors, should we be successful.

**SAN FRANCISCO.**

**By Henry L. Clapp.**

Since our last letter, Professor B. C. Jones, of the Department of Economics, University of California, has delivered three lectures before the chapter. The dates and subjects were as follows: March 30th, Cash and Cash Reserves; April 6th, Public Credit; April 13th, Public Expenditures.

On Thursday, April 13th, a heavy vote was polled at chapter headquarters for the election of delegates to the Rochester Convention. The three fortunate ones were, William A. Day, of the Savings Union Bank of San Francisco; W. F. Hallahan, of the Crocker National Bank and Garrett M. Sears, of the First National Bank.

Our annual banquet, held on April 4th, was a well attended and most successful affair. Chairman Spillane, of the Entertainment Committee, provided the entertainers, and President Day, who acted as toastmaster, kept them busy at the right time. The talent which the Entertainment Committee has discovered hidden among the chapter members is a constant source of surprise and pleasure to all of us.

The next lectures delivered before the chapter will be a series on "The Practice and Theory of Accountancy," by Mr. George P. Klink. The initial lecture will be given on the 25th inst.

**SCRANTON.**

**By Frank H. Pierce.**

The Institute final examination in "Banking and Finance" has been passed by Messrs. Joseph Davis, George B. Dimmick, J. D. D. Gladding, John Greiner, Jr., L. A. Howell, W. B. Kramer, T. A. Martinetti,

George C. Nye, M. J. Philbin, C. E. Robertson, William Rodriguez and Norris S. Swisher. Having previously passed the final examination in "Commercial and Banking Law," Messrs. Joseph Davis, George B. Dimmick, J. D. D. Gladding, John Greiner, Jr., L. A. Howell, W. B. Kramer, George C. Nye, William Rodriguez and Norris S. Swisher are now entitled to the Institute certificate.

On the evening of April 21st, the debating team of Scranton Chapter defeated that of the Philadelphia Chapter, at the annual debate between these two members of the Pennsylvania Bankers' Association. The affair was held in the Board of Trade rooms, Scranton, and the victory makes the Scranton team eligible to compete with Pittsburg Chapter's team at the coming Convention of the Pennsylvania Bankers Association, to be held in Philadelphia. The Pennsylvania body has offered a silver cup to the victors of a series of debates.

The question upon which the two chapters clashed, thoughts was, "Resolved, That the United States Government Should Retain the Possession of Its Natural Resources." Philadelphia was for the affirmative and Scranton the negative. The members of the former team comprised O. Howard Wolfe, of the Philadelphia National Bank; A. P. Rich, of the First National Bank; Charles B. Engle, of the Pennsylvania Company for insurance on lives and granting annuities, and John C. Knox, The Bank of North America, alternate. Scranton's members were: John Griener, Jr., Lackawanna Trust & Safe Deposit Co.; Charles S. Ross, Traders National Bank; John Benfield, First National Bank, Pittston, and W. B. Kramer, Lackawanna Trust & Safe Deposit Co., alternate.

The Philadelphia debaters were met at the railroad station by a committee of Scranton members and escorted to the Jermyn, where dinner was served. The day following the debate the Philadelphia team was shown through an anthracite coal breaker and mine—No. 14, of the Pennsylvania Coal Co.

The debate was attended by about 125 of the members of Scranton Chapter and friends. The Chairman of the evening was Samuel B. Price, President of the Scranton Savings Bank. The judges were Hon. E. C. Newcomb, Judge of the Lackawanna Court of Common Pleas; William H. Peck, President of the Third National Bank, and Prof. S. J. Phillips, of the Scranton schools. Philadelphia from the beginning advocated the retention of the 700,000,000 acres of forest, grazing and mineral land now held by the Federal Government, but in their rebuttal arguments waived the absolute retention and admitted that the mineral lands should be leased on a royalty basis, and the forests sold at public sale with the restriction of proper cutting and planting.

Scranton in the negative argued that the vast mineral and forest resources of the country be thrown open to development under proper conservation supervision. They advocated placing this power directly in the hands of the States that encompass the reserves, and the leasing, selling and contracting of the forests and minerals to be supervised on the most strict economical basis, with regard both to the prevention of waste and the safeguarding of human life and surface property in the mineral re-

sources, and the proper cutting and replanting in the timber lands. A point which the Scranton men made, and which the judges declared was perhaps the turning point in the awarding of the decision, was that if the Government retains ownership of vast tracts in the territories that may hereafter become States, those States will not have power to tax the Government lands and the ownership of Federal lands within State borders will entail serious legal complications between the State courts and the persons who may live on the Government tracts.

Judge Newcome in presenting the decision of the judges complimented both teams on the excellence of the debate. He said that abundant proof had been given of the hard work done by way of preparation on the part of the debaters, and that strong arguments had been presented on both sides. Philadelphia's delivery was particularly good.

At the March meeting the proposition that Scranton Chapter affiliate herself with Group 3, Pennsylvania Bankers Association, was acted upon favorably and Scranton is now a full fledged member.

We also report with pleasure the election of Thomas A. Gibbons, a chapter member, to the position of Cashier of the Dime Bank, a new Pittston, (Pennsylvania) institution. Mr. Gibbons is deserving of this new honor, and was formerly employed as a teller in the Peoples Union Savings Bank, Pittston, Pa.

#### SHREVEPORT.

By R. McL. Jeter.

All the boys are hard at work on banking and finance, which we will finish in the next few weeks with a large list for examination.

The chapter has appointed Ben Blumberg as Librarian, a necessary position filled by an enthusiastic and capable young man.

We are trying to have a banquet in the near future if the necessary funds can be produced.

#### SPOKANE.

By W. N. Baker.

Our meeting on April 5th was featured with two "head-line" attractions—the address of H. C. Sampson, Manager of the Western Union Life Insurance Company, on "The Relation of Life Insurance Business to the Banking Business," and the next lecture in the course of Banking and Finance, "Clearing Houses," by W. D. Vincent, Cashier of the Old National Bank and Manager of the Spokane Clearing House. Both speakers have appeared on our programs before, and a good attendance greeted them upon their return engagement. It is hardly necessary to add that the evening was a most profitable one to the members present. The Broadway Quartet in selections throughout the evening proved to be another very popular feature.

At our annual election held April 19th, the following were elected officers for the coming year: Joseph W. Bradley, Old National Bank, President; W. H. White, Spokane & Eastern Trust Co., Vice-President; Sidney E. Smith, Exchange National Bank, Recording Secretary; W. N. Baker, Northwest Loan

& Trust Co., Corresponding Secretary; W. E. Tollenaar, Old National Bank, Financial Secretary; Thos. Roholt, Traders National Bank, Treasurer; O. E. Allison, Spokane & Eastern Trust Co.; T. J. Keown, Bank of Montreal, and B. A. Russell, Washington Trust Company, Executive Council. B. A. Russell and W. N. Baker were chosen to represent the chapter at the Rochester Convention, after a very spirited campaign. President-elect Bradley is also planning to attend, in which case our delegation will be materially strengthened.

The choice of Mr. Bradley for President was a universally popular one, as he has been the most consistent worker in the chapter this past year, as educational chairman. Under his leadership and the "expansion" policy of the incoming administration, we are looking forward to the most successful year of our organization. The installation of the newly-elected officers will take place at our next regular meeting on May 3d, which is being planned as a smoker and "good-fellowship" meeting.

The attendance at the club-room on election night was the largest of the year, as the returns were not given out until the meeting was called to order. Robert F. Hanke, of the Trustee Company, gave us a talk on real estate investments and valuations, which was very instructive. Ira W. Bedle, Cashier of the Washington Trust Company, told "How to Tour Europe on \$450." Mr. Bedle is one of the most entertaining speakers who has appeared before us, and his story of his own personal experiences on such a trip some years ago was thoroughly enjoyed. The Lotus Quartet added to the success of the evening, and their music was greatly appreciated.

### SPRINGFIELD.

By Fred H. Tilton.

The biggest event of the Springfield Chapter year, the annual banquet, took place Saturday evening, April 22, in the Hotel Kimball. This was our seventh banquet and takes its place in our history as one of the most successful affairs, for which Springfield Chapter was ever responsible.

The boys began to assemble about six-thirty in the lobby of the hotel and at seven o'clock marched into the banquet hall to the music of Gatchell's orchestra. The tables were beautifully decorated by Higgins, the florist, potted plants being placed on all the tables and a pink carnation at every plate. Seated at the head table were our guests, Hon. Elmer A. Stevens, Treasurer of the State of Massachusetts; William E. Knox, comptroller of the Bowery Savings Bank of New York City; District Attorney Richard W. Irvin, of Hampshire county, from Northampton, Mass.; Rev. Thomas Van Ness, of Boston, and the toast master Rev. A. P. Reccord, of this city. In addition to the guests of honor, were the reception committee consisting of Frederick Harris, Cashier of the Third National Bank; John W. B. Brand, Assistant Treasurer of the Springfield Institution for Savings, and Philip S. Beebe, Assistant Cashier of the Springfield National Bank, also three former presidents of Springfield Chapter, Wilson R. Hodgdon, Harold E. White and George J. Clark, and the present officers of the chapter, President Louis E. Combs, Treasurer Harris A. Colwell and Secretary Fred H.

Tilton; and our good friend, the President of Hartford Chapter, N. W. Larkum.

Following the banquet, which was served in Landlord Kimball's usual faultless way President Combs presented the toast master of the evening, Rev. Augustus P. Reccord, pastor of the Church of the Unity, of this city, who then took charge of the proceedings and conducted them in a happy manner, introducing as the first speaker, our State Treasurer, Elmer A. Stevens, who delivered a very fine address, his subject being "The Commonwealth of Massachusetts."

Following Mr. Stevens, Mr. Reccord introduced the comptroller of the Bowery Savings Bank, William E. Knox, who delivered one of the wittiest addresses it has ever been the privilege of our boys to listen to. His subject was "Time," and in addition to being very witty and telling numerous stories he preached a very fine sermon, which might have had for its text, "There is no time like the present."

District Attorney Irwin was the last speaker and delivered a fine address on the subject of "The finance of Personal Character," which held the attention of all those present from start to finish. After singing "Auld Lang Syne" the banqueters broke up, every one declaring it to be one of the finest affairs in the history of Springfield Chapter.

The committee in charge consisted of President Louis E. Combs, Vice-President A. A. Mathison, Treasurer Harris A. Colwell, Secretary Fred H. Tilton and the following members, Charles G. Hubbard, Edward Kronvall, Fred L. Waite, Raymond H. Flagg, Herbert T. Belden, George J. Clark and Horace W. King.

### TACOMA.

By Virgil W. Fell.

The Northwest Chapters are handicapped early in the season by the glorious weather, which brings with it the boating, motoring and sundry pastimes which fill the heart of the bank man with expectation and realized joy. This tends to warp the attendance at chapter meetings long before our Eastern friends realize the peril of summer in their work. However, I believe I can truthfully say, speaking for Tacoma's near sister chapters as well, that our load is not altogether one of regret, but is carried and lightened by the redoubled energy of the faithful who hold on and boost.

The regular monthly meeting held on the evening of the fourth was largely taken up with the annual election of the Board of Governors and Chapter officers for the coming year. The following were elected: President, W. W. Newschwander, of the National Bank of Commerce; Vice-President, Geo. E. Dixon, Assistant Cashier of the Fidelity Trust Company; Secretary, Virgil W. Fell (re-elected), of the Bank of California, N. A.; Treasurer, H. Berg (re-elected), of the Scandinavian-American Bank. New members elected to the Board of Governors were: Geo. E. Dixon, W. W. Newschwander, James W. Lynch and Arthur A. Miller, Assistant Cashier of the Pacific National Bank.

Mr. Newschwander's speech of acceptance was very interesting as well as encouraging, and with the proper support our new president will get the chapter mill grinding busily and well. After listening to

short addresses from several other leaders in Tacoma Chapter circles the meeting adjourned and scattered out over the city to learn how its individual candidates for Mayor of Tacoma had fared in the press-famed re-call election.

**WASHINGTON.**

By Frank V. Grayson.

J. O. Manson, of the Treasurer's Office, analyzed the Daily Cash Statement of the Treasury Department on March 30. Mr. Manson was very thorough in his analysis and it should be of great benefit to those who are taking this year's course of lectures.

The Program Committee selected Tuesday, April 4, as the evening for the last social affair of the season. It was in the nature of a smoker and musicale and the committee did themselves proud on this occasion. The clock was nearing the midnight hour ere the boys left to slip into the arms of morpheus and to dream of other times to come, such as these.

Thursday, April 13, we had with us Wm. A. Mearns, a charter member of Washington Chapter, who talked on Stocks and Bonds. Those who have been so fortunate as to hear Mr. Mearns talk heretofore were amply repaid for time spent in listening to this most able address. Mr. Mearns is well versed in stocks and bonds and handled the subject in a faultless manner.

Those of us who were present to hear Corcoran Thom discuss Trust Companies on April 20, feel that we owe Mr. Thom a debt of gratitude for his masterful portrayal of the workings of a trust company in other than banking lines. Mr. Thom made plain a number of things that will sink deep into the minds of the boys and which will bear good fruit in later years.

Savings Banks, by Thomas Potts, Treasurer Central Savings Bank of Baltimore, will be the subject for the lecture of May 4. Mr. Potts is recognized as one of the ablest savings bank officials in Baltimore, and banking men of Washington will welcome the opportunity to hear him on this topic.

This subject should be of particular interest to our chapter men as Washington has no mutual savings banks. Mr. Potts will define the functions of savings banks, describe their operations and make clear the difference between such institutions organized on a strictly mutual basis, and those organized with capital stock.

Washington Chapter is now working up its ninth annual excursion, which will take place Friday evening, June 23. We purpose to make this the banner excursion of the chapter's history; and to do this we need the assistance of every chapter member. President Claxton has named the officers of this committee as follows: E. Percival Wilson, chairman, W. McK. Stowell, vice-chairman, Frank V. Grayson, secretary-treasurer.

The political bug is now buzzing in the bonnets of a number of the boys and it is very interesting to hear the hum of conversation on the fitness of the different fellows to fill with capability the different offices to be filled at election time. It is to be hoped that the election returns will be taken in the spirit of good fellowship and to the betterment of the chapter as a whole.

**CORRESPONDENCE INSTRUCTION.**

**Facilities for Students in Country Banks.**

The extension of correspondence instruction is greatly facilitated by the arrangement recently consummated whereby all members of the American Bankers Association have been made associate members of the Institute. In the correspondence method of instruction the exercises provided in connection with each lesson are to be submitted to instructors whenever done. The work of students thus produced is corrected and returned with such criticisms and suggestions as may be helpful in each case. Students are privileged to ask incidental questions and special letters are written to overcome individual difficulties. Average students get little benefit from books alone. What most of them need is a teacher to direct them and to encourage them and to drive them. The usefulness of a teacher is not so much to impart specific information as to stimulate the ambition and interest of students and to systematize and verify their work. The correspondence method of study lacks the inspiration of social contact, but the personal relationship established between students and instructors stimulates ambition, and the fact that all lessons must be written insures thoroughness and thought. Specimen lessons will be sent on application to the American Institute of Banking, 11 Pine street, New York City.

**WHAT INTERESTS BANK OFFICERS.**

**Views of a Cashier.**

In a recent letter to Chairman F. I. Kent of the Educational Committee of the New York State Bankers Association, T. E. Lannin, Cashier of the Alliance Bank of Rochester, says: "We desire to acknowledge receipt of your very interesting letter in reference to arousing the interest of bank men in matters of education along bank lines. There has been a chapter of the American Institute of Banking in this city since 1906, and at present I understand the class is working on Banking and Finance, a course furnished by the educational committee of the Institute. It is proving quite popular and so far as I can determine the only difficulty is in interesting the older bank men in the work. The junior clerks seem to be very much in earnest, but those who have advanced and obtained positions as tellers, general bookkeepers and even assistant cashiers do not seem to warm up to the idea. However, I am inclined to believe that when the excellent results of this course can be shown, there will doubtless be more interest taken. The course in 'Banking and Finance,' as gotten out by the Institute, is one of the best things I have ever seen, and could be studied with profit by the President as well as the messenger of every bank. The preparation of a special course on matters pertaining especially to New York State to follow this course in practical banking is an excellent idea, and I trust that it will be carried out."



