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## AMERICAN BANKERS ASSOCIATION

### Problems of Reconstruction

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President of the American Bankers Association

Address delivered at the Forum of New York Chapter of the American Institute of Banking

IT is very delightful to be with you this evening and I am very grateful to the Forum of New York Chapter of the American Institute of Banking for having this beautiful dinner in my honor and permitting me to have the pleasure of meeting so many distinguished bankers of New York who represent the highest type of their profession in this, the new financial capital of the world.

I regard the activities of the American Institute of Banking as one of the most important in the American Bankers Association. It now enrolls among its members nearly 22,000 young bankers and has performed a great service to this country. We are proud of the fact that 4,000 of its members answered the call to the colors.

Its members have risen to the highest ranks in the banking business and its president of last year has just been elected president of one of the largest and best known institutions in the south.

Chauncey Depew once said he could not find a kind word in the Bible for either a lawyer or a banker. He didn't know whether the lawyers and bankers of that era were really unworthy citizens or whether it had taken nineteen centuries to bring the world to the proper appreciation of both lawyers and bankers.

While there are men engaged in many lines of business who can truthfully say their profession did its patriotic duty during the past two years, I am sure that from the day war was declared no class of business men rallied more quickly nor more effectively to the aid of our country than the bankers of America, and to none is due more credit for the brilliant success which has been achieved.

At Atlantic City in September, 1917, and again in Chicago in September, 1918, the bankers, in convention assembled, pledged to the President of the United States their loyal and unlimited support in winning the war, and they have splendidly fulfilled the letter and the spirit of those promises. They have endeavored to co-operate in every way in their power with the policies of the Government. They have patriotically used their influence and resources in assisting the Government to place its Liberty Bonds and War Sav-

ings Stamps. They have subscribed liberally to the Red Cross, to the Y. M. C. A. and other similar campaigns and have provided the necessary credits to merchants and manufacturers who have been engaged in furnishing all kinds of war supplies.

The Federal reserve bank has demonstrated beyond the dreams of its founders the wisdom of its organization through the efficiency of its management and the benefits it has brought to this country.

One shudders to think what would have happened to the nation if we had entered the war depending upon the old financial system in this country. We have been able to finance the war, keep the wheels of commerce moving at a rate never achieved before, stimulate agriculture, provide for all the needs of business without a ripple in the money market and at reasonable rates of interest.

As we stand on the threshold of a new year after the cannon have ceased firing and the banners are being furled on the battlefields of France, we face responsibilities of peace no less difficult than those of war.

But I have an abiding faith in the ability of a nation which could do the seemingly impossible in the emergency of war to fully meet the obligations of peace.

We are on the crest of a world-wide inflation. The fact that it is world-wide is comforting and will enable prices and wages to be reduced more gradually. No one expects prices and wages to be maintained at the artificial level to which they were raised by the war's demands now that the war is over. Its termination came earlier than was expected and contracts by the government, which largely caused the heavy demand for labor and supplies, are now being cancelled; but the government owes much to the spirit with which the laborer and the business man rallied to its support, and in the adjustment of these unfinished contracts it should deal justly and liberally. General conditions in this country for the next few months will depend largely upon the promptness and fairness with which the government makes these settlements. The government should also be slow in re-

selling supplies which it may have on hand in order that the demands of the country can absorb them without serious injury to trade.

In making a survey of the economic changes brought about by the war, we find the most important result is that the balance of trade in our favor has in these four years reached the stupendous total of more than ten billions of dollars. This has turned us for the first time into a creditor nation. While this is a great achievement and one of which we are very proud, it has brought with it problems which in the past gave us no concern. To keep labor employed and to market the products of our fields and factories we must continue to hold and increase our export trade.

Even before the war we were on an export basis in the case of wheat, rye, barley, corn, meats, coal, pig iron, copper, zinc, cotton, mineral oils, tobacco and phosphate rock. The net imports of oats, potatoes and oil seeds was so small that the country might be said to be self-supporting with these commodities and we could easily place them in our export column.

We were dependent upon other countries to a large extent for our sugar, coffee, manganese ore, tungsten ore, tin, lead, nickel, aluminum, antimony, china clay, wool, silk, flax, hemp, jute, dyes, rubber, nitrate of soda, potash, salts and hides.

The exchange of these and other products for the goods we exported prior to 1914 brought us a net return of five hundred million dollars, but in four years the balance of trade has reached twenty-five hundred million dollars.

In order to carry on this trade we have had to accept securities of other nations, buy back our own securities held abroad and add one billion dollars of gold to our stock of two billion dollars, giving us three billions of the precious metal, or approximately one-third of the entire stock of the world.

The great question now is how can we continue to maintain or increase our foreign business with a credit balance of approximately five hundred million dollars in annual interest due to start with, an amount nearly equal to the balance of our foreign trade four years ago. How can we be paid for the goods we hope to export in the future? It would be unwise to add to our already large stock of gold. There are some articles which we now import which we can use in increasing quantities, but there is little hope that this increase will keep pace with our ability to increase our own export products.

The necessity of war has forced us to raise, mine or manufacture many articles which we heretofore imported, and this adds to the difficulty of settling our balance of trade by lessening the power of the other nations to offset their purchases here.

One of the plans suggested is for this country to continue to buy the obligations of the governments of our debtor countries until our people are educated to buy direct foreign governments' securities or the securities of well-established industrial enterprises in other parts of the world. If we expect to increase, or even maintain, our foreign business it is absolutely essential to grant these credits in some form, and we must begin at once some plan to absorb these securities.

Heretofore the demands for capital in developing

our own great country, the expansion of our railways, opening new mines, cultivation of new fields, the harnessing of our water powers, the building of new factories and the expenditures of our municipalities have in the past absorbed all the available funds we had for investment and in addition we were compelled to seek foreign capital.

It was the securities representing these investments which our recent enormous exports enabled us to buy back.

It is therefore a new situation for the people of this country to contemplate making investments in other lands.

It is estimated that there were less than three hundred thousand owners of bonds in the United States at the beginning of the European war. Largely through the sale of Liberty Bonds this number of bond owners is now more than twenty-two millions. This opens a large and fertile field for cultivation in the future when patriotism ceases to stimulate it. We must not let the lesson of thrift and economy, which the past two years has taught our people, be forgotten. We must encourage its practice through every means in our power.

In the development of our commerce, the transportation problem is most vital. The operation of the railroads by the government may have been a war necessity, but the service has not improved. It is a general impression among business men in every section that these railroads should be returned to their owners under proper conditions. With an estimated loss in the operation during the past year of two hundred and fifty millions of dollars, it cannot be claimed that they have been operated more economically. I will not attempt to discuss this question at this time, but I sincerely hope that some wise solution may soon be reached by Congress on this important subject.

The future of our merchant marine, to my mind, is the most vital question to be solved during the coming year. The small amount of tonnage under the American flag before the war was a disgrace to this country and a condition of which we were ashamed, but which apparently we were unable to correct. It remained for the emergency of war to emphasize our pathetic dependence upon foreign bottoms and to start the construction of a creditable fleet. Before the war the tonnage built annually in this country was only about four hundred thousand tons. How rapidly the Shipping Board has been able to build new ships is best illustrated by the fact that in last October there were placed in commission four hundred and sixteen thousand tons of shipping and the monthly production has since reached five hundred thousand tons. The total production during 1918 is supposed to be about three and a half million tons.

At the outbreak of the war we had only about one million tons, Germany six million and England eighteen million tons. Then about 8 per cent. of our overseas commerce was carried in United States vessels. The program of the Shipping Board called for the construction of fifteen million tons of merchant ships, representing something like three thousand vessels. Many of these contracts have been cancelled, and now that the war is over it is not known just what is expected to be accomplished in 1919. Mr. Schwab re-

cently stated that the shipyards of this country were capable of producing this year between eight and ten million tons of ocean shipping.

There has been a great awakening throughout the country as to the importance of ships, and the man now in Oklahoma is as much impressed with the necessity of a large merchant marine as a resident of California or the Carolinas. The construction and operation of a great merchant marine is not for the benefit of any one line of business or one set of men. It is for the future welfare and prosperity of every citizen in the United States.

It has been in the past, and is at present, impossible to interest private capital of this country to construct and operate ships in the face of our subsidized competitors. It will therefore be necessary for these ships to be owned and operated by the government until conditions warrant private capital taking over the enterprise.

In the opening of new trade routes and new markets it may be necessary to operate at a loss, and only the government should bear this loss, while the benefits in keeping labor well employed and our commerce moving helps all classes of our people and promotes the prosperity of the nation.

With the expansion of our shipping facilities comes the necessity for the broadening of our banking facilities and already some of the leading banks in New York have established branches in foreign countries and are planning to establish many more. Whether we are prepared to meet the competition of older nations, more experienced in this field, remains to be seen. It will at first be difficult to get business from old-established agencies which for years have facilitated the development of local enterprises in foreign countries by furnishing capital to construct railways, electric plants, manufacturing establishments, and so forth, and in addition have given through their home offices much longer credits than we are accustomed to. We also will meet the concentration of the banking business in Europe in comparatively few banks. It is said that 83 per cent. of the deposits in England are in eight banking institutions. While no bank in the United States has deposits equal to one billion dollars, the London City and Midland has one billion five hundred million dollars of deposits and four others in London have deposits aggregating more than four billion dollars. Some large combinations have been recently made in London with an eye on the large banks of Germany, and it was apparently part of the British program for a new measure of national efficiency and the maintenance of London as the financial center of the world.

A very important committee of the American Bankers Association, known as the Committee on Commerce and Marine, met in New York yesterday and today and is giving careful consideration to many of these post-war problems and I hope will be able to make some practical suggestions which will enable our country to pass successfully through the period of reconstruction and rearrangement we are now entering. With our agricultural crops and live-stock products now passing twenty billions, with an annual production of steel amounting to forty-five millions of tons, with bank resources of more than forty billion dollars, the

largest stock of gold in the world, and with our industrial and commercial life stimulated as never before, I believe we can rely upon the ability of the bankers and the business men of this country who have brought about these results to meet the new problems and maintain the prestige we have so brilliantly won.

Two years ago we were at peace with all the world. We had heard the echoes of the crashing of the cannon across the sea while millions of men fought and died. We were told that the pan-German plan called for the domination of the world, but we felt secure with three thousand miles of ocean between us and its military machine.

Here business was good, labor well employed and apparently prosperity prevailed. Pacifists were abroad in the land and in high places at our capital. The pro-German propagandist had been insidiously at work, but at last, in April, 1917, the soul of the nation was touched and above the din of our factories we heard the cry of Belgium and through the smoke of our furnaces we saw the agony of France.

The inhuman brutality of the German soldiers was burned into our hearts, and as they neared Paris we realized that civilization itself was threatened. We decided to throw our full strength of men and resources on the battle front to halt the Hun, and we accepted the responsibility of saving the world.

How well we fulfilled that promise is known in every land and to the everlasting glory of the people of the United States.

In all history nothing can compare with the accomplishments of this country from April, 1917, until the armistice was signed last November. In a little more than twelve months four million men were trained and equipped for war, with half that number in France and ready to throw themselves into the battle line, when the fate of the world seemed to hang by a thread over the Marne.

The glorious victories our boys won at Chateau-Thierry, St. Mihiel and in the Argonne Forest brought Germany to her knees with the plea for peace. The American flag now flies with added glory and makes us proud that we have lived to see it unfurled for so worthy a cause and brought so proudly to its greatest victory.

These boys who have so splendidly maintained the traditions of our republic, who went forth courageously to die, if need be, for you and for me, and to establish the freedom of the world, have won a place in our affections that time can never erase and the obligations we owe to them must never be forgotten.

We must ever reverence the names and deeds of those of our boys who fell fighting for humanity, dying that we might live and making sacred to us the fields of France and Flanders; and those whose fate was to fall but not to die and be brought back home we must tenderly care for and cherish the sacrifice that they made. And when the well and the strong come back we must give them a glad welcome home, welcome them back to the places they left and let them feel that their old positions are still waiting for them, or give them a better place, worthy of the battle they have won.

As our soldiers have been abroad shoulder to shoulder in a common cause, and have come from many races and many classes, they have learned to

understand each other better; so we who have not been permitted to bare our breast to the fire of the enemy but were forced to remain on this side of the Atlantic and co-operate in the activities of war at home, must not let the blessings of that experience of friendly co-operation be lost.

We have found that in all the races and all the creeds which make up our great population there has been demonstrated a fine spirit of patriotic service.

When we consider that there are thirty-three million people in the United States who are either foreign born or children of foreign-born parents, the result of our recent accomplishment is all the more remarkable.

It has brought vividly to our minds that we owe something more than a fair wage to these millions who are dwelling with us in this land of the free. It will be necessary for us to see that these people receive more consideration than we have given them as citizens in the past. We must use every effort to have them understand us better and educate them to better and broader citizenship. Millions of them do not read or write or speak the English language. Nearly twelve hundred newspapers are published in the United States in foreign languages and circulate among this class of our population. There are many national and racial organizations here that are not in close touch with the purposes of our government. They must be taught these principles and their members urged to use intelligently their right of franchise.

We must see that the seed of lawlessness which has brought such a harvest of horror in Russia and now is being scattered throughout the world by the Bolshevik does not take root here. If we are to survive as a great democratic nation we must speedily stamp out that damnable doctrine which disregards law and property rights.

We must recognize the rights of all classes of our people to liberty of thought and action; but such lib-

erty does not mean the disregard of the rights of others.

There should be no clash between capital and labor. At the recent great meeting of business men at Atlantic City, called by the U. S. Chamber of Commerce, John D. Rockefeller, Jr., struck the new note of the advanced sentiment of the capitalistic class when he said, "I believe that capital and labor are partners—not enemies, that their interests are common interests—not opposed, that neither can obtain the fullest measure of prosperity at the expense of the other."

I think capital and labor can be likened to the twin wings of the eagle, the emblem of our national strength. When these wings move in unison and in sympathy they carry the eagle smoothly through the valleys or swiftly to the mountain top. He sails serenely through the sunshine or rises majestically above the storm clouds, but if either wing becomes weakened or broken the eagle flutters and falls, and even the strong wing withers away. And so it is with capital and labor; when working in harmony, each timing its movement to the spirit of the other, they carry our body politic calmly through the sunshine of prosperity or safely through the storms of panic and disaster.

But each must do its full part. The power must be fairly balanced. If either fails to function or disregards the necessity for co-operation, business is paralyzed, it crashes to the ground and both capital and labor lie helpless.

Let us hope that as the war has brought nations into a closer communion for the common good, the people of all classes in this great country have learned the necessity of cordial co-operation. And as we go out into this new year of peace, let us catch the vision and "carry on" the purpose of our forefathers who laid the foundation of this republic in freedom and brotherhood so that on this continent there would rise a nation which would be the light of the world.

## Agricultural Conference at Washington

All preparations are complete for the joint conference of the Agricultural Commission of the American Bankers Association and the chairmen of the state bankers' agricultural committees, to be held at Washington, D. C., February 26 and 27. The New Willard Hotel will be headquarters.

In a letter to the chairmen of the state agricultural committees appealing for their attendance at the meeting, Joseph Hirsch, chairman of the Agricultural Commission, says: "It is our earnest desire to shape plans by which the state bankers' agricultural committees may work in closest conjunction with the forces of the United States Department of Agriculture during the year 1919, and I therefore earnestly request that you personally attend this important meeting. Secretary of Agriculture David F. Houston has expressed the hope that there will be representation from each of the agricultural states. The secretary has approved the general outline of program which has been submitted by the Agricultural Commission."

As tentatively arranged, the program provides for addresses by the following: Secretary Houston; Assistant Secretary G. I. Christie, "Production in 1919"; C. B. Smith, Chief of Extension, North and West, "County Agent Work in the North and West"; Bradford Knapp, Chief of Extension in the South, "County Agent Work in the South"; Charles J. Brand, Chief of the Bureau of Markets, "The Marketing of Agricultural Products"; C. W. Thompson of the Bureau of Markets, "Rural Finance"; J. R. Mohler, Chief of the Bureau of Animal Industry, "The Control of Animal Diseases and Animal Husbandry Extension Work." It is probable that the conference will also be addressed by a member of the Federal Farm Loan Board and a representative of the United States Bureau of Education.

Each state chairman has been asked to prepare and submit a printed report of the work of his agricultural committee for the year 1918 and plans for 1919.

# The Railroads and the Savings Banks

By FREDERIC B. WASHBURN,  
Chairman Committee of Three, Savings Bank Section

THE Committee of Three to act with a similar committee of the Investment Bankers Association in matters of mutual interest, was appointed at the Chicago convention. The committee has prepared considerable material pertaining to investments for study and analysis. The members of the committee are John J. Pulleyn, president Emigrant Industrial Savings Bank, New York; Myron T. Herrick, president Society for Savings, Cleveland, and Frederic B. Washburn, president Worcester Five Cent Savings Bank, Worcester, Mass. The material herein contained is presented to members of the Association simply for their information. The attitude of the committee is not sufficiently crystallized for any expression to be given. Hence, there is neither approval nor disapproval of the suggestions hereafter stated. It is desired, however, that consideration and constructive thought of members be given to the railroad situation in its relation to the securities of railroads by every savings bank owner of such securities, and the result of any deliberation of those interested will be appreciated if sent to the writer, at 5 Nassau Street, New York.

Therefore, the particular studies with relation to the railroads undertaken by the committee are (1) the readjustment of railroad mortgages, (2) the bearing the railroad situation has upon the railway securities held by savings banks and (3) the "unscrambling" of the railroads.

## THE INTEREST OF THE SAVINGS BANKS

The interest of savings banks is wide-spread in the railroad situation, particularly those of the mutual type, of which there are 622. Over \$820,000,000 of the funds of these banks are invested in railroad securities, or at the rate of \$82 per depositor.

In a referendum recently submitted to mutual savings banks by the Committee of Three, the following questions were asked:

1. Are you in favor of railroad management returning to private control?
2. Are you in favor of government ownership of railroads?

The vote was taken in most instances after a conference of the boards of investment of each bank. Out of a total of 237 answers, 226 answered that they were in favor of railroad management returning to private control, and only 11 answered that they were not; 230 were not in favor of government ownership of railroads, and 7 believed the government should own the railroads. However, 4 of the 7 qualified their answers.

Many suggested provisions were made by the banks as to the return of railroad management to private control, such as, "providing the Federal Government retains an effective supervision and regulation mutually beneficial to them and the public." A bank situated in Winona, Minn., did not believe in government owner-

ship "for the present and not until private ownership has proved to be a failure." A savings bank in Pittsburgh favored a return of railroad management to private control "under government regulation insuring impartial and fair treatment to the railroad corporations." A bank in Southold, L. I., submitted that the railroads "should be given a fair show." A bank in Ossining, N. Y., says, "The issuing of such long-time bonds should not be permitted, especially without a sinking fund to retire them. The indiscriminate issuing of railroad bonds when the roads are not paying means eventual disaster. Private ownership with proper government supervision is in our opinion best."

A bank in Merrimac, Mass., suggested, "That the railroads should not be returned to private management until the financial outlook is better. We do not want government ownership nor do we want receivership." A bank in Holyoke, Mass., to the question are you in favor of government ownership of railroads, stated, "No, on general principles, but yes, unless changes are made in laws now in force, for no one else can run them under present handicaps (neither could the government unless they could pass along the deficit in the shape of taxes to the general public)." A savings banker in Albany had this to say: "I am not entirely opposed to a modified form of government direction or supervision of railroads. Naturally the savings banks are deeply interested as well as affected by whatever happens to the railroads because of holding such a great quantity of railroad securities, and protection against harm is what we must insist upon for the depositors of our banks"; and a bank of about 10 per cent. of their assets in railroad securities did not favor government ownership. It had this to say: "If the government is to continue increasing wages and expenses and demands the transportation of mails and other government freight at less than cost, then perhaps the government had better take the roads and finish the job they started."

The savings banks are thoroughly aroused as to the seriousness of the railroad situation. The Association of Owners of Railway Securities has done much in this respect. However, the great influence and power of the American Bankers Association with an interest of \$1,717,000,000 in railroad securities held by the member banks and trust companies, as well as that of the \$2,000,000,000 and over interest of the insurance companies, should be available to a substantial degree. For the mutual savings banks the situation is increasingly serious, because of the nature of the institution. For example, of the \$1,100,000,000 of savings assets in Massachusetts 18 per cent. is invested in railroad bonds. In face of this the Attorney General of the Commonwealth has ruled that all railroad bonds are illegal for investment by savings banks. This difficulty is being overcome, however, by an amendment to the law making the investment law pertaining to railroad securities inoperative during the period of governmental control.

## RAILROAD MORTGAGES

That a readjustment of railroad mortgages would improve railway securities may be gathered from the following data: Out of a total mileage of 171,232.52 miles there are eight mortgages on 466.78 miles; six mortgages on 2,491.52 miles; five mortgages on 6,951.70 miles; four mortgages on 16,351.12 miles; three mortgages on 31,853.10 miles; two mortgages on 67,825.64 miles; and one mortgage on 41,450.59 miles. Only 3,862.07 miles have no mortgage thereon. The mileage of subsidiary companies is 57,005.31 miles; 23,736.27 miles of which have one mortgage; 11,918.06 miles have two mortgages; 2,603.98 have three mortgages; 234.54 miles have four mortgages and 7,684.48 miles have no mortgage.

## THE RETURN OF RAILWAY SECURITIES

If the government should take over the railroads it may follow one of several plans:

1. *It may leave outstanding the present securities, pay the interest as it comes due and redeem issues.* In this event, all issues would be of the same grade, the government guarantee covering equally those of superior and inferior lien. It is not difficult to foresee the effect of this situation on security values. The high-grade railroad bonds would fall in price, because the holders would endeavor to dispose of them in order to purchase the inferior grades, on which they would obtain the same guarantee of income and principal as on the high-grade bonds. Individual railroad credit would be eliminated. Hence, the savings banks and other institutions that hold high-grade issues would suffer severe loss.

2. *It may convert outstanding railroad issues into direct government obligations.* This could be done by basing the rate of conversion on the market value of each security as of a certain date, or by exchanging each class and grade of security for a different class of government obligation.

A. In the event that market value of a certain date is taken (or the market value of a certain period): The savings banks and insurance companies are likely to suffer losses, because their railroad securities were purchased in some cases at a time of low interest rates and consequently higher prices; and are held for a fixed income return. The exchange of their holdings for high-grade government bonds, on the basis of present market value of railroad bonds, or on the basis of an average market value over a period of years would result in both a lower income return and a lower book-value than they have from their present railroad holdings.

B. In the event that each grade of railroad security is exchanged for a class of government bonds in a way that the market value of the government bond would in each instance conform relatively to the value of the converted railroad bond, there would result a serious loss of income yield to the banks. These hold the highest grade of securities and would, therefore, receive the highest grade of government bonds. These bonds would sell at a high price relative to yield. Of course, such bonds could be sold or exchanged by the banks for others on which the income yield is higher,

but in the process of exchange market values would be seriously affected so that the greatest caution would be required in order to avoid financial losses to the banks.

3. *It may grant present holders of railroad securities assured income yield the same as that expected at the time the railroad securities were originally purchased.* This would work a hardship on such banks as hold the highest grade of railroad securities, since the assurance of a government guaranteed return would put the inferior high income yielding issues on the same investment plane with the low interest, first lien issues. It would be decidedly unfair to the savings banks, particularly in the event of a forced liquidation of any of their holdings before maturity date. It thus would have the same effect as under No. 1.

4. *It may organize a commission or commissions which would assess the value of each security in the same manner as condemnation proceedings.* This would involve endless litigation with uncertain results. Some banks would undoubtedly suffer losses, and others might profit under this plan.

## PLAN OF THE RAILWAY EXECUTIVES

It will be observed that the security (existing issues) angle of the return of the railroads apparently is omitted in the Railway Executives' plan. In brief, the plan proposes:

1. Private instead of government ownership.
2. Elimination of the division of the regulating power between the states and the Federal Government as to all essential matters, including rates, state and interstate, and the vesting, as to these, of exclusive power in the Federal Government.
3. The establishment of a Department of Transportation, with a Secretary, who shall be a member of the President's Cabinet and with duty to use the power of the Administration to maintain proper service and to create the necessary credit for the carriers.
4. The establishment of a statutory rule for rate-making which shall require that rates be adequate to attract the money needed by the carriers to keep their properties up to the standard of the public need and shall provide by increase in rates for increased wages and other expenses.
5. The requirement that the influence of the Administration, through the Secretary of Transportation, shall be put behind a movement for increased rates which he finds proper.
6. Power of the carriers to initiate rates.
7. Making the Interstate Commerce Commission a judicial body in respect to rates.
8. The repeal of the anti-trust laws to the extent of permitting useful consolidations and constructions, to permit agreements between traffic officers as to rates and practices and the division of earnings in order to eliminate unnecessary train service.
9. Prohibition of strikes during investigation and report on labor disputes and for a reasonable time thereafter.
10. Funding of debts to United States.
11. Retention of rates made by the Director-General until changed by the Interstate Commerce Commission, or under the proposed system of rate-making.

12. Exclusive supervision by the Federal Government of the issue of securities instead of supervision, as at present, by the separate states.

13. Federal incorporation.

14. Government power:

- a. To distribute and re-route congested traffic.
- b. To require joint use of terminals.
- c. In emergency, to unify the railroads into a continental system.
- d. To require distribution of cars as between lines and patrons enlarged.
- e. To prevent certain new construction without certificate of convenience and necessity.

#### "UNSCRAMBLING" THE RAILROADS

A. M. Sakolski, an economist, who has given the subject of "unscrambling" the railroads considerable thought, submitted the following for the consideration of the committee:

"It is quite generally agreed that immediate restoration of the railroads to private operation without important readjustments would be disastrous. Few companies could withstand the pre-war competitive conditions under present high operating costs. Congress, therefore, should provide some measure of protection to eliminate pre-war evils and at the same time afford the public all the transportation facilities required for the nation's further industrial development.

"Assuming that the railroads are to be restored to private operation, the important problem is, How shall it be done? Should the old-time competitive conditions, with its economic waste, its duplication of facilities and services, and its accompanying financial and political entanglements, be resumed or should a general transportation reorganization, providing for a new integration of railroad systems on broad economic and scientific lines be put into effect? A careful consideration of these questions cannot long be delayed.

"There can be no denial that competitive railroad construction, under private operation, has promoted the industrial progress of both the United States and Great Britain. The cost, however, has been tremendous and in recent years both nations have endeavored to rid themselves of the accompanying evils. The British Parliament, which for years encouraged railroad competition through charter grants to competitive systems, has sought, in recent years, to allay its adverse effects by restricting competition. Under the authority of the British Board of Trade competitive railroad rates are fixed and traffic pooling arrangements are permitted. In our own United States, under the supervision of the Interstate Commerce Commission, competition in rates and charges has been curtailed and controlled, but 'service' competition, weaving a constant web of financial ruin notwithstanding the temporary public benefit, goes on apace. It is this competition that is responsible for the costly passenger terminals, those ornamental and top-heavy edifices that burrow deeper and deeper into net earnings. The de luxe trains which frequently do not earn revenue sufficient to meet out-of-pocket operating costs are a further result of 'service' competition. Excessive pas-

senger trains and partially loaded 'schedule' freight trains between competitive points are another source of financial loss that might be avoided should railroad rivalry cease. For several years before the war there had been six evening de luxe trains on as many different lines between Chicago and Kansas City, each leaving and arriving at about the same time. The Chicago-Minneapolis and the Chicago-St. Louis schedules were much the same. It was to be expected, therefore, that among the first economies inaugurated under government operation was the reduction of superfluous passenger trains.

"How are the economies of governmental monopolistic operation to be continued under private operation? In England this question has been agitated more than in the United States. British railroads, because of the almost constantly declining dividends to shareholders, have long ceased to offer speculative profits to their shareholders. These now look favorably on any form of reorganization that will avoid a return to pre-war operation conditions.

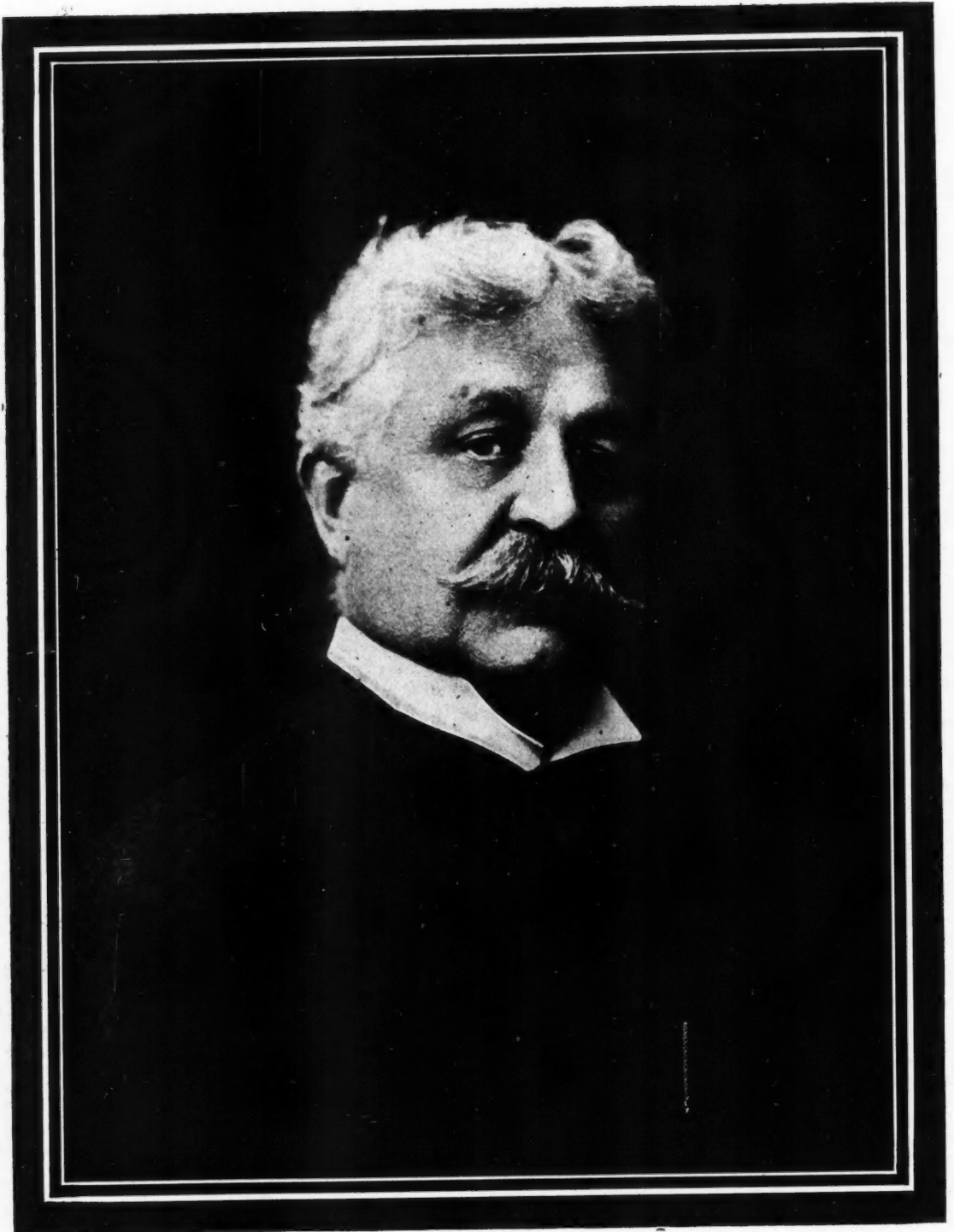
"The most widely discussed British plan of reorganization is based on a territorial grouping and integration of existing lines. This means a breaking up of present systems and their reconsolidation into regional 'networks,' each system of lines being confined to a definite geographic area.

"The plan has been followed in France since the very beginning of railroad construction. There the national policy has been to encourage strong privately owned but government-controlled railroad enterprises, each comprising one or more network of lines operating a restricted territory. The companies are not allowed to compete with one another, and, although they have been encouraged to earn large profits, they are required, because of subvention and guarantees, to share surplus earnings with the state.

"Although the financial success of French railroads is somewhat doubtful, owing to excessive construction of branch lines under state patronage, the economic advantages of their territorial monopoly can hardly be questioned. Of course, from a strictly 'service' standpoint, the English and American railroads, operating under competitive conditions and without state financial guarantee or protection, may be physically better and more efficiently operated than the French. Viewed from a business standpoint, however, the French companies possess an undeniable theoretical advantage because of non-competitive operation.

"Should a regional or group plan of private railroad operation be attempted as a way out of our railroad tangle? There is much to say in its favor as a means of eliminating unnecessary wastes and duplication of services. Whether the public will be served better under a monopolistic system of transportation is another question. The fact that a regional plan of operation was adopted as a war measure by the Railroad Administration may possibly mean a permanence of the system. It is all the more likely to remain should Congress indorse Mr. McAdoo's proposal to hold the railroads for a further period of five years."

The above statements are submitted to the membership for their consideration and suggestions.



ROBERT JAMES LOWRY



## Robert James Lowry

Col. Robert James Lowry, President of the American Bankers Association in 1895-96, died at his home in Atlanta, Ga., on Wednesday, January 8, after a week's illness.

Col. Lowry was of that unusual type, physically and intellectually, that commands respect among men everywhere. Tall of stature, grey-haired, and with a strong and virile personality, he was always a distinguished figure at conventions of the American Bankers Association, to the advancement of which he gave freely of his time and energy. In his presidential address to the convention in 1896, held at Detroit, he reported a most momentous event of his administration in these words:

"It is most gratifying to be able to say that within four months after the adjournment of our Association in St. Louis a monetary convention met in January at Indianapolis, composed in membership of manufacturers, bankers, merchants and representatives from nearly every pursuit and calling, and that this convention endorsed by solemn action the declaration made by this Association in favor of making gold the only unit of value, and recommending such reform by Congress of our national financial system as would bring about a stability in the value of our currency as would make it 'equal to that of the most advanced nations of the world.'"

It was in great part due to Col. Lowry's own efforts that the Association went on record in the making of the banking history of the country, and in this particular instance it was undoubtedly his action that arrayed the bankers of the United States as a unit behind the gold standard.

Born in Greenville, Tenn., March 4, 1840, Robert J. Lowry went to Atlanta as a boy. In 1865 he went into the banking business with his father, who was the senior member of the firm of W. M. and R. J. Lowry. In 1887 Col. Lowry became president of the Lowry Banking Company, later converted into the Lowry National Bank, of which he was president at the time of his death. He served as president of the Atlanta Chamber of Commerce and for over fifty years had been identified with the social and business life of the city and state. His golden wedding was celebrated six years ago.

The passing of Col. Lowry adds another name to the honored list of great bankers and forceful personalities, who have had their reward at the hands of their fellowmen and have passed on to the infinitely greater reward. To name but two others—Charles H. Huttig, George H. Russel, and now Robert J. Lowry.

Time passeth, the old order changeth, friend after friend departs. But the names of good men and true live on.

## Commerce and Marine Committee Begins Work

The Committee on Commerce and Marine, recently appointed by President Maddox of the American Bankers Association in conformity with the resolution of the Chicago convention, held a meeting at the Association offices in New York January 21 and 22. Those present were: Robert F. Maddox, president Atlanta National Bank, Atlanta, Ga., President of the Association; Lewis E. Pierson, chairman of the board Irving National Bank of New York; Charles H. Sabin, president Guaranty Trust Company of New York; John McHugh, vice-president Mechanics and Metals National Bank, New York; Fred I. Kent, vice-president Bankers Trust Company of New York; Daniel G. Wing, president First National Bank of Boston; Thomas B. McAdams, vice-president Merchants National Bank, Richmond, Va.; and John L. Hamilton, president American Guaranty Corporation, Columbus, Ohio. F. O. Watts, president Third National Bank of St. Louis, another member of the committee, was represented by R. S. Hawes, vice-president Third National Bank of St. Louis. Mr. Maddox presided.

The committee organized by electing Mr. McHugh as permanent chairman. Chairman McHugh was authorized to appoint an Executive Committee. This committee, Mr. McHugh announces, is as follows: Messrs. Charles H. Sabin, Fred I. Kent, Lewis E. Pierson and John McHugh, all of New York, and William A. Law, president First National Bank of

Philadelphia. It was also decided that in order to carry out properly the work of the committee, it would be necessary to have a competent secretary, whose selection was left in the hands of the Executive Committee.

The activities of the committee will lie, broadly, in two general directions: first, the promotion of a real, representative American Merchant Marine; and secondly, the development of means whereby the peoples of foreign countries may be enabled to purchase our supplies. This will make necessary the extension of credits abroad, either by our purchasing foreign securities or otherwise.

Chairman McHugh states that it will be the policy to furnish every member of the Committee on Commerce and Marine with a copy of the proceedings of each session of the Executive Committee and with all data developed by the work of the committee, so that all members will be constantly in touch with what is being done.

The resolution adopted by the Chicago convention pledged the Association "to support, by every means in its power, the development of export trade, to encourage manufacturers to enter upon this field of distribution and to provide as rapidly as possible adequate facilities for financing export operations sufficient to meet every reasonable demand that may arise."

## Savings Banks Cooperate With 1919 War Savings

The following telegram from Carter Glass, Secretary of the Treasury, was received by Pierre Jay, Federal Reserve Agent of the Second Federal Reserve District and submitted to the Executive Committee of the Savings Bank Section, American Bankers Association, at the meeting of the committee held Saturday afternoon and evening, January 25, 1919:

"Please extend to the members of the Savings Bank Section of the American Bankers Association at their meeting January 25, the appreciation of the Treasury Department for the assistance which they have rendered the government during Liberty Loans and War Savings campaigns and say that the Treasury Department will welcome the continuance of their active co-operation in campaigns of the same nature during 1919. Obligations incurred by the government in order to win the war at the earliest possible date and which undoubtedly helped to terminate the war much sooner than might otherwise have been the case, must be liquidated. This can be accomplished only by levy of taxes and by the savings of the people converted into investments in government obligations issued for that purpose. Savings banks as a whole have not suffered loss of deposits as a result of war financing. On the contrary, gains have been recorded and I am informed that deposits in savings banks are now rapidly increasing. I am confident that the savings banks of the country will patriotically assist in the great task of helping to liquidate the war bills of our government and of encouraging the habit of thrift amongst the people, which in turn should reflect itself in larger deposits and consequently increased prosperity for savings institutions."

CARTER GLASS.

To which the Executive Committee of the Savings Bank Section replied in the form of a resolution adopted at the above referred to meeting:

"Whereas, The practice of consistent saving has widely increased as a result of the various government loan campaigns incident to the war, and

"Whereas, It is imperative that such practice continue to increase in order to insure the proper absorption of future government Victory loans, and to promote lasting individual prosperity and domestic tranquillity, and

"Whereas, The savings banks of the country, with their 26,500,000 depositors, representing the substantial and thrifty citizenry of the nation, are in a paramount position to encourage and to promote the habit of consistent savings, and

"Whereas, The Treasury Department of the United States has launched a nation-wide effort to induce greater thrift through the sale of savings stamps and otherwise;

"Resolved, That the Savings Bank Section, American Bankers Association, through its Executive Committee, representing the savings interests of the 19,000 banks, members of the Association, at a meeting held in New York City, January 25, 1919, pledges its hearty support and earnest co-operation to the Secretary of the Treasury, the Hon. Carter Glass, in the conduct of the country-wide campaign of thrift and savings inaugurated for 1919 under his direction.

"To this end the Savings Bank Section, consistent with its purpose, will stand ready at all times to respond to any call made upon it by the Secretary of the Treasury.

"The Executive Committee also gratefully appreciates the sentiments of the Hon. Carter Glass contained in his telegram transmitted through and submitted by Pierre Jay, Federal Reserve Agent at New York.

"Further Resolved, That a copy of this resolution be transmitted by wire to the Secretary of the Treasury."

M. W. H.

# Coverage on Bank Burglaries

By L. W. GAMMON

Secretary Insurance Committee, American Bankers Association

IT is quite clear from numerous claims that have been presented to the insurance companies within the past few months that banks generally do not appreciate the importance of keeping their securities, particularly Liberty Bonds, within the most protected portion of the equipment, as otherwise the insurance is limited to 10 per cent. of the amount of the policy. The rate for bank burglary insurance is based on the understanding that except as to the 10 per cent. additional coverage the moneys and securities will be kept within the best protected part of the equipment. Numerous instances have come to light recently where it developed in case of a burglary that these securities were not kept in the most protected part of the equipment and the 10 per cent. extended coverage reimbursed the bank for only an extremely small proportion of the loss in many instances.

Bank burglars have readily seen the opportunities of burglarizing fireproof vaults and securing Liberty Bonds, War Savings stamps, etc., and in many instances have been successful in securing so large an amount of such securities, which are readily disposed of, that they have not attempted to burglarize the safe itself.

The banks should therefore take particular care to see that such securities are in the most protected part

of the equipment, except as to 10 per cent. of the policy; and if they are not placed in that portion of the equipment, in submitting request for insurance the bank should clearly advise just where the securities are to be kept.

Experience along any line of crime proves that when a manner of operation proves peculiarly successful, the tendency for criminals is to operate extensively along those lines.

The losses to banks and insurance companies have been extremely heavy up to the present time, and will unquestionably increase if Liberty Bonds and similar securities, which are readily disposed of, are not placed in the better protected portion of the equipment.

In a great many cases the amount of Liberty Bonds and other securities may of themselves exceed the amount of burglary insurance carried, and in such cases it is advisable to have special burglary and robbery insurance covering Liberty Bonds and other securities. In such cases it is advisable that a special policy be carried covering the bonds and securities, which special policy may be obtained for 75 per cent. of the rate charged for the bank's equipment. Where the bonds and securities are not kept in that part of the equipment provided for full protection, it is particularly desirable that this special policy be carried.

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## National Foreign Trade Convention

The National Foreign Trade Council will hold its sixth National Foreign Trade Convention at the Congress Hotel, Chicago, on Thursday, Friday and Saturday, April 24, 25 and 26, 1919. The formal call will be issued shortly by the chairman of the council, James A. Farrell, president of the United States Steel Corporation.

In the past these conventions have drawn an increasingly large number of the prominent business men of the country, representing all forms of industry, commerce, finance and transportation. To these will now be added the representatives of labor. In this way the delegates are supplied with a broad view of the business situation, with specific information to meet their individual needs, and with advice and inspiration for the coming year.

The convention in April will deal with foreign trade as a factor in stabilizing American industry—problems involving the conversion of war industries to the needs of peace; development of our foreign trade

to provide employment for our soldiers, sailors and war workers; and the formation of a definite policy dealing with the future of our new shipping.

The procedure of the convention will be along the lines that have proved so successful in the past: general sessions with prepared papers by the leading authorities, followed by discussion; group sessions, consisting mainly of discussion, in which the special interests of different types of business are treated; individual conferences with government representatives and trade advisers.

It is expected that the attendance this year will be unusually large. There is a growing realization throughout the country that foreign trade is essential to continued prosperity, and many concerns are turning to the foreign field for the first time. For these the convention offers an unusual opportunity to profit by the experience of older export firms and to learn the general policies of the country in respect to foreign trade.

## American Trade Acceptance Council Reorganized

A conference of over 250 leading business men and bankers from all parts of the country was held in New York January 21 for the purpose of reorganizing the American Trade Acceptance Council. The new body formed at this meeting is to be known as the American Acceptance Council and will devote its energies to a nation-wide campaign designed to carry home to the bankers and business people the merits of trade and bankers' acceptances—what they are and how they may be used in both foreign and domestic merchandising.

The new plan of organization contemplates the establishment of a local Acceptance Council in each of about 100 of the leading centers throughout the country. The parent organization will be governed by a Board of Representatives selected by the active members of the organization. These representatives will select from their own number an Executive Committee of twenty-four. This Committee, in turn, will select from its membership five officers, a chairman, a first vice-chairman, a second vice-chairman, a secretary and a treasurer. These five officers will, in a large measure, be responsible for the work of the Council.

Pending the election of the officers, an organization committee of five members has been appointed. This committee is authorized to employ an Executive Secretary and a Director of Publicity, and to transact such other business as may be necessary in getting the work of the Council started.

The sixteen members of the Executive Committee elected at the meeting January 21 are:

Lewis E. Pierson, chairman of the board Irving National Bank, New York.

Paul M. Warburg, Messrs. Kuhn Loeb & Co., New York, N. Y.

Jerome Thralls, secretary-treasurer Discount Corporation of New York, N. Y.

Daniel G. Wing, president First National Bank, Boston, Mass.

William A. Law, president First National Bank of Philadelphia, Philadelphia, Pa.

Oliver J. Sands, president American National Bank, Richmond, Va.

Dr. J. T. Holdsworth, vice-president Bank of Pittsburgh, N. A., Pittsburgh, Pa.

Charles W. Dupuis, vice-president Citizens National Bank, Cincinnati, Ohio.

Forrest Ferguson, Ferguson & McKinney Dry Goods Co., St. Louis, Mo.

M. A. Traylor, president First Trust & Savings Bank, Chicago, Ill.

J. T. McCarthy, treasurer Kirby Bonner Lumber Co., Houston, Texas.

Morton H. Fry, Bernhard, Scholle & Co., New York.

J. H. Tregoe, secretary-treasurer National Association of Credit Men, New York.

Randall N. Durfee, chairman Cotton Buying Committee National Association Cotton Manufacturers, Fall River, Mass.

Henry Burden, chairman finance committee National Canners Association, Cazenovia, N. Y.

Herbert C. Freeman, Touche, Niven & Co., New York.

The members of the Committee on Organization are as follows:

Jerome Thralls, chairman, secretary-treasurer Discount Corporation of New York.

J. H. Tregoe, secretary-treasurer National Association of Credit Men, New York.

Morton H. Fry, Bernhard, Scholle & Co., New York.

D. C. Wills, chairman of the board Federal Reserve Bank, Cleveland, Ohio.

Wm. A. Law, president First National Bank, Philadelphia, Pa.

The Council now has 103 active members, including many of the leading financial, commercial and industrial concerns throughout the country. It is hoped to get the offices of the Council organized during the next ten days and the publication of a service bulletin started. This bulletin will be devoted to up-to-the-minute news regarding trade and bankers' acceptances, and will not be more than three pages in length.

## Segregation and Guaranty of Deposits

The Committee on State Legislation, Savings Bank Section, through its Chairman, Raymond R. Frazier of Seattle, is submitting to members the following questionnaire:

1. Do you believe that state banks and trust companies which accept "savings deposits" should be required to segregate such funds from their commercial accounts and invest such savings funds in restricted securities of the highest class for the special protection of the savings depositors?

### ARGUMENTS

In some states only "separate books of account" are kept for the savings and the commercial deposits. This gives no special protection whatever to the savings depositor; in fact under this system where commercial and savings funds are invested by the bank without being actually segregated, the savings depositor is, in case of financial difficulty on the part of the bank, at an especial disadvantage, for the reason that

the bank usually provides in its by-laws that a savings depositor may be required to give notice of his intention to withdraw, whereas "demand" or commercial deposits must be promptly paid so long as the bank's doors remain open. In other words, under this system, the savings depositor becomes a *deferred creditor* and does not even have the protection afforded by segregation—to say nothing of the protection afforded by the investment of his funds in prescribed, restricted securities.

2. Do you favor a state law providing for the creation of a guaranty fund by and through which state banks undertake to guarantee one another's deposits?

### ARGUMENTS

Opponents of this system claim that it is unsound from the standpoint both of economics and good banking. Many organizations have gone on record in recent months as opposing the guaranty of deposits in national banks.

# Grist from the News Mill

## REPORT OF COMPTROLLER OF THE CURRENCY

In his annual report the Comptroller of the Currency touched upon the following topics: National banks in war time, comparison of world war and Civil War financing, loans placed through national banks, comparison of bank failures, reduction of losses to depositors in failed banks, national bank employees in army and navy, closer supervision by directors, gross and net earnings of national banks, earnings on capital stock, Federal control of railroads and the financial situation, favorable balance of trade, comparative growth of national and state banks, trust powers for national banks, the growing use of bank acceptances, and savings bank deposits during the war. He stated that the banking power of the United States represented by the capital, surplus, profits, circulation and deposits of all national banks and reporting state banks, trust companies, etc., as well as capital, government and reserve deposits of the Federal reserve banks, and Federal reserve notes in circulation, amounted in June, 1918, to 39,082 million dollars, an increase for the year of 4,609 million dollars, or 13 per cent. The Comptroller recommended the following legislation:

To prevent officers of banks from borrowing from their own banks; to limit direct and indirect loans to one individual, firm or corporation; to provide penalty for making excessive loans; to authorize the Comptroller to begin proceedings against directors for losses sustained by banks through violation of the National Bank Act; to give authority for removal of directors guilty of persistent violations of the National Bank Act; to prevent delays in the taking of directors' oaths; to establish penalties for violations of laws and regulations; to provide that suits against usurers be brought by the Department of Justice; to authorize special interest charges for small loans; to prevent or limit overdraft; to limit interest paid on deposits; to limit deposits to eight or ten times capital and surplus; to prevent wildcat banking in the District of Columbia; to require officers and employees to give surety bonds; to require certificates of deposit to be signed by two officers; to prevent erasures on the books of banks; to standardize by-laws; to allow rechartered banks to use bank-note plates of original banks; to provide engraved signatures for national bank notes; to permit branches in Alaska and insular possessions; to permit branches in the United States; to provide penalties for false financial statements to get credit from national banks; to punish bank breaking for theft; to limit investment in bank buildings; to authorize the Treasurer of the United States to sell bonds securing circulation thirty days after the liquidation of a bank; to require two signatures to charge tickets; to provide vacations for and rotation of bookkeepers, etc.; to deposit long dormant balances in the Treasury; to allow national banks to deduct United States bonds from taxable assets; to insure or guarantee deposits of \$5,000 or less.

## JAPANESE COMMERCE BY WAY OF MEXICO

Several commercial houses in Japan, together with the steamship companies of that country, are planning to inaugurate a regular freight service with European and American Atlantic Coast points by way of the Isthmus of Tehautepec. It is claimed that this can be done successfully in competition with the Panama Canal route. The National Railways have promised to provide all the facilities necessary for transportation between Salina Cruz, on the Pacific Coast, and Puerto Mexico, on the Atlantic, while both those places are already supplied with the necessary equipment for handling large quantities of freight.

## FARM LOAN BUSINESS IN DECEMBER

During the month of December \$9,567,890 were loaned to 3,525 farmers of the United States by the Federal land banks on long-time first mortgages, according to the monthly statement of the Farm Loan Board. On January 1 the total amount of mortgage loans closed since the establishment of the Federal land banks was \$157,020,751, numbering 67,882 borrowers. During December 5,672 applications were received asking for \$19,199,613. During the same period 4,251 loans were approved, amounting to \$15,014,778. Altogether, 167,966 have applied for loans under this system, aggregating \$425,741,722. The grand total of loans closed is distributed by Federal land bank districts as follows:

Spokane .....	\$24,531,715
St. Paul .....	22,555,400
Omaha .....	16,895,640
Wichita .....	16,358,100
Houston .....	15,202,540
New Orleans .....	11,356,915
St. Louis .....	10,829,430
Louisville .....	10,111,000
Berkeley .....	9,573,600
Columbia .....	7,795,850
Baltimore .....	6,129,450
Springfield .....	5,681,045

## FINANCE CORPORATION'S NEW HEAD

On account of the increasing pressure of his duties as Governor of the Federal Reserve Board, W. P. G. Harding has resigned as managing director of the War Finance Corporation. He is succeeded by Eugene Meyer, Jr., who will retain his office as a director of the organization. Practically no new loans are being made by the War Finance Corporation, as its affairs are being wound up.

## WAR SAVINGS IN BRITAIN

Announcement is made that the British Government has decided to retain the present organization for the sale of national war bonds and war savings certificates as a permanent part of the national machinery. The Chancellor of the Exchequer hopes that during the year ending September 30, 1919, the certifi-

cates alone will yield about \$1,000,000,000, which will mean an increase of 50 per cent. on the current average weekly sales.

#### BIG TOTAL FOR 1918 FOREIGN TRADE

Heavy December shipments brought the total exports for 1918 to \$6,150,000,000, a decrease of only \$83,000,000 from the 1917 total, according to an announcement by the Bureau of Foreign and Domestic Commerce, Department of Commerce. Imports for the year totaled \$3,031,000,000, or not quite half the exports. Imports for the previous year were valued at \$2,952,000,000. Exports for December, the first full month after the signing of the armistice, reached a total of \$566,000,000, a decided increase over the \$522,000,000 recorded for November, although not up to the high mark of \$600,000,000 for December, 1917. Imports for December, however, were low, being \$211,000,000, against \$251,000,000 for November and \$228,000,000 for December of the previous year. Imports as well as exports of gold continued to decrease, the imports amounting to \$62,000,000 in the calendar year 1918 against \$552,000,000 in 1917 and the exports to \$41,000,000 and \$372,000,000 in the same year. Imports of silver increased from \$53,000,000 in the calendar year 1917 to \$71,000,000 in 1918. The exports of silver during December, 1918, amounted to \$48,000,000, a larger amount than in any month during the past three years. For the calendar year, exports of silver amounted to \$253,000,000 in 1918 against \$84,000,000 in 1917.

#### PROCEEDINGS FOREIGN TRADE CONVENTION

The proceedings of the Fifth National Foreign Trade Convention, held at Cincinnati April 18-20, 1918, have just been published in book form for distribution to delegates to the convention and for the use of others interested in the promotion of foreign trade. The book is published by the National Foreign Trade Council.

ALBERT E. EDWARDS

Albert E. Edwards, a former member of the Executive Council of the American Bankers Association, serving for the three-year term 1915, 1916, 1917, died last month at his home in Pasadena, Cal. He was president of the First National Bank of Pasadena. During his service on the Executive Council he was a member of the Finance Committee.

#### PEACE SOLVES GOLD PROBLEM

The committee appointed by Ex-Secretary of the Treasury McAdoo, shortly before his retirement, to investigate the question of the maintenance of the gold standard, will report shortly to Secretary Glass, it is announced, that with peace in sight special government or international action is not necessary to stimulate the production of gold. The cessation of hostilities, according to the committee, has removed the principal problems arising out of the fear that the gold standard throughout the world might not be maintained.

#### HOME LOAN BANKS

The U. S. Department of Labor has organized as part of its Information and Education Service, the Division of Public Works and Construction Development. The purpose of this new division is to interest the public in construction activities of all sorts. This means that work on public buildings, highways and homes is to be encouraged in such a practical manner that the spring may find every state engaged in projects which will assure operations in all communities and will provide employment for the hundreds of thousands of returning soldiers and workmen released from war industries. One branch of the new division is called the "Own Your Own Home Section," and to make possible the wide-spread building of dwellings a movement has been started that would enable the building and loan associations to provide capital at low rates of interest.

In the U. S. League of Local Building and Loan Associations there are 7,269 affiliated associations with a membership of 3,838,612. During the year 1917 the building and loan associations voluntarily permitted withdrawals of \$350,000,000 to enable the purchase of Liberty Bonds, yet in the twelve months they did a business of a billion and a quarter dollars at an expense of seven-eighths of one per cent. These associations, known as co-operative banks, are institutions that collect instalments on stock subscriptions and invest them in loans to aid in building homes. They are, therefore, prepared to be most helpful in this line of peace readjustment, which makes the strongest appeal to all classes of men and women.

#### RESERVE BANK BRANCH IN BUFFALO

The first branch to be established by the Federal Reserve Bank of New York will be located in Buffalo. In announcing this departure the Federal Reserve Bank says:

"The Federal Reserve Bank of New York, under authority of the Federal Reserve Board, has decided to establish a branch in Buffalo for the purpose of receiving deposits handling currency, making collections of checks and notes and transfers of funds. The request for the establishment of the branch was made by the three Buffalo member banks and concurred in by several of the Buffalo non-member banks, and the conclusion reached by the Federal Reserve Bank of New York indicates the willingness of its directors to accept the judgment of the Buffalo banks that such a branch would render substantial service to the banks and business interests of Buffalo and the vicinity.

"Buffalo is the largest city in the Second Federal Reserve District, outside of Greater New York, with a population of approximately 500,000. Its position at the head of lake transportation and its growing importance as a banking, manufacturing and commercial center make it the natural place for the establishment in this district of a branch of the Federal Reserve Bank of New York. Whatever advantages accrue to a community from having the office of a Federal reserve bank within it will be enjoyed by Buffalo and will place it on an equality in this respect with Pittsburgh, Cincinnati, Cleveland and Detroit, the other large cities nearest to it.

"When the Buffalo branch is established, the Federal reserve system will consist of twelve reserve banks, with eighteen branches, all of which are connected by private telegraph wire by which member banks may transfer funds from any one of these thirty points to any other such point immediately, at par, and without cost."

#### MASSACHUSETTS BANKERS BANQUET

The annual banquet of the Massachusetts Bankers Association, held January 8 at the Copley-Plaza, Boston, drew an attendance of about 1,000 guests and sustained in every respect the traditions of this famous mid-winter gathering. Elmer E. Onthank of Fitchburg, president of the association, was toastmaster. The speakers were Hon. R. C. Leffingwell, Major Carl P. Dennett and Clarence W. Barron. Many prominent eastern bankers were present.

#### ADMINISTRATIVE COMMITTEE MEETS

The Administrative Committee of the American Bankers Association held a two days' session in the General Offices in New York January 23 and 24. There were present: President Robert F. Maddox, chairman; First Vice-President Richard S. Hawes, Ex-President Charles A. Hinsch, Messrs. John W. Platten, Victor A. Lersner, Oliver J. Sands, Craig B. Hazlewood, General Secretary Fred. E. Farnsworth and General Counsel Thomas B. Paton. Messrs. W. P. Sharer and C. J. Bell were absent and excused. Consideration was given to matters of routine in the operation of the Association. The committee unanimously adopted and referred to the Executive Council for approval an amendment to the Constitution providing for submission of the report of the Nominating Committee on the morning of the last day of the General Convention; also, an amendment to the Constitution providing for the filling of vacancies occurring in the list of State Vice-Presidents of the Association.

#### AMENDMENT OF THE SHERMAN ACT

A referendum vote of the membership of the Chamber of Commerce of the United States is being taken on a recommendation that Congress give special attention to the Sherman Act and the Clayton Act with a view to their immediate revision. It will be recalled that at the Reconstruction Congress held recently at Atlantic City under the auspices of the Chamber there was an overwhelming sentiment among the delegates that some of the restrictions of the Sherman law were of no constructive value and represented positively hurtful tendencies. The proposals on which the members of the Chamber are asked to vote are four, embodying the results of a special study of the situation made by the Chamber's Federal Trade Committee. These proposals, according to the official announcement, are:

"The committee recommends that Congress should at once consider the situation of all statutes constituting our anti-trust legislation. The committee recommends that there should be formulated standards of general business conduct to be administered by a supervisory body. The committee recommends that an enlarged Federal Trade Commission should be made

the supervisory body. The committee recommends that membership of the Federal Trade Commission should be increased from five to nine.

"Such a brief outline as has been presented indicates the immediate need, at a time when commerce and industry face new problems, for a restatement of our anti-trust legislation in a form that will be at once clear and comprehensive. At present there is an accumulation of twenty or more statutes resulting from about thirty years of legislation. Some of the provisions of these statutes involve differences which cause them to be seldom, if ever, invoked. An example is the section of the Sherman Act which authorizes seizure and condemnation of goods. Even if it were conceded that in the course of some 180 proceedings which have been instituted by the Department of Justice the interpretation of the Sherman Act has been established, later enactments have departed from the language of the Sherman Act and the new phrases leave great opportunity for perfectly honest doubt. This is a time which peculiarly necessitates certainty in our national policies affecting economic problems. If it was true, as the President said in 1914, that nothing then discouraged business enterprise like the necessity of running a risk of falling under the condemnation of the law before it is possible to make sure just what the law is, this discouragement operates with greatly increased effect at a time when the special concentration of business activity for the war is being succeeded by conditions which contain more uncertainties than have ever before existed.

#### INTERLOCKING DIRECTORATES

"Respecting the recommendation that there should be formulated standards of general business conduct to be administered in the first instance by a supervisory body, the report gives examples of the applications of standards in a way which would accord with this regulation. It points out that interlocking of directors among corporations which are competitive might be continued under a general prohibition, but with a provision that such interlocking might lawfully exist as to instances in which a regulatory body had made a prior determination that there would be no detriment to the public interest.

"There can be no public advantage in having a period of destructive competition ensue in such industries and continued until only the units that are strongest in financial resources survive, regardless of relative merits from an economic point of view. There should be regulation of excess capacities to the point where the capacity will reasonably correspond to present and future needs. To this end a form of temporary action in common might be made permissible in order that under adequate supervision such industries may solve their special problems. The decision whether or not in a particular industry such action should be allowed in the public interest, determination of the elements that should be dealt with and supervision of the operation of the arrangement should be in a regulatory body."

The co-operative agreements among producers of timber, coal, petroleum and metaliferous ores advocated by the Chamber, says the report, would undoubtedly include agreements as to prices. Unless such agreements were very carefully supervised in the

public interest, the report continues, they would be apt to be detrimental to consumers.

"For exercising the supervisory functions which are proposed," the report states further, "the appropriate agency is obviously the Federal Trade Commission, so far as business in its great branches of manufacture and merchandising are concerned. In an earlier report we had occasion to call attention to recent departures by the Commission from the purposes of the law that created it. That report dealt only with the procedure and the point of view of the Commission as at present constituted and it ended with recommendations that existing vacancies in the Commission's membership should be filled with men who would bring to the Commission a proper conception of its duties and purposes."

One reason why the Federal Trade Commission should be the supervisory body, the committee declares, is that the Commission has obtained a great body of information about American industry and commerce.

#### ENLARGED FEDERAL TRADE COMMISSION

Supporting its recommendations that an enlarged Federal Trade Commission should be made the supervisory body and that the membership of the Federal Trade Commission should be increased to nine, the committee has this to say:

"Such duties as the committee has suggested for the Federal Trade Commission will impose upon the Commission greatly increased responsibilities to the public and to individual industries and will require constant attention to the whole field of production and distribution. For duties so extensive and important the membership of the Commission should be enlarged. At present the law authorizes but five commissioners. At the same time there are nine members of the Interstate Commerce Commission, which can scarcely be said to have more important duties than are proposed for the Trade Commission. The Federal Reserve Board has seven members, of whom two are *ex-officio*, but active. Even such war agencies as the Advisory Commission of the Council of National Defense and the War Trade Board have more members than the present law provides for the Trade Commission, and bodies which have more specialized tasks have an equal number of members. An example is the Tariff Commission, with its five commissioners."

The referendum as sent out carries for the information of those to whom it is put to vote possible arguments in the negative also, as is customary in the preparation of the Chamber's referenda.

It is pointed out in these arguments that the report of the committee may proceed upon a false hypothesis, in that it assumes that the principles of co-ordination in industry during war may have an applicability during times of peace in the United States.

"In a time of war," it is set forth, "the government necessarily and properly strives for unification of the resources of the country for concentration against the enemy. With the cessation of war this paramount necessity ceases, and in the United States considerations of domestic policy again become most important."

It is here pointed out that the domestic policy of the United States with respect to industry and com-

merce conducted for domestic markets has been, and may well continue to be, different from the policy of other countries, in that domestic markets within the United States have been of more importance than foreign markets. This circumstance, it is declared, through the immediate interest of consumers, has probably had its influence upon development of the American policy which seeks to maintain free competition in domestic markets even at the expense of limitation upon the Anglo-Saxon doctrine of freedom of contract.

"No reasons have been advanced," it is suggested, "which demonstrate that, upon the conclusion of peace, the United States should not return completely to its former policy with respect to its own markets. On the contrary, some reason can be brought forward for a continuance of a policy which contemplates freedom of competition. Such a policy has encouraged new industries. It has afforded opportunity for initiative, diligence and ability, and for inventive genius. After industries have been established this policy has promoted their development into businesses of large size, commensurate with the domestic markets they serve. The waste it causes may be a cheap price to pay for public freedom from the burden of mistakes in individual judgment and for the advantages of an industrial and commercial development that has nowhere else been equaled. At least, if special measures are to be taken to prevent waste, they should apply to such natural resources as are exhausted in use. Even as to these, however, there may be a question, because of the possibilities of substitution of articles subsequently developed in the sciences and mechanical arts for articles which at the moment appear indispensable.

"If there is consideration of abandonment of our former policy, some possible results other than those suggested above should be contemplated. A policy of co-operation under supervision of governmental agencies may involve an increasing measure of governmental intervention. Such a policy has been, perhaps necessarily, pursued in one degree or another with public utilities, and has now resulted in the possibility of government ownership for railroads and for telegraphs, cables and telephones. Industries less affected with a public interest, such as mining, steel-making or manufacture of textiles, are scarcely susceptible of public ownership and operation so long as they are conducted by competing units, but if the units in an industry become co-operative, under governmental regulation, the units may be gradually welded into a whole which is readily subjected to nationalization."

#### CAPITAL EXPENDITURES OF RAILROADS

A further section of the annual report of the Railroad Administration, dealing with capital expenditures, reads in part as follows:

The work of providing for necessary capital expenditures has been one of the most important tasks facing the railroads under Federal control, because of the war necessities, the condition of the carriers when taken over, and the obligations resting upon the government under the Federal Control Act. This work has been under the immediate direction of the Division of Capital Expenditures, with Judge Robert S. Lovett,



former chairman of the Board of Directors of the Union Pacific, as director.

On February 2, 1918, all lines under Federal control were directed to prepare and send in budgets of improvements immediately required to increase capacity and efficiency and to promote safety in operations; and in the letter of instructions the following policy was prescribed:

In determining what additions and betterments, including equipment, and what road extensions should be treated as necessary, and what work already entered upon should be suspended, please be guided by the following general principles:

(a) From the financial standpoint it is highly important to avoid the necessity for raising any new capital which is not absolutely necessary for the protection and development of the required transportation facilities to meet the present and prospective needs of the country's business under war conditions. From the standpoint of the available supply of labor and material, it is likewise highly important that this supply shall not be absorbed except for the necessary purposes mentioned in the preceding sentence.

(b) Please also bear in mind that it may frequently happen that projects which might be regarded as highly meritorious and necessary when viewed from the separate standpoint of a particular company may not be equally meritorious or necessary under existing conditions, when the government has possession and control of the railroads generally, and therefore, when the facilities heretofore subject to the exclusive control of the separate companies are now available for common use whenever such common use will promote the movement of traffic.

The budgets submitted in response to this called for expenditures chargeable to capital account—that is, exclusive of large sums chargeable to maintenance—amounting in the aggregate to \$1,329,000,000, which, upon careful revision, was reduced to \$975,000,000. This amount has been increased from time to time by new and unforeseen requirements, and particularly by large orders for locomotives and freight cars, until the improvements definitely authorized to December 31, 1918, amounted to \$1,278,814,998. Of this amount \$573,150,159 was for additions and betterments; \$658,893,761 for equipment, and \$46,771,078 for construction of extension, branches and other lines.

In addition to the locomotives and freight cars being made under orders from the railroad companies at the time the government assumed control, additional orders were placed by the Railroad Administration for 1,430 locomotives for 1918 delivery, at an estimated cost of \$78,193,200, of which 743 have been delivered by the builders; and also an order for 100,000 freight cars for 1918 delivery at an estimated cost of \$289,460,000, of which there has been completed and delivered to date 17,027 cars. An additional order for 600 locomotives for 1919 delivery has also been placed, involving an expenditure of approximately \$37,842,268. At the time these orders were placed it was supposed that the war might last much longer than the year 1918. Practically all of this equipment has been assigned to those railroads whose need for additional power and equipment appeared to be the greatest.

#### PHILADELPHIA BANQUET

Group One, Pennsylvania Bankers Association, held its annual banquet January 9 at the Bellevue-Stratford, Philadelphia. Over 700 were present. The speakers were Frank A. Vanderlip, Thos. DeWitt Cuyler, Signaller Tom Skeyhill and Rev. Robert MacGowen. Arthur V. Morton was toastmaster.

#### THE ROLL OF HONOR

Reporting to the American Bankers Association in behalf of the Roll of Honor of American bankers, the Mount Clemens Savings Bank of Mount Clemens, Mich., states that Harry John Ollrich, private, Company E, 125th Infantry, was killed in action July 31, 1918. He has received a posthumous award of the Distinguished Service Cross "for extraordinary heroism in action."

#### ANNUAL BANQUET OF NEW YORK BANKERS

The Associated Banks of the City of New York, Group Eight of the New York State Bankers Association, held their annual banquet at the Waldorf-Astoria January 13, about 700 guests being present. The speakers were Carter Glass, Secretary of the Treasury; Baron Jacques DeNeufville, Hon. E. C. Stokes and John Kendrick Bangs.



# Warfield Plan for Return of Railroads

S. Davies Warfield, president of the National Association of Owners of Railroad Securities, presented a statement concerning the return and regulation of the railroads before the Committee on Interstate Commerce of the United States Senate on January 31, 1919.

Mr. Warfield stated that three methods are open to Congress in respect to the railroads:

- "1—To carry out the provisions of the Federal Control Act under which their control and operation was taken over by the government for the sole purposes of war.
- "2—To extend the period of Federal control and operation for five years for purposes clearly not those for which they were taken.
- "3—Government ownership—a question embodying the complete reversal of national policy, of vital moment to every interest in the country—agricultural, industrial, commercial, financial, social."

After disposing of the latter two methods Mr. Warfield commented in relation to No. 1. "We believe that the railroads of the country should be returned to their owners under private operation as early as practicable, but not before legislation can be enacted that will assure adequate facilities and service at reasonable rates under proper control and regulation by governmental bodies and protection to the investment in the properties." Mr. Warfield urged legislation which would restore the normal requirements of the railroads, "such as their traffic and other departments"; and a request was made for Congress to "provide for a gradual liquidation of the indebtedness of the railroads to the government."

The plan, stripped of operating details, is based upon the following fundamentals, and they are embodied therein:

## FUNDAMENTALS OF PLAN

1—A minimum rate of return on the property investment in the railroads, *fixed* by Act of Congress, through rates adjusted as occasion may demand, in order that the securities of the railroads may be stabilized and their credit established on a basis necessary to secure the money to provide to the shippers and traveling public adequate facilities and service.

2—Recognition that a fixed return through rates that will enable the average railroad to receive an adequate return on its invested capital is not possible without giving to the more favorably situated railroads more revenue than the public will sanction, or more than would represent a fair return on its property. The earnings of railroads in excess of a fixed reasonable rate of return to be applied as provided in the following section.

3—A distribution under the control and jurisdiction of the Interstate Commerce Commission of a percentage of the fund above provided, that railroad employees shall receive the benefit of profit sharing, by insurance, or by such other legal methods as may be determined

upon; likewise a distribution of a percentage thereof among the railroads earning it, and under the plan, and in furtherance of incentive and initiative by establishing operating efficiency standards; for certain improvements to railroad property, under restrictions, not to be capitalized in rate making; and for other purposes defined in the plan.

4—A corporation, created by Act of Congress, operated without profit to the railroads, and under Federal control, directed by trustees composed of the nine Interstate Commerce Commissioners and eight railroad men, to finance in the present emergency, such equipment as may be purchased by it from the Railroad Administration and allocated to the railroads, and to furnish an immediate means for assisting in financing the return of the roads; continued as a permanent means for mobilizing and purchasing equipment to be leased to the railroads; to provide a management or agency to continue or put into effect the joint use of terminals, unification of facilities, re-routing of freight by pooling or otherwise, and to continue or adopt such methods of operation as may have been found to be successful and expedient during Federal control; to furnish a standing, trained and efficient means for immediate mobilization of the railroads for war purposes without additional legislation.

5—Federal regulation extended through the Interstate Commerce Commission as at present established, co-ordinating therewith subsidiary commissions as Regional Commissions the members thereof selected equally from the two leading political parties appointed from and sitting in the six traffic territories as at present defined, giving to such bodies the determination of rates and regulations essential to the operation of the plan.

The right of appeal is given to the Interstate Commerce Commission, which may be designated the Commission of Appeal.

6—Continuation of Rate Committees composed of representatives of both railroads and shippers established in defined territories of the country, to primarily consider and pass upon all changes in rates requested by either railroads or shippers and before being filed with the Regional Commissions or Interstate Commerce Commission as provided in the plan.

7—Co-ordination by the Interstate Commerce Commission, of the work of the State Commissions, as far as the limitations of law, and the legislation provided under the plan will permit, with that of the Regional Commissions. The adjustment of intrastate rates to the requirements of interstate commerce as prescribed through interstate rates is vested in the Federal Commissions.

8—Regional Commissions act as Boards of Conciliation for the settlement of wage differences between the railroads and their employees. In default of settlement such Commissions shall appoint two arbitrators, the employees naming two, the four so selected naming the fifth, if required.

9—Future issues of railroad securities supervised by the Regional Commissions and the Interstate Commerce Commission.

M. W. H.

# LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

## Relief of War Contractors

**I**N a memorandum prepared by Hon. G. H. Dorr, Assistant Director of Munitions, for Hon. S. H. Dent, Jr., Chairman Military Affairs Committee, House of Representatives, he says:

"The signing of the armistice has left numerous persons and corporations engaged in supplying or preparing to supply the war needs of the United States, at the request of the War Department, without contracts covering the services to be rendered by them executed in the manner required by law."

He refers to the following classes of cases:

(1) Agreements carefully reduced to writing upon Ordnance Department forms but technically invalid because signed by an assistant instead of by the Chief of the Procurement Division of the Ordnance Department; (2) written purchase orders which contain a direction by the Government as to supplying certain articles, but not valid under rulings of the Comptroller of the Treasury because not signed by both parties; (3) cases where negotiations for contracts had been terminated and terms completely agreed upon and the contractors requested by the Department in view of the exigencies of the war to proceed immediately with procuring the necessary materials, without waiting for formal execution of the agreement; (4) cases where negotiations were still under way and before definite terms had been arrived at, contractors had been requested by the Department to enter upon execution of the work in advance of final agreement, in view of war exigencies.

In all these cases contractors have made expenditures and incurred obligations and have, in many cases, an essential part of their working capital tied up therein. It is necessary that this working capital be returned to them so that they may, as speedily as possible, go into commercial work and immediate adjustments are imperative.

It is essential to the welfare of the country that remedial legislation be immediately passed so that it will be possible to make prompt and reasonable settlement of the Government's obligations. Banks throughout the country to a large extent have loaned their money or credit to Government contractors under the spur of doing everything in their power to facilitate the execution of Government contracts. The money and credit of the country is so tied up in this way that the bankers' ability to take care of the normal business of the country is very much curtailed and from the standpoint of the contractor, he is prevented from undertaking new work, so long as his money is tied up, while at the same time the pressure from his creditors increases.

Remedial legislation in the form of a number of bills to legalize or validate informal or defective contracts or orders for war supplies and materials has been introduced in Congress. Without going into the detail of these measures attention is now centered on the Dent bill H. R. 13,274 to provide relief in cases of contracts connected with the prosecution of the war, which passed the House on January 9 and was

reported on January 20 by Mr. Chamberlain, Chairman of the Senate Committee on Military Affairs, to the Senate with an amendment, in the nature of a substitute. As reported the bill provides:

That whenever during the war emergency and prior to November twelfth, nineteen hundred and eighteen, any individual, firm, company, corporation, or foreign government has made an agreement with the Secretary of War, or with any officer or agent acting under his authority, or with any agency of the Government authorized to procure or aid in procuring the same for the War Department, for the production, manufacture, sale, acquisition or control of equipment, materials or supplies, or for services, or for facilities, or other purposes connected with the prosecution of the war, and such agreement was reduced to the form of a contract or accepted procurement order and executed or signed on behalf of the Government, but the agreement did not comply with statutory requirements, in every such case the Secretary of War is authorized and directed to waive, on behalf of the Government, such noncompliance: Provided, That he finds such waiver is not inconsistent with the public interest, and in this event the said agreement shall have the same validity and effect it would have had if such statutory requirement had been complied with.

That whenever, prior to said November twelfth, nineteen hundred and eighteen, any individual, firm, company, corporation, or foreign Government has made any agreement, oral or written, express or implied, with, or has received any order or request, oral or written, from the Secretary of War, or any officer, agent, or agency as aforesaid, for any of the purposes aforesaid, and the same has not been reduced to contract form, but such individual, firm, company, corporation, or foreign Government has in good faith made expenditures, incurred obligations, acquired or furnished facilities, equipment, materials, or supplies, or rendered services, in reliance on such agreement, order, or request, in every such case the Secretary of War is authorized and directed, on behalf of the Government, to enter into such contract with such individual, firm, company, corporation, or foreign Government as will, under all the circumstances, fairly and equitably compensate him or it for the expenditures made, obligations incurred, equipment, materials, or supplies furnished or acquired, or services rendered, as aforesaid: Provided, That in no event shall such contract provide for compensation on terms more favorable than the terms, if any, for which the aforesaid agreement, order, or request may have provided.

That whenever, prior to said November twelfth, nineteen hundred and eighteen, the War Department, through its officers or agents, has taken possession of any land, or whenever the holder or owner of any land has removed from or removed any improvements from such land at the order or request of the War Department and no valid contract has been made with respect thereto, then the Secretary of War, if he finds that the public interest does not require the possession or occupancy of such land by the Government, is authorized to make compensation to the owner or holder thereof for the fair value of such improvements so removed and the expense incurred by such owner in removing therefrom or for the fair value of the use of such land of which the War Department has taken actual possession and for any expense or loss incurred by the owner or holder by reason of such possession.

Sec. 2. That a commission is hereby created and established, to be known as the War Contracts Appeals Commission (hereinafter referred to as the commission), which shall be composed of three members, who shall be appointed by the President, by and with the advice and consent of the

Senate, and shall continue in office for one year from the date of this Act. One member of the commission shall represent the War Department, one member shall represent the Department of Justice, and one member shall represent the business interests of the country. None of the members of the commission shall be interested in any order, contract, or agreement within the purview of this Act or have any interest in any firm or corporation having such orders, contracts, or agreements. Each member of the commission shall receive a salary of \$7,500 a year, payable in the same manner as the salaries of judges of the courts of the United States. The commission shall choose a chairman from its own membership and may appoint a secretary, who shall receive a salary not exceeding \$5,000 a year, to be determined by the commission and payable in the same manner as the salaries of the members of the commission.

That there is hereby appropriated, for the purpose of defraying the reasonable expenses of the commission, including the payment of salaries herein authorized, out of any money in the Treasury of the United States not otherwise appropriated, available immediately and until expended, the sum of \$50,000.

That within thirty days of the date when the Secretary of War tenders any contract or compensation as provided in this Act, or refuses to tender such contract or compensation, the party to whom said contract or compensation is tendered or refused, or the Government by a duly authorized officer from the Department of Justice may file with the chairman of the commission a notice of appeal: Provided, however, That if the representative of the Department of Justice agrees with the action of the War Department there shall be no appeal by the Government, but settlement can be made at once. Thereupon, the commission shall proceed to examine and review the facts and circumstances of the case and make its award or finding thereon. Upon giving receipt in full of all demands against the United States arising out of the transaction by reason of which the award is made, the appellant shall be entitled to receive the amount of any award so made, and the proper officer of the United States is hereby authorized and directed to pay the same, but if the appellant is dissatisfied with the amount so awarded he shall be paid seventy-five per centum of the amount awarded and shall be entitled to sue the United States in the Court of Claims to recover such further sum as added to said seventy-five per centum shall make up such amount as will be fair and just compensation as provided in this Act, and the Court of Claims is hereby given jurisdiction to hear said suit and render judgment therein.

That whenever any dispute arises in the matter of the adjustment or settlement, or as the interpretation or application of the terms, of any contract which has been made for any of the purposes set forth in this Act, and in the execution of which there has been compliance with statutory requirements, the contractor or the Government by a duly authorized officer from the Department of Justice may give notice to the Secretary of War of intention to appeal to the commission, and provided notice of appeal is filed with the chairman of the commission within thirty days: Provided, however, That if the representative of the Department of Justice agrees with the action of the War Department there shall be no appeal by the Government but settlement can be made at once. On an appeal being taken the commission shall thereupon proceed to determine the questions at issue as set forth in said notice of appeal; and the contractor shall be entitled either to receive the whole amount of such award as may be made as in full of his claim on the questions submitted or seventy-five per centum of the same and sue the United States in the Court of Claims for any remainder, all as provided next above as to agreements otherwise within the purview of this Act.

That in executing the duties and powers conferred by this Act the commission may make its own rules and regulations and may hear and determine issues informally. It shall be the duty of the Secretary of War to furnish to the commission such evidence, documents, or papers pertaining to transactions as to which notice of appeal has been filed as the commission may request. The commission is authorized in its discretion to appoint an examiner in any region or district when such region is within the United States where in its judgment the taking of additional testimony is necessary to the determination of any case. Such examiner shall

be a resident of the region or district for which he is appointed, and shall not have any interest, directly or indirectly, in any contract or transaction coming before him or receive any compensation save and except such per diem compensation and expenses as shall be fixed by the commission. Whenever the commission shall refer to any such examiner any claim presented hereunder, the examiner shall proceed, under the direction of the commission, to hear the parties, take the proofs, and return the same to the commission with his recommendations thereon as promptly as possible.

SEC. 3. That nothing in this Act contained shall be held to validate any such contract unless the officer who was at the time of the making of such contract the chief of the division or bureau, as the case may be, in which said contract was negotiated, or in the event that such officer was not responsible for the making of such contract, then the officer in such division or bureau who was so responsible, together with the officer who signed said contract, shall each severally make and subscribe to an affidavit in writing, giving the definite terms of such contract, the name or names within his knowledge, of any such officer or officers who took part in the negotiation or making of the same, and stating whether or not within his knowledge any officer aiding in such making was interested, directly or indirectly, in said contract, and in addition subscribing to an oath to be appended to said affidavit in substantially the following form and tenor:

"I, \_\_\_\_\_, Chief of the Division or Bureau (naming it) in which the contract hereinbefore mentioned was negotiated, at the time of negotiation thereof, and the officer in the Division or Bureau (naming it) responsible for the making of the contract hereinbefore mentioned, and I, \_\_\_\_\_, the officer who actually signed said contract, do hereby each severally swear that I am not and was not at the time of the making of said contract directly or indirectly interested in said contract."

That in respect to any such contract as to which any one of said officers can not take the foregoing oath, or after diligent search or inquiry by the contractor can not be found, or is at the time actually engaged in foreign service, or refuses to take said oath, then upon such facts and the fact required in the oath of such officer, appearing by an affidavit of the contractor, or of one of its partners, chief officers, or chief agents acting in its behalf, the Secretary of War shall promptly report such contract to the War Contracts Appeals Commission, and furnish to said commission such evidence, documents, and papers pertaining to the transaction as may be within his control, and such commission may request, and original jurisdiction is hereby vested in, said commission to hear and determine said claim with the powers and upon the procedure hereinbefore described in this Act. Said commission shall make its award or finding thereon, and deny said claim or grant it in whole or in part, according to the justice and equity thereof, and the award or finding shall have the same force and effect, and create the same rights as if made under the provisions of section three of this Act. And it shall be the further duty of said commission in hearing, investigating, and determining such claim to find and determine whether any of such officers is or was at the time of the making of said contract directly or indirectly interested in said contract.

SEC. 4. That nothing in this Act contained shall be construed to relieve any officer or agent of the Government from prosecution under the penal statutes of the United States for any fraud, criminal conduct, illegality, or irregularity in connection with any of the agreements or orders referred to herein or the execution or signing thereof.

At a meeting of the Administrative Committee of the American Bankers Association, held in New York on January 23, this bill was given due consideration in conjunction with representatives of the mercantile interests and the following resolution was unanimously adopted and wired to each member of the Senate:

*Resolved*, That the American Bankers Association earnestly urge the passage by the Senate of H. R. 13,274 as reported by Mr. Chamberlain on January 20 with an amendment, subject, however, to the important modification that

wherever the right of appeal therein is given to the Department of Justice, such right be eliminated.

A provision of this nature places upon the Department of Justice a duty to investigate all contracts or orders now pending validation, adjustment and final settlement and will cause a serious and unnecessary delay to the great detriment of business and will cause great financial loss to customers of banks and seriously interfere with the employment of labor.

We believe that there are adequate laws existing to protect the Government in the payment on contracts when validated, and that Section 2 of the bill in question protects the Government in the validation of informal contracts and

the completion of contracts to replace informal orders and agreements.

On January 24 the Senate agreed to a motion to proceed to the consideration of H. R. 13,274, and the bill was laid aside until the next convening of the Senate. Such is the situation at the date of this writing (January 25); and there is good prospect that by the time this issue of the JOURNAL reaches our members a law will have been passed on this subject satisfactory to the mercantile and banking interests.

## Opinions of the General Counsel

### FORGERY OF INDORSEMENT ON CHECK

*Statute limiting time of action by depositor against bank for money paid on forged or raised check—A New Jersey case holds that statute covers forged indorsements, but question somewhat doubtful.*

From California—On September 16, 1916, a corporation check was drawn on Bank A, made payable to John Doe and Mary Doe in the sum of \$2,000. The check was presented to Bank B apparently bearing the joint indorsement of John Doe and Mary Doe, and in addition the indorsement of Richard Rowe, which we knew to be genuine, but did not know anything in connection with the genuineness of the indorsement of John Doe and Mary Doe. The check was then put through a clearing house and sent by messenger to Bank A, the back of the check bearing the indorsement of Bank B as well as the bank receiving it through the clearing house, who was to send it to Bank A, Bank A being located in an adjoining city. On December 7, 1917, which was one year and two months after the date of the check, it was discovered that the indorsements of John Doe and Mary Doe were fraudulent and forgeries.

There is a section of the Civil Code, known as subdivision 3, Section 340, Code of Civil Procedure, of the State of California, providing for one year limitation of time for the commencement of action, which reads as follows:

"An action for libel, slander, assault, battery, false imprisonment, seduction or for injury to or for the death of one caused by the wrongful act or neglect of another, or by a depositor against a bank for the payment of a forged or raised check."

We are wondering if this Section applying to the limitation of time would apply in connection with the forged indorsement? It is our view that the back of a check is as much the part of a check as the face, and that the forgery of the indorsements can be construed under the Section quoted above in the light of a forged check. Could you cite cases that would assist in defining the position more clearly, or if there is at this late date a cause for action?

The legislature of New York in 1904 passed the following law:

"No bank shall be liable to a depositor for the payment by it of a forged or raised check unless within one year after the return to the depositor of the voucher of such payment, such depositor shall notify the bank that the check so paid is forged or raised."

This was followed in 1905 in California by the addition to the statute of limitations of the provision quoted by you, creating a time limit of one year after payment as a bar to an action by a depositor against a bank "for the payment of a forged or raised check."

Provisions similar to the New York statute have

since been enacted in a large number of states, the time limit varying from thirty days to one year.

The original purpose underlying this law was to protect a bank in case of payment of a forged check—i. e., a check bearing forgery of signature and therefore necessarily a forgery throughout—or of a raised check where the amount of a check originally genuine had been fraudulently increased and where the depositor had been negligent in failing to discover the forgery and notify the bank. In these cases the depositor, upon return of the check as a paid voucher, could readily tell whether his signature had been forged or the amount increased. As I understand it was not the original intention that a statute such as the above should apply to a forged indorsement upon a genuine check as, upon return of the paid voucher to the depositor, he would not have the same means of knowing whether the indorsement of the payee or subsequent indorser was forged as in case of forgery of his own signature or increase of amount of his check.

In Oregon where the New York Statute as above quoted was originally enacted in 1907 with a thirty-day time limit, it was amended in 1911 to cover the case of a forged indorsement and made to read as follows (amendment consists of italicized words).

"No bank shall be liable to a depositor for the payment by it of a forged or raised check or forged indorsement of any check unless within thirty days after the return to the depositor of the voucher of such payment such depositor shall notify the bank that the check so paid was forged or raised."

From the above it would seem to follow that a statute barring after one year an action against a bank for payment of a forged or raised check, would apply only to a check forged in its inception, or to a check where the amount had been raised and would not apply to a check originally genuine upon which the signature of an indorser had been forged. And yet there is at least one court which has construed this statute as applying to a forged indorsement upon a genuine check. *Pratt v. Union Nat. Bank*, 75 Atl. (N. J.) 313. In this case the bank paid a check on forgery of an indorsement and returned the cancelled check to its depositor on November 7, 1906, and it was not until the Spring of 1908 that the bank was notified of the forgery. The Supreme Court of New Jersey said:

"First, it is said that there can be no recovery, because no notice was given to the bank of the forgery within one year after the return to the depositor of the voucher. It is true that the act of April 13, 1908 (P. L., p. 428), provides that 'no bank shall be liable to a depositor for the payment by it of a forged or raised check, unless within one year after the return to the depositor of the voucher of such payment such depositor shall notify the bank that the check so paid was forged or raised.' It is also true that the act provides that it shall take effect immediately. The important question is whether the act has any application to the case at bar. That depends upon whether it is intended to be retrospective, or prospective only. We think it is prospective only. It is a rule of construction that all statutes are to be considered prospective, unless the language is express to the contrary, or there is a necessary implication to that effect. \* \* \* The statute in question contains no express language indicating that it is to have a retroactive effect, nor is there any such necessary implication. The action in question accrued before the statute was enacted. To give it effect in this case would deprive the plaintiff of his existing remedy, for he did not discover the forgery until after the time limited by the statute had elapsed. It will be presumed that such was not the intent of the legislature. To avoid such a result we should give the statute a prospective operation. We are of the opinion, therefore, that it does not affect this suit."

According to the above, the statute in question applies to the case of payment of a genuine check bearing a forged indorsement equally as to a check forged in its inception. Its non-application to the instant case was simply because of its enactment after the cause of action accrued.

The above is the only case on record that I know of involving interpretation of the statute in question covering forged and raised checks, in its application to forged indorsements, and in this case the court seems to have taken for granted that a check, originally genuine, upon which an indorsement has been forged, comes within the definition of a "forged check."

Whether the courts will generally so interpret this statute is problematical.

It is true the courts sometimes, in cases where there has been forgery of an indorsement upon a genuine check, designate the crime as forgery of a check and the instrument as a "forged check." Thus in *Dowling v. United States*, 41 App. D. C. 11, defendant was charged in the indictment with "forging and uttering 21 checks." The indictment contained forty-two counts and defendant was convicted upon two counts in the indictment charging him with "forging and uttering a check for \$700." The crime consisted in indorsing without authority the name of the payee upon the genuine check, the money upon which he collected and appropriated. The court said that "the crime of forgery, not embezzlement, was committed"; and that "the clean-cut questions of forgery and the fraudulent entry on the books of the firm, as well as the application to his own use of a part of the proceeds derived from the utterance of the *forged check* (italics mine) were fairly presented to the jury and found adversely to the defendant."

In the above case, therefore, forgery of an indorsement is covered by the term "forged check," and the forging of an indorsement of a check and collecting the proceeds is the forging of a check and the utterance of a forged check.

But in *Kirby v. State*, 1 Ohio St. 185, it was held that an indictment which charges a bank bill to have been false, forged, altered and counterfeit, is repug-

nant. The court here said: "An altered bill can neither be a counterfeit, a forged, nor a spurious bill, according to the twenty-second section. It must be an authentic and genuine bill, legitimately printed from the genuine plate, and truly signed by the officers of the bank, but altered in its denomination, or in some other material part."

According to this decision, a genuine bill, altered as to amount, is not a forged bill, but a genuine bill which has been altered; and following this line of reasoning a genuine check, upon which an indorsement has been forged, is not a forged, but a genuine check bearing a forged indorsement.

An indorsement is a new and separate contract, and it seems to me quite doubtful whether the courts, when called upon to construe the statute barring after one year an action by a depositor to recover money paid on a forged or raised check, in a case where the money has been paid upon a forgery of indorsement, the check itself being genuine, will hold that the statute applies to such cases. It is true the Supreme Court of New Jersey has construed the statute as covering forged indorsements, but in that case there appears to have been no contention made upon this particular point and no real consideration of the distinction in fact between a forged check and a genuine check bearing a forged indorsement.

#### ELIGIBILITY OF NATIONAL BANK DIRECTOR AS SAVINGS BANK TRUSTEE

*A director of a national bank located in New York is eligible to become trustee of a savings bank in the same state, provided a majority of the board of trustees of the savings bank is not composed of directors of the national bank.*

From New York—Will you kindly advise me of any state law, or suggestion of the State Banking Department, which prohibits or suggests that national bank directors be not chosen for trustees of savings banks of this state?

There is no provision of the banking law of New York which prohibits or makes ineligible a single director of a national bank from becoming the trustee of a savings bank. There is, however, a restriction upon the number of directors of a national bank who may become such trustees. This is to prevent control of a savings bank by a national bank. Section 267 of the Banking Law provides:

"A trustee of a savings bank shall not \* \* \* (b) become a member of the board of directors of a bank, trust company or national banking association of which board enough other trustees of the savings bank are members to constitute with him a majority of the board of trustees."

The above would apply to the eligibility of the director of a national bank located in the state of New York. If a national bank director should be a resident of another state he would be ineligible with an exception as to certain trustees of savings banks in the city of New York. Section 260 of the Banking Law provides that "A person shall not be a trustee of a savings bank, if he (a) is not a resident of this state; provided, however, that one-fifth of the trustees of any savings bank in the city of New York may be residents of a state which adjoins said city. \* \* \*

## ATTORNEY FEE NOTE PAYABLE AT A BANK

*Where a note providing for attorneys' fees is not paid when due and collected by an attorney, is made payable at a bank in which the maker has sufficient funds at maturity and the note is not presented until after maturity and then by an attorney, it is (1) doubtful whether the bank has authority to pay the overdue note without express authorization from the maker and (2) in any event the amount collectible is the face of the note, without attorneys' fees.*

From Arizona—Our note form has a clause which reads as follows: "If this note is not paid when due and is collected by attorney or through legal proceedings, we promise to pay an additional sum of 10 per cent. of the amount of this note as attorney's fees." A local attorney presented a past due note to us for payment, adding thereto 10 per cent. for his fees. The note was drawn payable at our bank. Under the statutes of this state a note payable at a bank is an order on the bank by the maker to pay the note and charge his account. What we want to know is whether or not we were justified in paying the note, plus the attorney's fees, without specific authorization by the maker?

Two questions present themselves:

1. Should the note have been paid by the bank without specific authorization from the maker?
2. Was the amount collectible on the note merely its face, or protest fees in addition?

1. The Negotiable Instruments Act provides "Where the instrument is made payable at a bank it is equivalent to an order to the bank to pay the same for the account of the principal debtor thereon." (Rev. Stat., Ariz., 1913, Section 4232.)

Where a note made payable at a bank is presented on the day of maturity, there is no question but that under this provision of the Negotiable Instruments Act, the bank is under duty to pay the note and it requires no specific authorization from the maker. The law itself provides the authority and creates the duty or obligation to pay. But where a time note made payable at a bank is not presented by the holder until after maturity, there is grave doubt as to the bank's authority to pay the over-due paper of its customer without specific authorization. Legal opinions differ on this proposition. There is an Australian decision that the bank's authority to pay continues after maturity until countermanded, but there has been no decision on the point in this country. I discussed this question quite fully in the JOURNAL for April, 1918, at page 711, and again in the JOURNAL for June, 1918, at page 849, and would refer to those opinions for fuller information. My own conclusion was expressed that the safest course for the bank is to obtain an express instruction from the maker before making payment of an instrument made payable at the bank, but not presented until after maturity.

2. Whether or not a bank is justified in paying an over-due note, made payable at the bank, without specific authorization from the maker, I think it quite clear that in any event the amount collectible on this specific note by the holder would be limited to its face and would not include the 10 per cent. additional as attorneys' fees which the maker promised to pay "if this note is not paid when due and is collected by attorney or through legal proceedings." The note in this case is made payable at a bank and the maker had funds in bank at maturity sufficient to pay same. The

Negotiable Instruments Act provides that "if the instrument is by its terms payable at a special place and he (the maker) is able and willing to pay it there at maturity, such ability and willingness are equivalent to a tender of payment upon his part." (Rev. Stat., Ariz., 1913, Section 4215.) Where a note is made payable at a bank and the holder refrains from making due presentment at maturity, the law will not allow him to take advantage of the maker, by withholding the note from presentment until after maturity so as to obtain the benefit of the stipulation adding 10 per cent. attorneys' fees if the note is not paid at maturity and collected by an attorney. The maker having funds in bank, there was a virtual tender of payment at maturity and the maker may plead such tender in bar of damages and costs. *Armistead v. Armistead*, 10 Leigh [Va.] 525. See also *Florence Oil & Co. v. First Nat. Bank*, 38 Colo. 119. Clearly, where the maker had the money in bank at maturity to pay the note the neglect of the holder to present the note until after maturity, then making presentment through an attorney, would not entitle him to recover the 10 per cent. additional as attorneys' fees.

## NOTE SIGNED IN BLANK

*Where B and C sign a note in blank with A as principal maker, authorizing A to fill in the note for \$100 and A, in violation of the agreement, borrows \$2,500 from a bank upon the note, and the bank fills in that amount, such bank is put on inquiry as to the extent of the authority of A and cannot recover from the accommodation makers the full face of the note, but only the amount authorized.*

From West Virginia—One of our local men came to the bank and made arrangements to borrow \$2,500 and gave us the names of the parties he would have on his note who were satisfactory to the bank. We gave him a blank note, a form of which we are herewith enclosing (form of note enclosed contains printed name of bank as payee), and he came back in a day or so with the note signed in blank, which we filled out for the amount arranged. Before the note was paid the party making the arrangements for the money and who received the proceeds of the note, made an assignment and when we called on the other two joint makers to pay the note, we were advised by one of them that he would not pay his part of it, because he said his arrangement was with the party that he would go on the note for \$100 and not \$2,500. Now the bank had no notice of this kind and paid out the money in good faith. We shall appreciate your opinion whether we can recover the full amount of our note.

Under the Negotiable Instruments Act your bank cannot hold the accommodation maker for more than the amount he authorized the principal maker to fill in the note, namely, \$100. Under the law merchant the rule was different and the full amount would have been recoverable, but the Negotiable Instruments Act has changed this rule.

To illustrate the former rule, it was held in *Frank v. Lillienfeld*, 33 Gratt. (Va.) 377, that the purchaser in good faith of a note in printed form indorsed by the defendant, where the date, payee's name and amount had been left blank, had an absolute right to fill in the amount advanced thereon and to fill up the other blanks and to recover thereon from the accommodation indorser, although the note was negotiated in violation

of an agreement between the accommodation indorser and the maker. The court said: "The indorsement of the note was in the nature of a general letter of credit addressed to any person who would give credit to the maker for any amount. In legal effect it was a proposition of the indorser to become bound as security for the payment of whatever sum should be advanced or credited to the maker by any person whatsoever."

Section 14 of the Negotiable Instruments Act, however, provides:

"Where the instrument is wanting in any material particular, the person in possession thereof has a prima facie authority to complete it by filling up the blanks therein. And a signature on a blank paper delivered by the person making the signature in order that the paper may be converted into a negotiable instrument operates as a prima facie authority to fill it up as such for any amount. In order, however, that any such instrument, when completed, may be enforced against any person who became a party thereto prior to its completion it must be filled up strictly in accordance with the authority given and within a reasonable time. But if any such instrument, after completion, is negotiated to a holder in due course, it is valid and effectual for all purposes in his hands, and he may enforce it as if it had been filled up strictly in accordance with the authority given and within a reasonable time."

This act has been held to change the rule of the law merchant. In *Guerrant v. Guerrant*, 7 Va. L. Reg. 639, *Guerrant* as principal and *Hughes* as surety signed a promissory note, leaving the payee blank unfilled. It was agreed between the makers that the note should be negotiated or used at one or the other of two banks in the City of Danville in taking up and renewing another note then outstanding upon which *Hughes* was surety for *Guerrant* and the note was delivered by *Hughes* to *Guerrant* with that understanding. *Guerrant*, however, negotiated the note to another person contrary to the agreement, who inserted his own name in the blank as payee and sued *Hughes* upon the note. *Hughes* in the meantime had paid the first note in the hands of the bank. The court said that before the passage of the Negotiable Instruments Act the proposition was settled that where a party to a negotiable note entrusted it to the custody of another with blanks not filled, the note carried on its face implied authority to any innocent holder to fill up the blanks and perfect the instrument. But this privilege which the law merchant gave to the holder for value of a negotiable note to fill blanks has been abridged by Section 14 of the Negotiable Instruments Act. Under this act the blank must be filled up "strictly in accordance with the authority given" and when the note with blank unfilled was negotiated in that condition, the plaintiff was put on notice that he must proceed at his peril. It was incumbent upon plaintiff before he advanced value upon the note to have learned what authority was given to fill the blank. Had he made inquiry of the surety maker he would have been told of the agreement that the note was to be used in taking up the other note at the bank and that the principal maker had no authority to negotiate it otherwise.

Under the Negotiable Instruments Act, where a note with amount blank unfilled, signed by principal and surety makers, is tendered by the principal maker for discount, the bank cannot safely, as formerly, fill in and advance the amount asked, but must make inquiry of the surety as to the correctness of the amount. Where the principal maker fills in an unauthorized

amount before tendering same to the bank, the courts generally hold that the bank is protected. Thus in *Boston Steel and Iron Co. v. Steurer*, 183 Mass. 140, the court said: "If the blanks are filled up before the instrument is negotiated, it does not lie in the maker's mouth to set up that it was incomplete when delivered by him. In such a case, a plaintiff who buys for value without notice gets the rights of a bona fide purchaser for value on a negotiable instrument; and the fact that there was no authority for filling up the blanks as they were filled up, or for otherwise wrongfully dealing with the paper, is no defense."

But even here the courts are not entirely agreed, for the Supreme Court of Iowa, in *Vander Ploeg v. Van Zuuk*, 135 Ia. 350, has held that the payee of such a note is not a holder in due course. In that case *A* and *B* signed a note in blank and entrusted it to their partner *C* to raise \$200 for temporary use in the business. *C*, after signing the note as co-maker, wrongfully filled the note out for \$2,000, inserted the name of *V* as payee and negotiated the note to *V*. In an action by *V* against the non-consenting makers, the court held that under the Negotiable Instruments Act *V* was not a holder in due course and took the note subject to the defense that *C* had no authority to fill in \$2,000 as the amount of the note and deliver it to *V*.

In the foregoing I trust I have made clear that in the case stated by you, you cannot hold the non-consenting maker for the full amount of the note which you filled in and advanced to the principal maker, but only for the amount which he authorized.

#### LIABILITY OF NATIONAL BANK AS STOCKHOLDER IN FAILED NATIONAL BANK

*Where the A National Bank holds stock of the B National Bank as security for a loan and bids in the stock and has it transferred to its own name upon the books of the B Bank and thereafter the B Bank fails, the A National Bank is liable as a stockholder for the statutory assessment upon the shareholders of the failed bank.*

From Utah—Your opinion is desired as to the liability of this bank (a national institution) as a stockholder, not by choice but by being compelled to take stock in another national bank that failed, which stock was held as collateral security for a loan. The stock is held in the name of this bank and we have been called upon for the statutory assessment of 100 per cent. After we originally made the loan upon this stock there was an assessment of \$50 per share and before paying this assessment, which we were compelled to do to protect our interests, we sold the stock and bid it in at \$70 per share; after which we paid the assessment, making the stock cost us \$120 per share. After failure of the bank the 100 per cent. was levied. We have consulted attorneys as to our liability for this assessment and some of them hold we are not liable for the reason we did not become a stockholder by choice, and further, that the National Bank Act does not permit a national bank to become a stockholder or deal in stock of other institutions, consequently, we had not the right to be a bona fide shareholder of any other institution and for this reason we are not liable to pay the statutory assessment.

The Supreme Court of the United States, in *Germania National Bank v. Case*, 99 U. S. 628, has held that where one national bank loans money on the pledge, as collateral security, of stock in another national bank and has the shares transferred on the



stock books to itself as owner, it is liable as a stockholder. The court said: "There is nothing in the argument on behalf of the appellant that the bank was not authorized to make a loan with the stock of another bank pledged as collateral security. That is an ordinary mode of loaning, and there is nothing in the letter or spirit of the National Bank Act that prohibits it. But if there were, the lender could not set up its own violation of law to escape the responsibility resulting from its illegal action." The court further said: "It is thoroughly established that one to whom stock has been transferred in pledge or as collateral security for money loaned, and who appears on the books of the corporation as the owner of the stock is liable as a stockholder for the benefit of creditors. \* \* \* For this several reasons are given. One is that he is estopped from denying his liability by voluntarily holding himself out to the public as the owner of the stock, and his denial of ownership is inconsistent with the representations he has made; another is, that by taking the legal title he has released the former owner; and a third is, that after having taken the apparent ownership and thus become entitled to receive dividends, vote at elections, and enjoy all the privileges of ownership, it would be inequitable to allow him to refuse the responsibilities of a stockholder."

In *Anderson v. Philadelphia Warehouse Co.*, 111 U. S. 479, it was held that the mere pledgee, who had never acted as a shareholder, would not be liable as such, notwithstanding the stock was transferred on the books of the bank and the certificate issued to an irresponsible person, in that instance a porter in the employment of the company, and this, although the transfer had been thus made for the purpose of avoiding liability which might be incurred by the shareholders of the bank, in case of insolvency.

In *Pauly v. State Loan & T. Co.*, 165 U. S. 606, it was held that one who was described in the certificate as a pledgee, and who in good faith held the shares as such, was not a shareholder, subject to the personal liability imposed by Section 5151.

In *Rankin v. Fidelity Ins. Tr. & S. D. Co.*, 189 U. S. 242, the doctrine was stated that the defendant who was in fact the owner of shares of stock could not avoid liability by listing them in the name of another, notwithstanding it might do so if it were the mere pledgee of the stock; and further, that the case then under consideration turned upon the actual ownership of the shares, which question was properly left to the jury.

In *Ohio Valley National Bank v. Hulitt*, 204 U. S. 162, a national bank made a loan upon stock of another national bank (which afterwards became insolvent) as collateral security for a note with power of sale and right to become purchaser. Upon death of the maker of the note, the bank caused the stock to be transferred on the books to the name of an employee and a new certificate issued to the latter, which he indorsed in blank. Thereafter it proved claim against the estate of the maker upon the note and at that time, believing the stock (50 shares) to afford a reasonable security to the amount of \$4,484, indorsed a credit of that sum upon the note "being proceeds of sale" of 50 shares of stock. In an action to recover an assessment, the court held the bank liable as a stockholder. It said:

"Assuming, then, the established doctrine to be that the mere pledgee of national bank stock cannot be held liable as a shareholder so long as the shares are not registered in his name, although an irresponsible person has been selected as the registered shareholder, we deem it equally settled, both from the terms of the statute attaching the liability and the decisions which have construed the act, that the real owner of the shares may be held responsible, although in fact the shares are not registered in his name. As to such owner the law looks through subterfuges and apparent ownerships and fastens the liability upon the shareholder to whom the shares really belong.

"Applying these principles to the case at bar, we think there can be no doubt of the liability of the Ohio Valley National Bank in this case. Conceding that it was exempt so long as the relation which it held to the stock was that of a pledgee, and that Otjen was the registered stockholder, holding for the benefit of the bank as pledgee, and not as owner—what was the attitude of the parties after the death of Price, and the credit of the supposed value of the stock upon the note, and its presentation for allowance and acceptance by the representatives of Price's estate? \* \* \* The bank thus became the beneficial owner of the stock, and had the Hillsboro National Bank continued solvent it certainly could have not denied to the Ohio Valley Bank, after this transaction, the rights and privileges of a stockholder.

"As we have seen, this court, in construing the banking act, has not limited the liability to the registered stockholders. While the registered stockholders may be held liable to creditors regardless of the true ownership of the stock, and the pledgee of the stock, not appearing otherwise, is not liable, although the registered stockholder may be an irresponsible person of his choice, yet, where the real ownership of the stock is in one, his liability may be established, notwithstanding the registered ownership is in the name of a person, fictitious or otherwise, who holds for him."

According to the facts as stated, your bank, while originally holding the stock of a national bank which afterwards failed as collateral security, bought it in, had it transferred to its own name on the books, paid an assessment on it as owner and still held the stock as owner when the bank failed. As such it would seem that your bank would be liable for the assessment. I do not think the fact that your bank became a stockholder by necessity rather than by choice would change this result. Such was the fact in *Germania National Bank v. Case*, supra, where the bank originally held the stock as collateral and when the loan became due and remained unpaid it caused the stock to be transferred to its own name on the books.

#### REFUSAL OF PAYMENT OF CERTIFIED CHECK

*Where a bank has certified a check the courts generally hold it cannot defend payment to the payee on the ground that the latter has procured the check from the drawer by fraud, whether certification is made in the first instance for drawer or holder; except that in*

*New Jersey, where a check has been certified for the drawer and the payee has procured same by fraud, the certifying bank can interpose the equity of the drawer in defense of payment to the payee.*

From New York—A firm in this city received a certified check from one of their customers in New Jersey, in payment of a bill of goods, which were in transit. The check was forwarded through a local bank here to a New Jersey bank for payment, and was protested on account of payment being stopped. The information we desire is whether a bank can refuse payment on a check certified by them at the request of the maker, which was sent in payment of merchandise; also whether there is any difference between the laws of the state of New Jersey and the state of New York on this question.

The courts generally hold that after a bank has certified a check, whether for the drawer or for a holder, it is obligated thereon as for so much money and cannot interpose, in defense of payment, an equity of the drawer against the payee or holder.

In the State of New Jersey, however, a distinction has been drawn between certification for a holder and for the drawer. Where a check is certified for a fraudulent payee, the bank is liable to him and cannot plead fraud upon the drawer in defense. Where, however, certified for the drawer, the bank can refuse payment and plead fraud of the payee in obtaining the check from the drawer in defense of liability to the payee. Concerning certification for the drawer, the Court of Errors and Appeals of New Jersey in *Times Square Automobile Co. v. Rutherford National Bank*, 73 Atl. (N. J.) 479, has said:

"The certification under such circumstances does not operate to discharge the drawer, and so long as the drawer remains undischarged such a defense as that set up in the present case (fraud of the payee) is open both to him and to the bank."

In an opinion published in the *JOURNAL* for January at page 387 you will find the law and decisions on this subject quite fully set forth.

In the case stated by you, a New Jersey bank, having certified a check at the request of the maker, would probably be held entitled to interpose as a defense to payment, a fraud perpetrated by the payee upon the drawer, provided the certified check had not been negotiated to an innocent holder. This rule, however, seems peculiar to New Jersey, for, as shown in the opinion published in the January *JOURNAL*, the courts generally hold that a certifying bank cannot interpose an equity of its customer against the payee in defense of payment to the latter, whether certification has been made at request of the drawer or the check has been certified for the holder.

#### MISSOURI INCOME TAX LAW

*Income tax law of Missouri imposing one-half of one per cent. tax upon net incomes of individuals and corporations is inapplicable to national banks and not enforceable against such institutions, as the states cannot tax national banks except as Congress permits and Section 5219, U. S. Rev. Stat., which is the measure of permission by Congress, does not authorize such a tax.*

From Missouri—At this time the proposition confronts the national banks of Missouri as to whether or not the State

of Missouri can collect from the national banks a state income tax. Some of the national banks have signified their intention of filing protest; in fact, will refuse to pay this tax, basing their refusal on the grounds that the state cannot tax a Federal agency except in such manner as Congress may permit, and the permission of Congress appears to be confined to taxation of its real estate and the taxation of shares of stock in the name of individual owners. Would be glad to have your opinion upon this proposition.

The State of Missouri in 1917 passed an Income Tax Law, following largely the lines of the Federal Income Tax Law, imposing a tax of one-half of one per cent. upon the net income of individuals and corporations, providing certain exemptions, deductions, etc.

The question is whether the national banks in the state are subject to this tax. In my opinion they are not.

The Supreme Court of the United States in *Owensboro National Bank v. City of Owensboro*, 173 U. S. 664, points out with great clearness "that the respective states would be wholly without power to levy any tax, either direct or indirect, upon the national banks, their property, assets or franchises, were it not for the permissive legislation of Congress;" that Section 5219, U. S. Revised Statutes, "is the measure of the power of a state to tax national banks, their property or their franchises. By its unambiguous provisions the power is confined to a taxation of the shares of stock in the names of the shareholders and to an assessment of the real estate of the bank. Any state tax, therefore, which is in excess of, and not in conformity to, these requirements, is void." The court in this case further said: "Nothing but the shares of stock in the hands of the shareholders of a national bank can be taxed, except the real estate of the bank. The taxes which are here resisted are not taxes levied upon the shares of stock in the names of the shareholders, but are taxes levied on the franchise or intangible property of the corporation. Thus, bringing the two conclusions together, there would seem to be no escape in reason from the proposition that the taxing law of the State of Kentucky is beyond the authority conferred by the act of Congress and is, therefore, void for repugnancy to such act."

Another pertinent case is the decision of the Supreme Court of your own State of Missouri in *City of Carthage v. First National Bank of Carthage*, 71 Mo. 508. An ordinance of the city provided that no person or corporation should be authorized to carry on the business of banking unless a license was first obtained from the city. The city sued the First National Bank, which had refused to pay the license fee and recovered judgment for \$100. The Supreme Court of Missouri reversed the judgment. I quote from the opinion:

"In the case of *McCulloch v. The State of Maryland*, 4 Wheat. 316, it was held that Congress had the constitutional right to authorize the incorporation of banks; that a bank thus incorporated had a right to establish its offices of discount and deposit within any state, and that when so established the state could not tax it. This decision was made with reference to the question whether the State of Maryland could impose a tax on the bank of the United States, incorporated under an act of Congress of April 10, 1816. The principle therein announced has been reaffirmed and applied to the act of Congress authorizing the incorporation of national banks in the following cases: *Van Allen v. Assessors*, 3 Wall. 573; *Bradley v. The People*, 4 Wall. 459; *Lionberger v. Rouse*, 9 Wall. 468; *Tappan v. The Bank*, 19 Wall. 490;

Hepburn v. School Directors, 23 Wall. 480. In all of these cases it has been held that a state can only impose such a tax upon these national banking corporations as is authorized in the act of Congress creating them, and that said act only authorizes a tax on the shares in such bank and not upon its capital stock; that such banks derive their authority to do business in the states by virtue of a United States statute which is supreme. It therefore follows that the right of defendant to conduct its business as a banking institution is in no way dependent on a license to be obtained either from the state or any of its municipalities."

It is obvious that a tax upon the income of a national bank is not a tax upon the shares of stock in the names of shareholders. Section 5219, U. S. Revised Statutes, which is the measure of permission by Congress, does not authorize a tax upon the income of a national bank assessed against the bank. Therefore, the conclusion would seem to follow that so far as the national banks are concerned, this law is inapplicable and cannot be enforced.

Whether the better procedure is for the national banks in Missouri simply to refuse to pay the tax and defend a suit brought under Section 22 of the act for delinquent taxes and penalty or whether it would be better for some national bank to institute a suit against the tax collector to restrain him from enforcing the collection of the income tax assessed against a national bank without authority of law, is a question which may be best decided by your local attorneys.

#### ACKNOWLEDGMENT BEFORE BANK NOTARY

*A notary public who is assistant cashier and stockholder of a bank is not, under the law of California, disqualified to take the acknowledgment of the mortgagors to a mortgage executed to the bank.*

From California—Kindly advise us as to the legality of a mortgage taken to this bank and acknowledged by the assistant cashier or any other officer of the bank. Will such a mortgage hold against all parties, and also against subsequent court judgments which might be had against the parties so acknowledging the mortgage? In short, is such acknowledgment quite safe for the bank? We have legal opinion on both sides of this question, and shall appreciate your expert decision in the matter.

The Supreme Court of California in the year 1914 in *First National Bank of Riverside v. Merrill*, 139 Pac. 1066, held that a notary who was assistant cashier and stockholder of a mortgagee bank was not for that reason disqualified to take the acknowledgment of the mortgagors. This decision seems to be conclusive upon the question in California, although in many states the fact that a notary is stockholder is held to disqualify him because of his pecuniary interest. It

will be instructive to refer to the California case and quote the opinion of the court. The action was by the bank as mortgagee to foreclose a real estate mortgage and the mortgagors sought to defeat the action contending, among other things, that the notary was disqualified to take the acknowledgment of the mortgage because he was at the time assistant cashier and a stockholder of the plaintiff bank. The court denying this contention, said:

"The second proposition advanced upon the appeal is that, because the notary who took the acknowledgment of the Merrills to the mortgage which they executed to the bank was himself assistant cashier of the bank and a stockholder, therefore the acknowledgment is void and the instrument must be considered as unacknowledged and consequently not within the provisions of subdivision 3 of section 1241 of the Civil Code. But to this there are at least two answers: First, that the pleading of defendants does not raise any issue as to the due execution or acknowledgment of the instrument. The appellants admit its due execution, and without proper averments and issues joined upon the question in the court below they cannot be permitted here to raise the point. The second answer is that the acknowledgment was not void in law. That the mere fact that the notary who took the acknowledgment was assistant cashier of the bank did not constitute a disqualification sufficient to avoid the acknowledgment is decided in the case of *Woodland v. Oberhaus*, 125 Cal. 320, 57 Pac. 1070. The additional circumstance here existing is that the assistant cashier was also a stockholder of the banking corporation. That an acknowledgment taken before a grantee is invalid, as in *Lee v. Murphy*, 119 Cal. 364, 51 Pac. 549, 955, and *Murray v. Tulare Irrigation Co.*, 120 Cal. 311, 49 Pac. 563, 52 Pac. 586, there is no question. Whether a stockholder of a corporation which is a party to an instrument has such an interest as to avoid his acknowledgment has given rise to a division of opinion in the courts. *Cook, Stock & Stockholders* (4th Ed.), vol. 1, §11, inclines strongly to the view that such a relationship is not a disqualification. The division of authority arises according to the powers vested in the notaries themselves. Where the notary in taking the acknowledgment exercises judicial or quasi judicial powers, the cases generally hold that his position as a stockholder is disqualifying. Where, however, he exercises merely ministerial powers, such disqualification is held not to exist. *Read v. Toledo Loan Co.*, 68 Ohio St. 280, 67 N. E. 729, 62 L. R. A. 790, 96 Am. St. Rep. 663; *Kennedy v. Security Building & Loan Ass'n* (Tenn. Ch.) 57 S. W. 388; *Keene Guaranty Savings Bank v. Lawrence*, 32 Wash. 572, 73 Pac. 680; *Morrow v. Cole*, 58 N. J. Eq. 203, 42 Atl. 673; *Ardmore National Bank v. Briggs, et al.*, 20 Okl. 427, 94 Pac. 533, 23 L. R. A. (N. S.) 1074, 129 Am. St. Rep. 747, 16 Ann. Cas. 133; *Bank v. Conway*, 17 Fed. Cas. 1202. An instance of the exercise of quasi judicial functions upon the part of a notary is where the law requires a privy examination of a married woman apart from her husband. Such a law existed in this state until the repeal of section 1186 of the Civil Code by the statute of 1891. *Stats. 1891, p. 137*. But now in this state notaries public do not exercise judicial functions. In *Bank of Woodland v. Oberhaus*, supra, it is declared that upon principle it would seem that the act of a notary in taking the acknowledgment of a conveyance is not judicial, and that a notary public does not exercise judicial functions.

"For this additional reason, therefore, it is held that the acknowledgment is sufficient."

# Trust Company Section

## NEW PUBLICITY BULLETIN ISSUED

Bulletin No. 2, issued by the Committee on Publicity containing a general letter by the chairman, article on trust company publicity and a series of advertisements, has been sent to members. The letter and article follow:

To the Member Addressed:

It has been gratifying to learn of the wide use made of the first Publicity Bulletin distributed to members, and also to receive many letters commending the plans of the Committee.

At the recent Chicago Convention considerable discussion centered around the use of advertisements published in the Bulletins without knowing where they originated. It was felt that embarrassment might result to a member from the publication of an advertisement which had been used and contributed by a member company in the same city. In order to assist in avoiding such embarrassment, it has been decided to place opposite each advertisement the name of the city in which it was originally used.

The article on publicity published herein should be carefully read by all members, as many opportunities to secure legitimate publicity are frequently overlooked by companies having in their possession information of a news value, the publication of which would be of interest to the local community, and oftentimes the financial institutions as a whole.

Thirty advertisements are also published herein for the use of all members.

The Committee has received from all parts of the country requests from members to assist them in establishing publicity, advertising and new business departments, and in each instance separate plans have been prepared to meet the needs of the member requesting the help.

It will be greatly appreciated by the Committee if members will forward to the Secretary at Five Nassau Street, copies of recent advertisements, booklets and form letters.

In response to many inquiries, the Committee will publish, at an early date, a series of advertisements which have been prepared under the supervision of the Committee.

The question is being asked repeatedly as to whether the distribution of the Bulletin and the service of the Committee is confined to members of the Trust Company Section. In reply to this question, we have been happy to report that the material prepared by the Committee, as well as its service, are available to any member of the Association. The Bulletins are sent to the active and associate members of the Trust Company Section, and all other members who desire to have their names placed upon the regular mailing list.

From the large number of letters of appreciation received in reference to the work of the Committee, we are pleased to quote the following:

"We want to express our appreciation of the Bulletin published by your Committee, a copy of which we received this morning. For the reason that we are just entering the trust company field of operation this information will be of inestimable value to us, and we trust that we may be further favored with future editions."

"We are indeed obliged for the Trust Company Bulletin—even a hurried look through it shows its value to the members of your Section and, in fact, almost any bank. This is the kind of work that counts and makes membership in the Trust Company Section worth while."

"We are wonderfully pleased with the Bulletin and feel that you have rendered every trust company in the United States a remarkable service. Your suggestions as to advertising are simple and fundamental, and your material for advertisement is a 'gold mine' to the busy officer of a trust company looking for proper publicity material."

A separate blank is also enclosed in connection with securing answers to the question "Why I named a trust company in my will." The material received as a result of this inquiry will form the basis of advertisements and suggestions which

should be of great value to the trust companies and banks interested in receiving appointments for trust service.

Your further comments and co-operation will be valued.

Very truly yours,  
Committee on Publicity,  
JAMES M. PRATT,  
Chairman.

## Trust Company Publicity—How to Secure it

By FRANCIS H. SISSON

The preparation and distribution of reading matter, as distinguished from direct advertising, is becoming more and more an important part of trust company publicity. As the paid advertisement has grown from the sterile business card into the well-conceived and skilfully executed display familiar to all readers of newspapers and magazines, so has the brief, technically-phrased news item of the old financial page expanded in content and purpose. In both cases the development has been in large part a response to the growing desire of the public for information regarding its institutions and the growing need of these institutions themselves for the good will and understanding of the public which they serve.

Both the paid advertisement and the news story have proved their value in stimulating business and in bringing about a general appreciation of the functions of banks and trust companies. The problem now is how to make them still more effective as instruments of service in the period of wide-spread and profound unrest which will follow the war. It will be a time of questioning. No institution of society is likely to escape a challenge to justify its theories and practices, however long they have been fostered by time and experience. Then as now our banks and trust companies will stand or fall by the measure of their service; but it will be service that goes beyond the vault and counter. They are the custodians of more than wealth. Within their organizations are men who hold in trust such stores of exact information and right thinking as their fellow men will have need of. As a business proposition or as a matter of public policy, they cannot afford to withhold them. Already many of our leading bankers are pointing the way. They are giving the very best they have toward the solution of the problems which vex mankind. They are marching forward with events, guiding and counseling in the spirit of helpfulness and patriotism.

There are certain established agencies which are available to banks and trust companies, as to other institutions, for the publication of such information, and the number and variety of these mediums are constantly increasing. It is unlikely, however, that newspapers will ever be displaced as the medium through which the vast majority of men and women obtain information and opinions. A clear understanding of their methods is therefore indispensable to a publicity department, the extent of knowledge necessary being in proportion to the amount and variety of publicity offered, and the territory it is intended to cover.

Reading matter, offered by the bank or trust company, must have news value to get into the newspaper, and news value varies constantly with events, the public mood and the newspaper. To determine what has news value is the business of the publicity department's trained men. They will know, or should know, what happenings at the bank will be regarded as worth recording by a newspaper. Ordinarily the public will read and newspapers will be glad to receive items or articles of news value or timely interest, such as extensions and enlargements of the bank's property or staff, changes in its personnel, descriptions of new services offered to the public, and many other things.

In addition to having something which the newspaper wants, the publicity department must see that it gets to the newspaper. Copy should always be prepared with the idea of making it just as easy as possible for the reporter or editor to handle it. News should be written simply and straightforwardly. The news value of the item or story should not be buried in a mass of editorial comment. For his news columns the editor does not want opinions or comment on the news submitted unless some representative of the bank is willing to have his name used in connection with it, and not then if it is apparent that he is using the opportunity to advertise himself or his bank. In the case of important stories the practice should be to establish personal contact with the newspaper through its representative so that the chances of not having the story appear because of a failure of messenger or postal service may be reduced to a minimum. Publicity departments ought at all times to keep in touch with the editors and reporters in their own cities or districts. It makes for mutual understanding and the clarification of points of view.

Financial periodicals, trade journals and magazines of general circulation are always ready to print news items or special articles if they measure up to the required standards of interest and value. The house-organ of the individual trust company can be made an effective medium for publishing financial news or the opinions of the bank's officials upon questions of current interest. Many of them fail either to enlist the support of the bank's employes or to attract the attention of the outside world because of their absolute lack of inspiration. They are merely published, and the rest of a bank's publicity is likely to be judged as not more important.

The publication of pamphlets and booklets was undertaken by certain trust companies in order to get before the public a more detailed description of the services which they had to offer than was possible through the paid advertisement or the newspaper or magazine article. This activity of the publicity department has been expanded now to meet the needs of customers and others for information with respect to legislation affecting their interests, significant changes in the business aims and methods of the country, and economic subjects generally. The field broadens with the part which the bank plays in the community or the country or in international affairs. The smallest bank may enhance its usefulness to the community in which it operates by furnishing to its customers carefully prepared and attractively printed résumés of the chief news events of the week or month with particular

reference to business and financial affairs. Larger banks, commanding many sources of information and having upon their staffs men of large experience, may extend such publications to cover some special topic of national rather than local interest. Reprints, digests and expositions of Federal or state laws should be attempted only by the publicity department which can employ men of legal training.

There is another form of publicity widely employed by trust companies which have upon their staffs men competent for it. This is the public address. There is a constant demand for men who can talk intelligently on trust company, financial, economic and business topics, and many institutions organize their activities along that line so as to be prepared to respond to such requests as they come, and if those who can speak have not time to get the material together for an address, it is the business of the publicity department to co-operate with them in getting it together. In many cases this kind of publicity has received splendid recognition. News stories and editorial comment naturally follow the appearance of a good speaker, who has a real message.

The variety of news which originates in a bank and which newspapers are glad to print will be found surprising by those who for the first time give it consideration. It is simply a question of being able to appraise accurately what constitutes news. Some of the financial institutions in the larger cities who have made a careful study of this phase of publicity are able to put forth one or more good items almost every day. While the trust companies and banks in smaller communities have less opportunity, they, like the others, will find the newspapers and the public interested in such items as these:

When a bank declares an extra dividend, it indicates the prosperity not only of the bank itself, but also of the community which it serves. It shows that each is flourishing. It breathes a spirit of optimism, and it is good news.

Opening a new branch, or the establishing of a new banking connection is also a matter of considerable public interest, because it shows that the bank is expanding its operations into new fields, that it will offer additional banking facilities to another community, and, inferentially, it indicates that the community which it is entering is a growing one.

The issuance of the bank's annual statement, which shows the increase in the amount of deposits and resources, is also a good news item. It can often be handled in an especially interesting way by a running story comparing the growth of the bank between certain periods and, if practicable, by telling what factors have been important in bringing about this increase. At the end of the story may come the figures showing the items of resources and liabilities.

All these are matters of news which a great part of the public will be glad to read. Moreover, such items as these are not necessarily confined to the financial page, but may be made of such general interest as to command space among the general news features of the paper, and so reach a wider audience and bring in more and more depositors and other customers.

Many trust companies and banks have found the issuance of pamphlets and booklets a valuable means

of building good will. These pamphlets may be news summaries or reprints as to local business and financial conditions, or they may be expressions of opinion of the bank or trust company itself, or of its president, or other officers regarding the trend of important events. It all depends upon the policy of the bank or trust company, the audience which it wishes to address and the definite results it desires to accomplish.

Another helpful medium of publicity is a monthly magazine, regularly issued, containing the news of the bank's various departments. It is a difficult task to make a house organ of this character interesting to other than employees of the trust company or bank, or persons intimately concerned with it. It is possible, however, to combine in a house organ not only the news of the bank, but interesting discussions of financial or economic matters which will be valuable for the bank's customers and others whom it seeks to number among them. Should the house organ be enlarged along these lines, its circulation can be extended by sending out copies from time to time to a selected list and enclosing a card inquiring if they wish to continue to receive the publication.

Small pamphlets, well written, and attractively and carefully printed, describing in detail some policy of the bank, some new department, the advantages that can be offered to depositors, and to the public in general, are very effective. They are direct advertising and should be distributed to the addresses which they particularly desire to reach. Small works of convenient reference, issued with the trust company's compliments and sent to depositors and prospective customers, are also evidences of thoughtful consideration. They bring dividends in good will and in new business. They not only keep the customers sold, but also bring additional clients to the institution.

In fact, the methods by which the Publicity Department of a trust company or bank may prepare the way for the solicitation of new business and also bring in business directly, are practically without limit. What is especially required on the part of the person having charge of the Publicity Department is a mind continually alert to see how ordinary news can be looked at from an interesting point of view, how the selling features of every department of the trust company or bank can be most attractively presented—in fact—to tell other people that the institution is not a cold and formal place, but one where even the chance visitor will find a courteous and friendly welcome.

#### RECORD ATTENDANCE EXPECTED AT BANQUET

The reservations for seats at the Eighth Annual Trust Companies Banquet indicate the largest attendance on record. The banquet, as announced in the January issue, will be held at the Waldorf-Astoria Hotel, New York City, on Thursday evening, February 20, 1919, at seven-thirty o'clock. A reception will

be held from seven to seven-thirty o'clock in the Astor Gallery.

Tables will be arranged for eight and sixteen covers each, and subscribers for eight or more covers are being furnished with a special blank for the purpose of supplying list of names and information regarding the location of host and guests.

Subscription cards have been sent to all members of the Section, and a list of banks and banking houses believed to have an interest in being represented at the banquet. Subscription cards are returnable to the Secretary at 5 Nassau Street, New York City.

The boxes are being reserved for the ladies and requests for reservations, which are gratuitous, will be met to the extent of the tickets issued.

Tickets for reservations to the banquet and boxes will be mailed to all points east of the Mississippi River by February 12, and those for subscribers west of that point will be held for delivery upon personal application to the Secretary at 5 Nassau Street, New York, until one P. M. on the day of the banquet.

A temporary office of the Secretary, for the purpose of completing reservations, delivery of tickets, etc., will be open at the Waldorf-Astoria from six-thirty to seven-thirty P. M. on the evening of the banquet.

All subscribers desiring to have tickets held for personal delivery are asked to notify the Secretary before February 12.

The following gentlemen have consented to serve as an Honorary Committee of Arrangements:

Chellis A. Austin, president Mercantile Trust & Deposit Co., New York; Frank W. Blair, president Union Trust Co., Detroit, Mich.; M. N. Buckner, president New York Trust Co., New York; Lynn H. Dinkins, president Interstate Trust & Banking Co., New Orleans, La.; E. D. Hulbert, president Merchants Loan & Trust Co., Chicago, Ill.; Willard V. King, president Columbia Trust Co., New York; Alvin W. Krech, president Equitable Trust Co., New York; Uzal H. McCarter, president Fidelity Trust Co., Newark, N. J.; Edwin S. Marston, president Farmers Loan & Trust Co., New York; John H. Mason, president Commercial Trust Co., Philadelphia, Pa.; E. P. Maynard, president Brooklyn Trust Co., Brooklyn, N. Y.; Isaac H. Orr, vice-president St. Louis Union Trust Co., St. Louis, Mo.; Seward Prosser, president Bankers Trust Company, New York; Chas. H. Sabin, president Guaranty Trust Company of New York, New York City; Philip Stockton, president Old Colony Trust Co., Boston, Mass.; Geo. C. Van Tuyl, Jr., president Metropolitan Trust Company, New York.

As it is anticipated that nearly all members of the Executive Committee and sub-Committees of the Section will be present at the banquet on February 20, the opportunity will be availed of to call several of the Committees into session on Friday, the twenty-first. Definite announcement will be forwarded in due course.

L. A. M.

# Savings Bank Section

## MEETING OF THE EXECUTIVE COMMITTEE

A meeting of the eastern members of the Executive Committee was held at Association headquarters Saturday, January 25, 1919. Those present were President Lersner, Messrs. Strong, Pulleyn, Saul, Beach, Knox and Secretary Harrison.

The activities of the various committees of the section were discussed and approved. Every committee of the section was found to be at "top-notch" activity and accomplishing results that will make this year the most successful and productive year in the history of the section.

Unanimous approval was given to the resolution of the Administrative Committee of the Association recommending that the general offices of the Association be removed to Washington.

It was decided to give publicity through the JOURNAL of the Association to the activities of the Federal Legislative Committee of the section in proposing legislation amending the Federal reserve law permitting savings banks to become members of the system.

The attitude of the committee toward the present War Savings Organization was defined as one of helpful co-operation.

The proposal of the Committee on Amortization of Mortgage Loans to organize a committee of six in each state to conduct the campaign of propaganda in accordance with the purpose of such committee was approved.

A similar recommendation of the Committee on Americanization was also approved.

The Executive Committee voted to join the Americanization Union organized for the purpose of federating all Americanization activity throughout the United States. The problem of educating the foreign born of the nation to better understand American savings institutions is an important one and through membership in the Americanization Union much may be done by the section in solving the problem.

## FEDERAL RESERVE MEMBERSHIP

For several years past, the Savings Bank Section, at various times, has presented to the Federal Reserve Board proposals of amendments to the Federal Reserve Act to permit savings banks to become members of the system.

The Federal Legislative Committee of the Savings Bank Section, after mature consideration, and on November 22, 1918, conferred with Governor Harding and Judge Elliott with relation to such membership. As a result, Governor Harding requested Judge Elliott to draft amendments to the Federal Reserve Act which would provide membership for savings banks in the system, substantially as follows:

(1) "An amendment to Section 9 of the Federal Reserve Act authorizing the Federal Reserve Board to admit to membership, mutual savings associations without capital stock or incorporated savings banks with insufficient capital stock to entitle them to become member banks under existing laws, provided the sur-

plus of such mutual savings associations or the combined capital and surplus of the incorporated savings banks is equal to the amount of capital stock required of national banks in the places in which such associations or savings banks are located."

(2) "An amendment to Section 19 of the Federal Reserve Act authorizing the Federal Reserve Board, by regulation, to prescribe the conditions that must be complied with in order that a time deposit may be classed as a savings account or savings deposit and providing that two-thirds of the 3 per cent. reserve carried against savings accounts may consist of bonds of the United States issued since April 24, 1917, or certificates of indebtedness of the United States deposited with the Federal reserve bank."

On January 7, 1919, the United States Council of State Banking Associations, issued a bulletin purporting to propose certain amendments to the Federal law and commented at some length upon them.

Of the three proposals contained in the bulletin of the United States Council, the first two relating to membership with the Federal reserve system emanated from the Savings Bank Section, as above described. The Savings Bank Section disclaims any connection with the third proposal submitted by the United States Council, namely:

"An amendment to Section 5154 of the Revised Statutes authorizing incorporated savings banks which convert into national banks to maintain separate savings departments and authorizing national banks to establish and maintain separate savings departments to be operated in substantial conformity with state laws."

Upon receiving a copy of the bulletin of the United States Council, the Federal Legislative Committee of the Section issued a bulletin to members incorporating therein those proposed amendments for which they were responsible.

The many replies received to the bulletin evidence considerable interest in the proposed amendments and believe it, "a step in the right direction," that it "will give the various savings institutions the relief they desire." A reply from Utah states, "In consequence of the probable large amount of bonds that must yet be issued by the government before the ordinary revenue will be sufficient to carry the country, there is likely to be a plethora of bonds and a consequent reduction in the market value. This proposition will produce a broader market for government bonds and thus stabilize their values."

And again, a bank in South Dakota states: "We are particularly interested here in Aberdeen in this amendment, as we have two state banks having capital and assets equal to one of the national banks, the national bank being required to join the Federal reserve system and the other two state institutions unable to join without doubling their capital, which would make it less difficult under the proposed amendment for these two banks to get into the system."

Another from Michigan states: "We believe the Committee on Federal Legislation should use every effort to further the passage of these amendments."

A Rhode Island savings banker remarks: "I think that the securing of membership relations with the Federal reserve bank is a matter which ought to be attained, principally for the resource for currency in times of stress and runs which probably will arise some time, although I feel that the present Federal reserve system without such membership by mutual savings banks is bound to be a great steadying force in the finances of this country, and the currency stress formerly liable to develop at any time is a remote danger, and consequently the risk of a ruinous run by savings depositors is brought in a very large degree. Only local causes will bring about such developments for national monetary tightness can hardly appear.

"I am inclined to think that this benefit of the Federal reserve system has 'made good' during the war now closing, as shown by the immediate resumption of normal depositing when the armistice took place, which all savings banks have experienced. The character of a noticeable part of the deposits for the two months past has been the production of what seems to have been hoarded money. This opinion, of much of the money having been hoarded, is supported by the abnormal per capita of 'money in circulation' which has existed during the year. All hoarded money would figure in the estimates as 'money in circulation' when the actual circulation may have been only a normal one, somewhat larger because of the higher cost of living, although this factor ought merely to increase the velocity of circulation rather than the volume of currency. Had not the Federal reserve currency issues come to the rescue, there is reason to believe that there might have been a 'currency famine' and strenuous times for the savings institutions generally as a result."

A further discussion of this matter will be submitted in next month's issue of the JOURNAL. In the meantime the Secretary of the Section would welcome any further remarks pertaining to the matter.

#### INVESTMENT IN ACCEPTANCES

The Committee on Liquid Investments, through its Chairman, Samuel H. Beach, president Rome Savings Bank, Rome, N. Y., and president of the New York State Savings Banks Association, are urging amendments to the laws of Connecticut, Maine, Minnesota, New Jersey, Ohio, New Hampshire, Pennsylvania and Wisconsin, giving the savings banks the power to invest their funds in bankers' acceptances and trade acceptances, indorsed by a bank or trust company which is a member of the Federal reserve system. The form of amendment suggested follows:

#### SUGGESTED AMENDMENT TO INVESTMENT LAW OF STATE OF MAINE

NOTE.—The matter below is prepared with reference to the law of Maine and the banking institutions designated are of the character existing in that state, namely, "trust and banking companies" and national banks. In each state in which the above is enacted, the names of the banking institutions, whose acceptances or indorsements of acceptances are to be invested in, should be designated as they are termed in the statutes of the particular state. For example, the New York statute designates such institutions as "bank, national banking association or trust company." Furthermore, appropriate amendatory language in each state should be used with reference to amendment of the section or provision which authorizes investment of savings funds in a specified property

and securities, preliminary to the description of bankers and trade acceptances as subjects of investment.

THOMAS B. PATON,  
General Counsel American Bankers Association.

Amend Section 27, Chapter 52, of the Revised Statutes of Maine by adding at the end thereof the following:

Eighth. In acceptances of the kind and character following:

a. Bankers' acceptances and bills of exchange of the kind and maturities made eligible by law for rediscount with Federal reserve banks, provided the same are accepted by a bank or trust and banking company incorporated under the laws of this state, or under the laws of the United States and doing business in this state, or a member of the Federal reserve system wherever located.

b. Bills of exchange drawn by the seller on the purchaser of goods sold and accepted by such purchaser of the kind and maturities made eligible by law for rediscount with Federal reserve banks, provided the same are indorsed by a trust and banking company incorporated under the laws of this state (which is a member of the Federal reserve system) or by a national bank doing business in this state or a member of the Federal reserve system wherever located.

Not more than 20 per centum of the assets of any savings bank shall be invested in such acceptances. The aggregate amount of the liability of any trust and banking company or of any national bank to any savings bank, whether as principal or indorser, for acceptance held by such savings bank and deposits made with it shall not exceed 25 per centum of the paid-up capital and surplus of such trust and banking company or national bank and not more than 5 per centum of the aggregate amount accredited to the depositors of any savings bank shall be invested in the acceptances of or deposited with a trust and banking company or with a national bank of which a trustee of such savings bank is a director.

Chairman Beach, in connection therewith, wrote the following letter to interested parties:

MY DEAR SIR: The question of the need and advisability for savings banks to invest a greater portion of the funds committed to their care in assets which are liquid by reason of ready marketability and early maturity, which was so ably discussed by Professor Edwin W. Kemmerer before the Savings Bank Section at the annual meeting of the American Bankers Association in Chicago last September is one which is in every sense of the word of vital importance in savings banks everywhere.

It is now generally conceded, by reason of the wide-spread educational discussion of this matter largely furthered by the Savings Bank Section, that bankers' acceptances, as well as trade acceptances, indorsed by a bank, banking association and trust company, which is a member of the Federal reserve system, afford the very best form of such liquid investments for at least a portion of a savings bank's assets. Owing, however, to the fact that this form of investment has but recently been available in any appreciable quantity in this country, *there are many states which have not revised their laws so as to permit savings banks to take advantage of it.*

But even though it seems to be unanimously conceded that savings banks should everywhere have the right and privilege to purchase these liquid and thoroughly safe forms of commercial paper which generally bear a better rate of interest than any bank would be warranted in paying on daily balances, it is very certain that they will be made legal for savings banks to buy, *only in those states where the matter is clearly and intelligently called to the attention of the legislature.*

*With the idea, therefore, of assisting you in securing from the legislature of your state this very desirable addition to the list of securities which a savings bank may legally purchase, the Committee on Liquid Investments has caused to be prepared and herewith submits to you a tentative wording which, if it meets with your approval, can be submitted to your legislature for its consideration.*

We are also sending you, under separate cover, a copy of the discussion on the question of bankers' and trade acceptances, held at the recent Chicago convention of the Associa-



tion. The address of Professor Kemmerer is most convincing, and the argument which follows excellently supports Professor Kemmerer in the results of his study.

I am sure that inasmuch as your legislature is now in session you will be able to successfully propose an amendment to your state law along the lines of the suggested form enclosed.

Will you not keep me in touch with the progress you make?

Sincerely yours,

SAMUEL H. BEACH,  
Chairman, Committee on Liquid Investments  
Savings Bank Section A. B. A.

Through the efforts of Vice-President Strong, an amendment to the Connecticut law is being urged, which will permit savings banks of that state to invest in trade acceptances, indorsed by a bank or trust company. Connecticut law already permits investment in bank acceptances.

Eventually savings banks in America should be able to absorb \$200,000,000 per month of bankers' and trade acceptances. The interest manifested by savings banks in the work of the new American Acceptance Council aids in substantiating such an estimate. It is all a part of the great movement to marshal the resources of America for reconstruction and world leadership; not of domination, but of reciprocation and world activity.

#### NATION-WIDE CAMPAIGN OF SAVINGS

The Committee on Savings, through its chairman, John J. Pulleyn, is proceeding energetically in the conduct of a nation-wide campaign of saving. The committee is desirous of urging greater savings in the banks so that the banks may be well prepared to partake generously of the Fifth Liberty Loan. Groups Four and Five of the New York State Savings Banks Association are considering a city-wide campaign of publicity to inform the people of the purposes of the mutual savings bank. Under date of January 17, 1919, the following letter was transmitted to members of the Section:

For Your Serious Consideration:

If we want increased number of deposits and national prosperity, we must work for them *now*.

The number of deposits placed in our institutions for the next several years will be largely dependent on the seriousness with which we view the savings situation and the efforts put forth to stabilize it during the next several months.

It is estimated that in territory tributary to the average savings bank over \$500,000 in government obligations have been placed in the hands of new savers through the medium of Liberty Bonds and War Savings stamps. In the territory tributary to the larger institutions this amount reaches several millions.

Pawn shops and nefarious loan brokers are actively making 50 per cent. to 70 per cent. loans on \$50 and \$100 or more Liberty Bonds, charging 3 per cent. per month interest thereon. Such loans are seldom paid off.

Great numbers of speculators are doing a thriving business in the purchasing of partial payment certificates of Liberty Bonds subscriptions, paying 50 per cent. of the value of the payments already made.

Venders of highly speculative and worthless stocks have taken tens of millions of Liberty Bonds from small, uninformed holders in exchange for scraps of paper promising large returns.

The savings of thousands of workers—priceless assets to us—are slipping away.

If we can keep the Liberty Bonds in the hands of the small subscribers of the savings-bank-depositor type, they will

receive in annual interest over \$300,000,000. Our proportion of this is sure to come to us.

It is vitally essential to the preservation of prosperous business conditions and to the welfare of our institutions that we systematically and energetically pursue the following practices:

1. Encourage small Liberty Bond owners to make loans, in case of need, at your institutions on their notes secured by their Liberty Bonds. This the law of your state permits you to do. Copy of law enclosed.

2. Induce the borrower to open a savings account and build it up to pay off the loan.

3. Advise all small bond owners that the sure test of the value of any stock offered in exchange for a Liberty Bond is, ask the advice of a banker.

4. Offer to give your advice freely to anyone approached by promoters.

5. Reach the workers of your community through their employers and urge them to save a sure and fixed amount each week.

6. Establish School Savings Societies in your community. If we drift now, we are headed for depression—hard times, unemployment, low wages, reduced bank balances.

If we seize the occasion with a strong hand, we shall build a prosperity so vast, so enduring, that our future is assured.

Put your shoulder to the wheel. Every push you give will build your resources and the prosperity of all of us.

If you want a specific plan for this work, write this committee. We will send it gladly.

Yours very truly,  
Committee on Savings,

JOHN J. PULLEYN, *Chairman*,  
B. F. SAUL,  
W. E. KNOX,  
E. K. SATTERLEE,  
EVANS WOOLLEN.

Numerous answers have been received requesting copies of the plan mentioned therein, which have promptly been supplied.

#### POSTAL SAVINGS

Since 1914 the banks and trust companies of the country have increased \$2,300,000,000 in savings and time deposits. After seven years of operation of postal savings 6,678 depositories are in operation with \$148,471,499 in deposits.

One savings bank in New York City has almost \$200,000,000 in savings deposits, and has increased in savings during the past year more than the total increase in the 6,678 postal savings depositories. Since November 1, 1918, this same New York bank has increased over \$12,000,000 as against a gain of \$16,518,803 in one year in postal savings, notwithstanding the limit of postal savings deposits was increased from \$1,000 to \$2,500 within the past year.

Nevertheless the postal savings banks are effectively gathering the small savings of the people and they are doing a fine work.

#### HOME ECONOMICS AND AGRICULTURE

The Committee on "Service to Members" of the Savings Bank Section has been active in urging banks to add such functions as will more effectually serve the communities wherein they are located.

Thus, the Society for Savings of Cleveland has a number of farm mortgage loans. In connection therewith an agricultural agent is employed who not only appraises and examines farm property, but also advises the farmer-mortgagor in methods that will in-

crease his income and enhance the value of his property.

A Home Economics Department is another feature of the Society for Savings. This department gets in close contact with depositors, and has been of inestimable service in advising them in better methods of caring for the home, budgeting, home expenses and living within the income.

A story of what the banks of Chattanooga, Tenn., have done along this line is very well described by W. A. Sudd, member of the Executive Committee of the Section and President of the Chattanooga Savings Bank, in an article in next month's issue of the *Banker-Farmer*.

#### PLAN FOR MARKETING LIBERTY LOAN BONDS

Submitted by Committee on Savings:

Should savings banks go into the business of selling *outstanding* issues of Liberty Loan Bonds to the public and buying from the public?

##### A. Service to the Government and to the Country at Large.

1. The Federal Reserve Board, in its Bulletin for December, 1918, suggests the absorption, through extensive popular savings, of the Liberty Loan Bonds now carried by banks and trust companies, as an important step in readjusting and releasing banking resources for the demobilization period and afterwards.

2. Banks in France have played an important part in peace times in distributing securities among people of small means, serving the double purpose of tapping great reservoirs of capital which are thus mobilized and made available for use, and also of encouraging thrift among all classes, especially those of small means.

3. The government is known to be very anxious to maintain and extend the thrift habits created during the war. Liberty Bonds, with their small denominations and exceptional security, offer an unsurpassed inducement to save. It is said that the government is seriously considering the establishment of "Thrift Bureaus" throughout the country to carry on an extensive thrift propaganda. Savings banks which continue to push the sale of Liberty Loan Bonds would be of great help in such a movement.

4. If done widely it would tend to support the market for these bonds.

##### B. Service to the Individual.

1. Savings banks are established to encourage individuals to save. Nothing encourages them more than to show how savings can be turned into good investments.

2. We can assure them an honest market in which to buy.

3. They can still have all the advantages which were afforded during Liberty Loan campaigns of buying on the instalment plan, because the prospective buyer can open a regular savings bank account, add to it when and as he can, and purchase a bond when he has accumulated enough.

4. We would sell the best investment in the world in small convenient denominations.

5. We furnish protection to the small bondholder who may be obliged to sell, by furnishing him an honest market and fair price. The way in which small bondholders are being induced to part with their bonds at a loss today is a very serious, crying evil. Worthless mining and oil stocks, vacant lots, etc., are being exchanged for bonds, and second-hand furniture dealers, saloon-keepers, etc., are offering cash for them at cut rates in a way that bids fair to undo the habits of thrift that have been inculcated at such cost and effort. This is a matter that is causing deep concern to the government.

The savings banks should, of course, push the selling of bonds to the public. Bondholders would be advised not to sell, but to do so through the bank if it was a necessity, in order to be sure of fair treatment. It might be necessary to limit the amount which the bank would buy from any one party, in order to discourage selling and to prevent unscrupulous parties from buying up at cut rates and marketing their purchases through the bank.

##### C. Effect upon the Bank.

1. It would be profitable for the bank. Certain private bankers in New York have seen an immense future in dealing in Liberty Loan Bonds of small denominations. One house handles literally hundreds of transactions a day and is going out aggressively after this business on a large scale. It is said that another firm has had transactions in as many as 25,000 bonds in a day, aggregating as high as \$1,700,000, an average of about \$70 per bond. While we, of course, would not handle any such volume as this, we might hope in time to distribute a substantial number of bonds in the course of a year. Some dealers stand ready to buy a \$50 bond at 50 cents (or 1 per cent.) below the market or to sell such a bond at 50 cents above the market with a lower pro rata margin on larger denominations. Being in close touch with the market, we could always do business on such a scale at a profit and our service would be well worth all of such profit to our customers. If our own supply of bonds is being drawn down too low by sales we can replenish our stock at a profit. If we are buying too many we can resell them in the general market, as we buy below it.

For a year and a half savings banks have distributed Liberty Loan Bonds at considerable expense and without remuneration. Here is an opportunity to capitalize this free security in small denominations, and with a psychological opportunity through a temporarily depressed market, in addition to a tremendous amount of educational publicity.

2. It would attract deposits. As the business would be profitable for the bank, it would be justified in advertising it, which would incidentally advertise the bank as a savings bank. People who wanted to buy on the instalment plan would open accounts in order to accumulate enough to buy. People who sold would undoubtedly leave some part of the proceeds on deposit with us in many cases.

3. Such transactions would tend to help our cash

position and our liquidity. If people withdrew deposits from us to buy bonds they would naturally buy from us. That is to say, the cash would stay with us. They would draw on our non-liquid assets—our supply of bonds. If they sold to us we could at once resell if we wanted to be more liquid, and as stated above, a good deal of the cash which we paid out to them for their bonds would probably be at once put back as deposits.

4. While we would want the moral support and good will of the State Bank Department, we would apparently require no broader powers than the Savings Bank Law gives us. We are authorized to buy such bonds, and, of course, we can sell them.

5. This work could be combined with our Liberty Loan Safekeeping Department (Franklin Savings Bank, New York), which is steadily growing. We hold in safe-keeping over \$800,000 par value of bonds, owned by over 4,600 depositors. This service extended to non-depositors who bought through us might be made to earn some of its cost, as we could charge such purchasers for it.

#### AMORTIZATION OF MORTGAGE LOANS

The Committee on Amortization of Mortgage Loans are meeting with splendid success in the study for which the committee was created. Record of 150 to 175 banks has been received, which have applied the principle of amortization to their mortgage loans.

To a communication containing the hereinafter-mentioned questions sent to a selected list of 650 banks, trust companies and insurance companies throughout the country, 80 per cent. thereof responded.

A committee of six in each state to conduct a nation-wide campaign of propaganda is being created.

The questions above referred to were:

1. What is the method employed by you in making and caring for real estate loans?
2. For how long a term do you make mortgage loans and what is your practice when the loan matures?
3. Do you require any reduction of the principal during the life of the mortgage loan, periodically or by call? If so, how and when?
4. Do you require a reduction of the principal before renewing a mortgage loan?
5. Do you believe in the amortization of mortgage loans?

The first question may be rearranged so as to provide a more accurate analysis of the answers—the method of making loans—226 banks, trust companies and insurance companies indicated that the property is examined by some committee of the Board of Directors or Board of Trustees, including one or more officers. Only 11 banks, trust companies and insurance companies indicated that in the making of a loan the property was only examined by an appraiser. Generally this method was carried on by the smaller bank in the country districts.

In answer to the second question, regarding the length of the loan:

76 concerns generally make "demand" loans,  
 92 concerns generally make their loans on a 1-year basis,  
 4 concerns generally make their loans on a 2-year basis,  
 76 concerns generally make their loans on a 3-year basis,  
 66 concerns generally make their loans on a 5-year basis,  
 3 concerns generally make their loans on a 7-year basis,  
 1 concern generally makes its loans on a 8-year basis,  
 16 concerns generally make their loans on a 10-year basis,  
 4 concerns generally make their loans on a 20-year basis.

Forty-two concerns formally renew their loans, while 87 permit their loans to run on demand after the date of maturity, generally reappraising them periodically.

In the case of the third question, where prepayments are made, thereby reducing the principal during the life of the loan, 191 concerns do not so provide, while 110 do; 5 concerns provide for payments every three months, 35 semi-annually, 23 annually and 1 bank required a reduction of 3 per cent. a year. Of the 191 concerns that do not require prepayments, 68 provide in the obligation that the borrower may repay part of the principal during the life of the loan, 1 permits 2 per cent. a year to be paid, another permits 3 per cent., 3 permit 5 per cent., 1 permits 7 per cent., while 3 permit 10 per cent. and 2 allow 20 per cent. to be repaid during the year; on the other hand, 2 concerns permit payment in multiples of \$25 per year on small loans, 10 permit payment in multiples of \$50, 11 permit multiples of \$100 per year to be paid and 1 permits payments in multiples of \$500. Nineteen banks do not specify any amount.

Seventeen concerns do not provide any time for which to make payment, 2 require the payments to be made monthly, 1 quarterly, 26 semi-annually and 10 annually.

In answer to the fourth question, asking whether reductions are required on account of the principal before a loan is renewed or extended, 46 banks, trust companies and insurance companies answered in the affirmative and 240 replied that they did not.

Fifty-four banks replied that they did not believe in the amortization of mortgage loans, while 253 wrote they did.

An article will be written for the next issue of the JOURNAL more comprehensively covering the activities of this committee to date.

#### MUNICIPAL ISSUES AND SAVINGS BANKS

It is the purpose of the Committee of Three cooperating with a similar committee of the Investment Bankers Association to study the municipal bond situation in order to place around the investment certain safeguards to protect the large holdings of savings banks. More than 25 per cent. of the total municipal issues of the United States are owned by savings banks. An article will appear in the next issue of the JOURNAL giving the result of the study the Committee of Three has been making. Comments and some interesting observation of members in connection with the plan of the National Association of Owners of Railroad Securities presented before the Committee on Interstate Commerce of the United States Senate, January 3, 1919, will also be included in the March issue of the JOURNAL.

M. W. H.

# Clearing House Section

## CHANGE IN STATE REPRESENTATIVES

J. W. Davey, secretary of the Reno Clearing House Association, having resigned, L. S. Reese of the Farmers & Merchants National Bank, Reno, has succeeded Mr. Davey as secretary of the Reno Clearing House Association, Reno, Nev.

Mr. Davey also served as State Representative of the Clearing House Section for Nevada, from which office he has also resigned. W. H. Doyle, vice-president of the Reno National Bank, Reno, Nev., is his successor.

J. A. Lewis, vice-president National Bank of Commerce, St. Louis, Mo., has resigned as State Representative of the Clearing House Section. His successor has not yet been appointed.

## CONDENSED FINANCIAL STATEMENT

Much interest is being shown in this form. The Federal Reserve Bank of Boston has sent copies of the specimen form to all member banks of that district. Requests were sent out by the Clearing House Section for lists of the member banks in each Federal reserve district, which are being received. The clearing house associations were requested to appoint special committees to encourage the use of this form. Sioux City, Iowa, Spokane, Wash., and Denver, Colo., have already reported their committeemen, and it is hoped that many more will soon be received.

G. M. Dahl, vice-president Chase National Bank, New York, having resigned as committeeman of Reserve District No. 2, New York, has been succeeded by Jas. L. O'Neill of the Guaranty Trust Co., New York.

## THE NUMERICAL SYSTEM AND THE BOOK OF FORMS

When the rush of war work was at its height and millions of workers were leaving their normal tasks for war purposes, efficiency and economy were needed nowhere more urgently than in the banks, which were losing their trained forces. The problem was solved and the task accomplished by applying the principle of standardization. The Clearing House Section had some years before appreciated this need in the banking world and provided against it. They had seen that our rapidly growing flow of transit items made standardization indispensable. They blazed a way through the riot of detail, forms and methods by their Numerical System and paved it with a "Book of Forms." These practically eliminated the possibility of mistakes and delays, and today save literally millions of dollars formerly used in needless expenditure of time and labor.

Every bank is given a prefix and affix number respectively denoting its geographical location and name. The necessity of much writing and subsequent deciphering of the illegible disappears. Every contingency is provided for and it can be used to simplify

to an amazing extent which must, of course, be determined by the individual bank. If the value of a system is gauged by the accuracy and economy with which it achieves results, then the "Book of Forms" and the Numerical System are priceless. Simplicity is their characteristic and efficiency is their result.

The "Key," for the nominal price of \$1.50, can be obtained by communicating with the Clearing House Section. The "Book of Forms" does away with a lack of uniformity and resulting conflict among the numberless private forms used. It presents with all needed explanations 300 forms best adapted for banking activities. Its adoption by all banks would mean the greatest good for all, providing each bank with the best system to facilitate the trained action of its business at minimum cost. A request of the Clearing House Section with \$5 brings it to your desk.

A. F. H.

## Clearings and Total Bank Transactions

FOR FOURTH QUARTER, 1918 (OCTOBER, NOVEMBER AND DECEMBER)

(See page 293 of November JOURNAL for figures for Third Quarter, 1918.)

Clearing House Association	Clearings	Total Bank Transactions
Atlanta, Ga.....	\$847,744,000	\$1,022,034,000
Cedar Rapids, Iowa.....	25,971,000	173,117,000
Cincinnati, Ohio.....	757,113,000	2,221,730,000
Des Moines, Iowa.....	119,476,000	643,823,000
Detroit, Mich.....	910,460,000	1,549,014,000
Ft. Wayne, Ind.....	16,588,000	164,644,000
Grand Rapids, Mich.....	68,946,000	250,832,000
Hartford, Conn.....	100,927,000	281,679,000
Houston, Texas.....	227,528,000	1,015,513,000
Indianapolis, Ind.....	183,377,000	644,584,000
Joplin, Mo.....	22,643,000	50,536,000
Kansas City, Mo.....	2,722,218,000	3,558,131,000
Los Angeles, Cal.....	416,701,000	963,052,000
Louisville, Ky.....	290,524,000	943,234,000
Memphis, Tenn.....	278,619,000	707,871,000
Minneapolis, Minn.....	709,096,000	3,596,703,000
New Orleans, La.....	725,125,000	1,314,281,000
Oakland, Cal.....	97,064,000	192,058,000
*Oklahoma City, Okla.....	131,975,000	.....
*Omaha, Neb.....	710,437,000	.....
Portland, Me.....	35,452,000	139,213,000
Providence, R. I.....	151,023,000	410,632,000
Richmond, Va.....	748,901,000	1,518,054,000
Sacramento, Cal.....	60,109,000	210,722,000
San Francisco, Cal.....	1,712,092,000	3,108,235,000
St. Joseph, Mo.....	216,920,000	1,308,106,000
Scranton, Pa.....	53,403,000	179,719,000
Seattle, Wash.....	542,661,000	997,045,000
South Bend, Ind.....	16,261,000	42,131,000
Spokane, Wash.....	121,119,000	235,139,000
Springfield, Mass.....	48,529,000	184,998,000
Stockton, Cal.....	24,614,000	56,777,000
Tacoma, Wash.....	69,978,000	269,939,000
*Toledo, Ohio.....	150,208,000	.....
Trenton, N. J.....	37,006,000	118,772,000
Tulsa, Okla.....	106,665,000	311,026,000
Vicksburg, Miss.....	6,581,000	24,122,000
	\$12,471,324,000	\$28,407,466,000

Note.—Oklahoma City, Omaha and Toledo total bank transactions not reported—hence omitted.

\*Omitted from total.

## NEW SECRETARY CLEARING HOUSE SECTION

The Executive Committee of the Clearing House Section has selected Amos F. Hill of Boston for the position of secretary, succeeding Jerome Thralls, who resigned to become secretary and treasurer of the Discount Corporation of New York.

Mr. Hill has had twenty years' banking experience

with the Traders National Bank of Lowell, Mass., of which he was cashier for ten years. He served as general manager of the Wiseman Mines and Railroad Company, North Carolina, and as receiver of the Norton and Taunton Street Railroad Company. He is particularly well informed on the subject of credits and has had considerable experience in the field of bank examinations.

## Quarterly Statements of Country Clearing Houses

FOURTH QUARTER—ENDING DECEMBER 31, 1918

(See page 292 November JOURNAL for Statement for Third Quarter)

Clearing Houses	Number of Checks Handled	Volume of Checks	Number of Banks Using the Country Clearing Department	Number of Towns Upon which Checks Are Handled	Number of Banks Upon which Checks Are Handled	Number of Letters Sent Out Daily (Average)	(a) Operating Cost per Check (b) Operating Cost per \$1,000
Atlanta	1,254,540	\$112,046,771.56	6	No record	1,700	1,500	(a) .0130 (b) .1440
Detroit	536,837	32,021,574.87	9	600	600	550	(a) .0088 (b) .147
Kansas City	491,293	25,413,295.00	15	1,790	3,445	700	(a) .01 (b) .22
Louisville	76,000	24,151,474.32	7	1,000	500	500	(a) .005 (b) .17
Nashville	500,094	31,288,831.78	5	560	920	450	(a) .01 (b) .15
Oklahoma City	No record	6,199,269.03	5	400	600	200	(a) . (b) .12
Omaha	No report						
Richmond, Va.	951,745	80,092,100.00	5	1,300	950	773	(a) .0084 (b) .101
St. Louis, Mo.	1,288,414	67,534,888.57	15	2,050	3,200	1,600	(a) .0091 (b) .177
Total	5,098,623	\$378,748,205.13	67	7,700	11,915	6,273	

## National Bank Section

## NATIONAL-TRUST BANKS

Noah Webster's definition of a trust company—"any corporation formed for the purpose of acting as trustee. Such companies usually do more or less of a banking business"—has a corollary under the provision of the Federal reserve law inasmuch as a bank defined as "an establishment for the custody, loan, exchange or issue of money and for facilitating the transmission of funds by drafts or bills of exchange," now might well have added thereto: "Such banks usually do more or less of a trust business."

It is remarked that human beings long and closely associated together, like man and wife, come to resemble each other. Different classes of banking institutions appear to be steadily progressing toward uniformity of purpose and powers, whatever the title they carry. Predictions are not infrequent that eventually in this country there will be but one system of banks—that of the Federal reserve; that the natural and logical drift is toward nationalism; that in due course each bank will have the same opportunities and limitations

under the law, and that growth and superiority of a bank will then depend upon the character of the men who administer its affairs and their conceptions of duty and service in behalf of the public.

That the national banks are awakening to the advantages to be derived from the operation of trust powers is proved by the increasing number of inquiries in regard to the course to be taken to acquire the right to the exercise thereof. Under present conditions and laws, banks of discount and issue cannot show the net profits from operation which in former years were possible, and as a matter of course they are glad to avail themselves of a feature which can be quite easily combined with the transactions already carried on, in many cases without much, if any, increase in personnel or equipment.

Bankers of the national system already possess the requisites of integrity, assured reliance on the part of the public and worthiness to receive property committed in trust and their capability to act in a fiduciary capacity is unquestioned.

Banks are business institutions and the shareholders look for profits. That the opportunities for legitimate gains in trust operations are attractive is proved by the number of corporations formed expressly to serve the public in fiduciary capacity. It is reasonable, therefore, that national bank officers should seek the authority to offer to their customers the additional service of a trust department.

The section (11k) of the Federal Reserve Act which applies, as amended and re-enacted, is as follows:

EXCERPT FROM ACT H. R. 11283

"(k) To grant by special permit to national banks applying therefor, when not in contravention of state or local law, the right to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates or lunatics, or in any other fiduciary capacity in which state banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the state in which the national bank is located.

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

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

"No national bank shall receive in its trust department deposits of current funds subject to check or the deposit of checks, drafts, bills of exchange, or other items for collection or exchange purposes. Funds deposited or held in trust by the bank awaiting investment shall be carried in a separate account and shall not be used by the bank in the conduct of its business unless it shall first set aside in the trust department United States bonds or other securities approved by the Federal Reserve Board.

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

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

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

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

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

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

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

In connection with applications of national banks to exercise fiduciary powers under the recent amendment to the Federal Reserve Act, the following press statement was issued by the Board under date of October 24:

By recent amendment to section 11 (k) of the Federal Reserve Act, the fiduciary powers that may be exercised by national banks with the permission of the Federal Reserve Board have been materially broadened, and this section, as amended, will enable national banks to exercise fiduciary powers under conditions substantially similar to the conditions under which such powers are exercised by competing state banks and trust companies. As a result of this amendment a number of national banks which have not heretofore been granted permission to exercise fiduciary powers have filed applications in accordance with the statute, and are arranging to open trust departments. In order that applications filed up to and including November 15 may receive consideration at the same time, the Federal Reserve Board has fixed its first meeting in December as the date on which these applications will be acted upon. All such applications must, as heretofore, be transmitted through the Federal Reserve agent of the district in which the applying bank is located, and unless received by the Board by November 15 they will probably not be acted upon until some meeting subsequent to the first meeting in December. \*

The form of application prescribed by the Board may be obtained either from the Federal Reserve Board or the Federal Reserve agent. New regulations made necessary by the recent amendments to the act will be issued in the near future.

In the December number of the Federal Reserve Bulletin, under the title "Informal Rulings of the Board," appears the following:

FIDUCIARY POWERS OF NATIONAL BANKS, REVISION OF  
REGULATION F, SERIES OF 1917  
(To Federal Reserve Agents)

A revision of regulation F, series of 1917, which deals with trust powers of national banks is now in course of preparation. The recent amendment to section 11 (k) of the Federal Reserve Act makes certain state laws applicable to the trust operations of national banks. The laws of the several states dealing with this subject are not uniform.

From letters received it appears that counsel for the several Federal Reserve banks are not agreed on the question of what powers may be granted to national banks where the state laws do not specifically enumerate the fiduciary powers that competing state corporations may exercise.

It is, of course, necessary that the policy adopted by the Federal Reserve Board should be uniform in the several districts, and at the request of its counsel the Board has deferred the adoption of a regulation superseding regulation F, series of 1917, until he can communicate with counsel for the several Federal Reserve banks.

In order, however, that the Federal Reserve banks may be fully advised as to the method of procedure to be followed in handling the applications for trust powers, the Board has adopted the inclosed amendment to Article II of Regulation F, series of 1917.

November 22, 1918.

## AMENDMENT TO REGULATION F, SERIES OF 1917

Article II, regulation F, series of 1917, which relates to applications for permission to exercise trust powers, has been amended by the Board to read as follows:

## II. APPLICATIONS

(a) Original application.—A national bank which has not heretofore been granted a permit to exercise any trust powers desiring to exercise any or all of the powers authorized by Section II, subsection (k), of the Federal Reserve Act, as amended by the act of September 26, 1918, shall make application to the Federal Reserve Board on a form approved by said Board (Form No. 61a). Such application shall be forwarded by the applying bank to the chairman of the board of directors of the Federal reserve bank of its district, and shall thereupon be transmitted to the Federal Reserve Board for its action.

(b) Supplementary applications.—A national bank which has heretofore been granted permission to exercise any or all of the fiduciary powers enumerated in section 11 (k) as originally enacted, desiring to apply for permission to exercise additional powers, shall make application to the Federal Reserve Board on a form approved by said Board (Form No. 61b). Such application shall be forwarded to the Federal Reserve Board in the same manner as an original application.

(c) Pending applications.—A national bank, whose application for permission to exercise trust powers was filed before the passage of the act of September 26, 1918, if it desires to exercise the additional powers enumerated in section 11 (k), as amended, may withdraw such application and file a new application on Form 61a. If the original application is not withdrawn, the Board will act upon it as to the powers enumerated in such application, and the applying bank may later file a supplementary application for the additional powers desired on Form 61b.

(d) Applications heretofore refused.—A national bank whose application for permission to exercise trust powers has heretofore been refused must file a new application on Form 61a if it desires to exercise any of the powers enumerated in section 11 (k) as amended.

From the foregoing it is readily seen that the steps to be taken to obtain trust privileges are direct and present no serious difficulties.

As further information to national banks which are interested in this subject, the form of application of a national bank is hereto appended (see pages following).

## CO-OPERATION

"The banks are the pillars of Federal finance."

In the language of President Wilson, we summon you to comradeship.

Perfect co-operation of the national banks of the United States and dependencies would enable these banks to exert influence incalculable in scope and extent. This co-operation is feasible through the National Bank Section of the American Bankers Association.

The word "co-operation" is the standard around which human dynamics are rallied in these days of readjustment, reconstruction, rededication to the cause of supremacy of the United States of America.

Organized support of people to effect those large results which would be impossible for the individual, spells co-operation.

"The land divided; the world united:" was written of the Panama Canal.

Co-operation is truly democratic, as it represents all for all.

Co-operation, not competition, is the life of business, the soul of progress.

Lincoln's immortal utterance "Of the people, for the people, by the people" is the expression of the highest conception of co-operation.

When men labor for their common weal and profit, for their mutual welfare, with united purpose, concentrating and combining their energies and multiplying their efficiency, they are solving a problem of the ages—that of greatest benefit to greatest number.

The French have a phrase "homogeneous bloc" which comprehends similarity of views and combination for accomplishment.

A long pull, a strong pull and a pull all together is the irresistible force that will budge an immovable body.

Seek to give as well as get.

It is not enough that the national banker should belong to the National Bank Section of the American Bankers Association—he must co-operate if he would see the realization of his visions of a better and brighter world and more adequate rewards of unselfish service.

The strength of an organization lies in its membership.

The call is for co-operationists. *Will you be one?*

It is not the guns or armament  
Or the money they can pay,  
It's the close co-operation  
That makes them win the day;  
It is not the individual  
Or the army as a whole,  
But the everlastin' team-work  
Of every bloomin' soul.

—KIPLING.

## PRODUCE, SAVE—DISCOURAGE EXTRAVAGANCE

Secretary DeSaussure of the Florida Bankers Association, compresses into the following lines the situation that confronts bankers:

"The war is over but the duty of the banker is still plain. The banker during the war has been conservative himself and has urged his customers to be. The banker has shown his customer the necessity for saving and the danger of extravagance. Judging from world conditions, now existing in the United States, it is absolutely necessary for the next twelve months for every banker to pursue the same policy he has done for the past twelve in encouraging production and saving and discouraging useless expenditures for pleasure. The situation demands the serious consideration of every banker. If the banker does his part well, he can aid in bringing about the greatest era of prosperity the United States has ever known. This era is not here yet, but we can have it soon by following sane, sound and careful methods now."

## AGRICULTURE AND BANKS

The secretary of the Kansas Bankers Association, W. W. Bowman of Topeka, writing under date of January 9, paints the following rosy picture of banking and agricultural conditions in his state:

"We in Kansas feel that the future holds much of promise for this Western Agricultural Section. We

have now about 11,000,000 of acres of wheat in this state, the largest acreage not only in this state, but of any state in the United States, and even more, the largest acreage ever reported from any state in the entire country. The condition is the very best. The ground is full of moisture, the whole state has been covered with snow, the ground underneath is not frozen, hence the moisture will all be absorbed and we will go into the spring season with the richest prospect Kansas has ever had for a tremendous wheat crop. Indeed, the prophets are now saying that present prospects promise a yield of 250,000,000 bushels of wheat for Kansas.

"The banks also are prosperous, for banking prosperity depends upon agriculture developments. Even after all the demands of the war, the deposits of Kansas banks vastly exceeded those of the first of the war."

#### RECORD OF INTEREST AND DISCOUNT

No other order issued by the Comptroller of the Currency in recent years has caused the national banks more concern than his request for an accurate statement of interest and discount earned but not collected and interest and discount collected but not earned, as specified in items 21 and 27 of the statement of condition.

Many letters and telegrams received by the secretary of the National Bank Section from members in various parts of the country indicate that compliance with the Comptroller's order will entail the expenditure of a large amount of money by the banks to install a system and require considerable work, in addition to that which the banks are doing now, to keep the records current and give the exact information when and as called for.

At a meeting of the Executive Committee of the National Bank Section, held in New York City, December 10, 1918, the officers of the section were directed by the committee to endeavor to have the Comptroller modify his order and assist the banks to discover a simple, inexpensive and uniform method of securing the information sought by him.

The Comptroller's communication sent to the banks with the last call for a statement, in which he notified them that the compulsory feature of his order is postponed, was received with much relief.

Early in January the secretary of the section, accompanied by the chairman of the Executive Committee, called upon the Comptroller by appointment to discuss the matter with him. The Comptroller stated that he does not desire and does not intend to impose any unjust or unwarranted burden upon the banks, either in the matter of money or work, to gather the information which he desires. He suggested, however, that it is not exactly right for a bank to credit as income something which it has not received, or in other words, make entries of anticipated profits.

He is considering now the adoption of the following plan to be used by all the banks:

Instead of crediting interest and discount arising from the bank's transactions directly in income or profit account, credit it in a special account. Then at the end of each month ascertain the average daily amount of all loans for that month and the average

rate of interest thereon. Compute the income for the month at the average rate on the average amount of loans, charge the result against the special account and credit it in the account of interest and discount. The resulting credit will represent income actually earned and collected. Example: On January 31 the special account shows an accumulation of \$35,000 derived from interest and discount as the result of the bank's transactions to that date. It is ascertained that during the month of January the average daily amount of loans outstanding was \$3,000,000 and the average rate thereon 5 per cent. The yearly income on that basis would be \$150,000, the monthly income \$12,500. Therefore the bank would be entitled to withdraw \$12,500 from the special account and credit it in the account of interest and discount, the amount thus credited being actually earned and collected during January. At the end of each succeeding month the same computation would be made and the amount remaining undistributed in the special account would be regarded as interest and discount collected but not earned. Per contra, if a debit balance occur in the special account it is to be inferred that the amount of such balance would represent interest and discount earned but not collected.

The plan outlined by the Comptroller is so clear and simple that any bank should be able to compute the amount actually earned during each month with very little labor and no additional expense.

The Comptroller indicated that the banks will be duly notified when he desires them to put the proposed plan into operation. In the meantime, he requests them to make as close an approximation of the items as may be practicable under the circumstances.

In view of the Comptroller's expressed desire to be reasonable and helpful in connection with this matter, all our members are urged to co-operate with him fully to secure this information, which is valuable to each bank as indicating its true condition.

#### SHALL WE SLEEP?

The Editor of the *Arkansas Banker* asks the question in the caption. He writes:

"We hear much these days of 'reconstruction.' Fortunately for us in the South there will be less of this than in the North and East, for our regular day's work was less disturbed by the necessities of war. \* \* \*

"While the work was hard and patience-trying, the stress of war emergency was a wonderful experience for our bankers and the people with whom they are closely associated. Their view has been broadened. They have learned the helpful lesson of co-operation. Better still, they have learned that with united effort they can do the seemingly impossible. They have more charity for their competitors. They are all knit together in a firmer bond of good will and capacity to accomplish things worth while. They have glimpsed the vision of broader banking, and the marvelous thing is that their 'outside' work has taken nothing from their institutions, but has added much to their effectiveness and ability to serve, at once reflected in the increase of business in all departments.

"Now that the fight is over, shall we go to sleep? Shall we withdraw into our own shells?

"As great a battle awaits us—the battle of and for legitimate business. Needed development all around cries out for our aid. \* \* \* It would be a pity from now on, through lack of exercise, to lose the fine muscle we have gained through strenuous and unselfish work for ideals which are not strictly a part of our own business."

F. W. H.



NOTE.—This application, when executed, should be mailed to the Chairman of the Board of Directors of the Federal Reserve Bank of your district and will be transmitted to the Federal Reserve Bank by him.

District No. ....

State of .....

APPLICATION OF NATIONAL BANK

For permission to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or any other fiduciary capacity, under authority of Section 11 (k) of the Federal Reserve Act, as amended by the Act of September 26, 1918.

Under authority of a resolution of the board of directors of this bank, duly adopted and spread on the minutes of a meeting held on the ..... day of ....., 19....., application is hereby made for a permit to act as .....

(Specify the powers to be exercised.)

or to exercise as many of these powers as the Federal Reserve Board may allow.

[SEAL OF BANK]

..... of .....  
(Name of bank.) (City or town.)

By .....  
President or Vice-President.

Attest:

.....  
Secretary or Cashier.

To the FEDERAL RESERVE BOARD,  
Washington, D. C.

Statement of condition as at close of business on \_\_\_\_\_, 19\_\_\_\_

Name of Bank \_\_\_\_\_

Location \_\_\_\_\_  
(No.) (Street.) (City or town.) (State.)

Population of city or town (census of 1910) \_\_\_\_\_

<b>ASSETS</b>	<b>LIABILITIES</b>
Loans:	Capital stock _____ \$ _____
On real estate _____ \$ _____	Surplus _____
On other collateral _____	Undivided profits _____
Unsecured—	Deposits:
Customers' paper _____	Due to banks and trust com-
Purchased paper _____	panies _____
Acceptances (drafts accepted for	Demand (individual) _____
customers per contra) _____	Savings _____
Investments:	Other time _____
United States bonds _____	Liability on drafts, accepted pay-
Other bonds and warrants _____	able at a future date (per con-
Stocks _____	tra) _____
Real estate owned _____	All other liabilities _____
Cash due from banks and trust	
companies _____	
All other assets _____	
Total _____	Total _____

**RESOLUTION OF BOARD OF DIRECTORS**

At a meeting of the Board of Directors of the \_\_\_\_\_  
(Name of bank.)

of \_\_\_\_\_, duly called and held on the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_  
(City or town and State.)

the following resolution was offered, seconded, and adopted:

"Whereas it is the sense of this meeting that application should be made on behalf of this Association to the Federal Reserve Board for a permit to act as \_\_\_\_\_  
(Specify powers applied for.)

as provided in Section 11 (k) of the Federal Reserve Act, as amended by the act approved September 26, 1918,

"Now, therefore, be it resolved, that the president or vice-president and the cashier or secretary of this Association be, and they are hereby authorized, empowered, and directed to make application to the Federal Reserve Board for a permit giving to this Association the right to act as \_\_\_\_\_  
(Specify powers applied for.)

or to exercise as many of these powers as the Federal Reserve Board may allow, under such rules and regulations as the Federal Reserve Board may prescribe."

I hereby certify that the foregoing is a true and correct copy of a resolution passed by the Board of Directors of this Association on the date specified, and that the foregoing statement correctly shows the condition of this bank as shown by its books on the date indicated.

\_\_\_\_\_  
*Secretary or Cashier,*  
 \_\_\_\_\_ of \_\_\_\_\_  
(Name of bank.) (City or town.)

NOTE.—Powers that may be applied for under the statute are trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State in which the national bank is located.

# State Bank Section

The usefulness of the State Bank Section depends largely upon first-hand knowledge of what state bankers want. To secure this knowledge, the Executive Committee of the Section directed that a questionnaire be prepared. In accordance with such direction, the following questionnaire has been prepared and sent to each member of the State Bank Section:

QUESTION 1.—How can state banks render the greatest public service during the period of reconstruction following the war?

QUESTION 2.—What can be done to prevent the sale of worthless or questionable "securities" to the public?

QUESTION 3.—What ways and means can be adopted to prevent the exchange of worthless or questionable "securities" for Liberty Bonds?

QUESTION 4.—What, if any, Federal or state legislation do you recommend that would be of primary benefit to the public and incidental benefit to banks?

QUESTION 5.—What legitimate and equitable charges can banks make in connection with unprofitable deposits, unprofitable loans and various unremunerated services other than those of public character?

QUESTION 6.—What, in your judgment, is the most important thing for the State Bank Section to do this year?

(a) The most important thing for the public.

(b) The most important thing for individual members of the State Bank Section.

(c) The most important thing for the State Bank Section itself.

QUESTION 7.—The State Bank Section of the American Bankers Association in convention at Chicago adopted the following preamble and resolution:

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

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

If all calls for reports—state and national—cannot be made simultaneously, would it not be good policy for all state banking departments to call for some one statement a year on the same date as some one of the calls made by the Comptroller of the Currency?

If such information cannot be obtained in either manner suggested, would it not be good policy to obtain statistics from state banking departments annually or semi-annually in order that periodical announcements might be made showing the banking power of state chartered institutions similar to the statistical announcements regarding national banks published by the Comptroller of the Currency?

QUESTION 8.—The American Bankers Association in convention at Chicago adopted the following preamble and resolution:

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

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

In furtherance of the policy thus declared by the American Bankers Association, would you say it would be worth while for the State Bank Section to obtain information regarding opportunities for the drainage of swamps and the utilization of arid lands and cut-over timber lands? Muniton factories now devoted to the manufacture of dynamite and nitrogen might thus be afforded a field for the continued output of such products, and agricultural development along the lines indicated might provide employment for thousands of soldiers and sailors returning from the war. What are the opportunities in your state for such development and what, if anything, is now being done?

Answers to the foregoing questionnaire indicate a variety of opinion, but demonstrate the fact that the spirit of co-operation is extending among state bankers in a manner that will increase the membership of the American Bankers Association and enhance its power and usefulness.

FROM NEW JERSEY.—"It seems to me that the thing to do, for the protection of the public, as to the exchange of worthless securities for Liberty Bonds, is for the government authorities to request the newspapers of the country generally to warn the public not to invest in stocks such as mining, oil, etc., without consulting the officers of their own banks. I have been impressed with the fact that men who are successful money-makers or savers are enticed into buying securities simply because they are offered by plausible and magnetic salesmen. The purchasers fail to exercise the same judgment in investing their money as used by them in their own businesses or professions, and although I have never made special efforts, I have in some cases prevented people from putting their money into worthless securities. As you probably know, persons contemplating such investments hesitate to consult bank officers about such matters."

FROM MICHIGAN.—"Very little will be accomplished by merely passing resolutions. The development of our agricultural resources is a matter which demands the active sympathy of the state. The encouragement and support of our colleges and state institutions are not more important than the financial development (under proper direction) of our resources as a commonwealth. And the men who are willing to pioneer in these matters are not the men who have the financial ability to wait for results in properly treating new farms and building up worn or light soil. Michigan offers large opportunities in this way; in fact, its future growth must be along this line."

FROM NORTH DAKOTA.—"I think that state banks can render the greatest public service by continuing a conservative course and thus be able to meet any unexpected demands that may confront us during the period of reconstruction. The State Banking Department of this state usually calls for published statement at the same time that the Comptroller of Currency does. This is, I think, the proper way and the custom should be uniformly adopted throughout the United States. If, however, this end cannot be attained, I think it would be a good plan to obtain statistics from the State Banking Departments in order that periodical announcements may be made showing the power of state chartered institutions."

FROM SOUTH CAROLINA.—"Bankers should refuse to finance any operator who is promoting the sale of any securities which are not known to have merit, or real worth, and should use all legitimate propaganda to enlighten their constituents or clientele and impress upon them to refuse all unknown offerings without first consulting the best informed business men of their communities or their bankers."

FROM WASHINGTON.—"On the coast section of our state—Washington—we have a tremendous amount of cut-over timber land which is absolutely useless and which the average settler, without special assistance from the national authorities, cannot render possible. It would certainly be a great benefit to our state to have some well-organized, financed and properly advised effort made to solve this cut-over timber question."

FROM NEW JERSEY.—“With the knowledge we have that the prosperity of a nation depends in a large degree upon a stable agriculture, it behooves the bankers of this country to lend all possible assistance. Without going into a discussion of the subject of agricultural development and the advantages that concomitantly accrue with its progress there is, aside from the immediate need for food, the necessity for prompt and energetic action in behalf of the agricultural industry.”

FROM MINNESOTA.—“A campaign of education should be carried on warning the people against the purchase of securities offered by strangers and others, and advising all prospective investors to consult with their bankers before purchasing. At best, however, there will be people taken in, but the amount of fraudulent sales can perhaps be materially reduced with such a campaign of education.”

FROM ARKANSAS.—“I believe that now is the time for the State Bank Section to force the Federal Reserve Board to settle the matter of exchange charges, and if the Board should refuse, the Section should immediately have introduced amendments to Federal Reserve Act making mandatory the allowing exchange on country collections.”

#### STATE BANK SECTION COMMITTEES

*State Legislative Committee*.—E. C. McDougal, Chairman, president Bank of Buffalo, Buffalo, N. Y.; H. A. Moehlenpah, president Citizens Bank, Clinton, Wis.; E. D. Huxford, president Cherokee State Bank, Cherokee, Iowa. The foregoing constitute an Executive Committee for the State Legislative Committee.

Alabama: R. E. Chadwick, vice-president Bank of Ensley, Ensley.

Arizona: Charles O. Ellis, vice-president Bank of Douglas, Douglas.

Arkansas: Chas. G. Henry, president Arkansas Bank & Trust Co., Newport.

California: Wm. Rhodes Hervey, vice-president Los Angeles Trust & Savings Bank, Los Angeles.

Connecticut: Meigs Whaples, president Connecticut Trust & Safe Deposit Company, Hartford.

Florida: J. H. Fears, cashier Central State Bank, Campbellton.

Georgia: C. W. Hill, cashier Monroe County Bank, Forsyth.

Idaho: J. C. Blackwell, cashier Parma State Bank, Parma.

Illinois: O. W. Walker, president Shelby County State Bank, Shelbyville.

Indiana: C. L. Howard, cashier West Side Bank, Evansville.

Iowa: A. F. Blach, president Marshalltown State Bank, Marshalltown.

Kansas: R. C. Clevenger, vice-president Wichita State Bank, Wichita.

Kentucky: J. K. Waller, president Peoples Bank & Trust Company, Morganfield.

Louisiana: L. M. Pool, president Marine Bank & Trust Company, New Orleans.

Maine: John R. Gould, Augusta Trust Company, Augusta.

Maryland: Wm. C. Page, president Calvert Bank, Baltimore.

Minnesota: J. A. Reagan, president St. Paul State Bank, St. Paul.

Missouri: G. W. Poynter, cashier Bank of Bigelow, Bigelow.

Montana: Frank Bogart, vice-president Union Bank & Trust Company, Helena.

New Jersey: H. A. Watson, cashier Asbury Park & Ocean Grove Bank, Asbury Park.

New York: Edward Wells, president Peoples Bank, Johnstown.

Ohio: R. W. Firestone, president Firestone Bank, Lisbon.

Oklahoma: H. A. McCauley, president Sapulpa State Bank, Sapulpa.

Oregon: E. D. Cusick, president J. W. Cusick & Company, Bankers, Albany.

Rhode Island: Richard E. Lyman, Columbus Exchange Bank, Providence.

South Carolina: Lee G. Holleman, president Peoples Bank, Anderson.

South Dakota: C. L. Millett, president Stockgrowers Bank, Fort Pierre.

Tennessee: T. K. Happel, cashier Gibson County Bank, Trenton.

Utah: L. H. Farnsworth, president Walker Brothers, Bankers, Salt Lake City.

Virginia: Tench F. Tilghman, president Citizens Bank, Norfolk.

Wisconsin: F. X. Bodden, assistant cashier Marshall & Ilsley Bank, Milwaukee.

*Federal Legislative Committee*.—John H. Puelicher, Chairman, vice-president Marshall & Ilsley Bank, Milwaukee, Wis.; Walter E. Frew, president Corn Exchange Bank, New York, N. Y.; John W. Staley, president Peoples State Bank, Detroit, Mich.; Fred Collins, cashier Milan Banking Company, Milan, Tenn.; J. E. Chilberg, president Scandinavian-American Bank, Seattle, Wash.; G. E. Bowerman, vice-president Fremont County Bank, Sugar City, Idaho (address, St. Anthony, Idaho).

*Committee on Forms*.—R. S. Hecht, Chairman, president Hibernia Bank & Trust Company, New Orleans, La.; K. S. Chase, president Peoples Bank, St. Paul, Minn.; O. H. Cheney, president Pacific Bank, New York, N. Y.; C. J. Higgins, cashier Federal State Bank, Detroit, Mich.; Jerome Thralls, secretary and treasurer Discount Corporation of New York, New York, N. Y. G. E. A.

## State Secretaries Section

### U. S. COUNCIL OF STATE BANKING ASSOCIATIONS

Not long ago most of you received a communication from the above organization asking for your cooperation in financing the council by means of an appropriation based on the reserves of the state banks. In order to obtain data relative to this proposition, a questionnaire was mailed to each of you to be filled out and returned, but to date only fifteen secretaries have replied. We ask for a more generous response.

In this connection we learn that the California Bankers Association, through its executive council, at a recent meeting voted not to contribute to the support of the council. Arkansas, on the other hand,

has appropriated the amount assessed against it. Colorado has referred the matter to its State Bank Section with a recommendation that it contribute its share.

The secretaries of Illinois and Missouri report that their respective associations, through action of executive councils, unanimously and positively declined to make the appropriation requested for financing the council. Secretary McFadden of Georgia reports that the executive council of his association has authorized the creation of a State Bank Section and to that section was referred the question of affiliation with the United States Council of State Banking Associations. Let other states report as soon as action on this subject is taken.

NEW FEDERAL LEGISLATION INTRODUCED

H. R. 13181: To regulate the sale and promotion of stocks, bonds, and so forth.

The bill proposes to authorize the Secretary of the Interior to issue annual licenses to persons engaged in the sale of stocks, bonds and other forms of securities. The Secretary of the Interior would also be authorized to make necessary investigations to ascertain the financial standing and resources of concerns engaging in this form of business, and would be required, as a condition precedent to granting a license, to assure himself that they were solvent and proceeding in good faith in marketing their securities. After the enactment of the bill the sale of securities without a license by the Secretary of the Interior would be declared unlawful.

Referred to House Committee on Interstate and Foreign Commerce.

H. R. 13421: To amend the Federal Reserve Act.

Earnings of reserve banks beyond a sum required to maintain the surplus funds of the banks at an amount equal to 40 per cent. of their paid-up capital are now turned over to the government. This bill proposes to increase the surplus accounts of the reserve banks by diverting earnings sufficient to maintain this surplus account at 100 per cent. of the bank's paid-up capital, any excess going to the government. Branches might also be established by national banks in cities of over 100,000 inhabitants where state laws permit state banks to have branches. The provision in the act that, upon approval of the Reserve Board, member banks might carry their vault reserves in the reserve bank of their district is abrogated and the limitation on rediscount operations of member banks with their Federal reserve banks amended in such a way that loans to individual borrowers by a member bank in an amount beyond 10 per cent. of the member bank's capital and surplus might be rediscounted with the Federal reserve bank when the excess is secured by bonds of the United States issued after April 24, 1917.

Referred to House Committee on Banking and Currency.

A similar bill known as the Hitchcock bill (S. 5236) was passed by the Senate on January 21, without, however, the section referring to branch banks, and amending the last section so as to make it expire December 31, 1919.

In Bulletins 2 and 5 attention was called to bill S. 5062, presented by Senator Moses of New Hampshire in the U. S. Senate, providing for the extension of the franking privilege to banking institutions in collection of instalment payments upon subscriptions to the Liberty Loan. The A. B. A. Committee on Federal Legislation, after consideration of this measure, is of the belief that it should be broadened so as to cover the solicitation of subscriptions and notification allotments as well; also that it should cover the next or any future loans growing out of the war, although it might not be called a Liberty Loan. The following amplification of the concluding portion of the bill has been therefore suggested:

"In connection with the business of soliciting subscriptions, notification of allotments and collecting instalment payments upon subscriptions to any issue of the Liberty Loan or any other loan to the United States growing out of the war with Germany."

Convention Calendar

DATE	ASSOCIATION	PLACE
April 25-26	Florida	Jacksonville
April 30-	Reserve City Bankers,	
May 1-2		New Orleans, La.
May 5-6-7	Georgia	Savannah
May 13-14	Mississippi	Clarksdale
May 13-14	Missouri	St. Louis
May 15-16	Kansas	Kansas City
May 19-20	Oklahoma	
May 19-20-21	Executive Council, A. B. A.,	
		White Sulphur Springs, W. Va.
May 20-21-22	Texas	Galveston
June 5-6	Pennsylvania	Scranton
June 5-6-7	California	Santa Catalina Island
June 12-13	New York State	Albany
June 24-25	Iowa	
June	Oregon	Portland
July 10-11	North Dakota	
Aug. 8-9	Montana	Lewistown
Sept. 4	Delaware	
Sept. 4-5	Illinois	La Salle
Sept. 8-9	New Mexico	Albuquerque
	American Institute of Banking,	
		New Orleans, La.
	Idaho	Burley

In view of the obvious justice of this measure, this is legislation that all the secretaries can get behind, and it would be well if they would urge their member banks to communicate with their respective U. S. Senators, and also the members of the Senate Committee on Post Office and Post Roads, to which it has been referred. The committee is composed of the following: John H. Bankhead, Alabama, chairman; Ellison D. Smith, South Carolina; Claude A. Swanson, Virginia; James K. Vardaman, Mississippi; Thomas W. Hardwick, Georgia; J. C. W. Beckham, Kentucky; Kenneth D. McKellar, Tennessee; Charles B. Henderson, Nevada; Edward J. Gay, Louisiana; Boise Penrose, Pennsylvania; Charles E. Townsend, Michigan; John W. Weeks, Massachusetts; Thomas Sterling, South Dakota; George P. McLean, Connecticut; James E. Watson, Indiana; Joseph I. France, Maryland.

CENTRAL STATES CONFERENCE

The Central States Conference is scheduled for March 11-12 at the Hotel La Salle, Chicago. Secretary Bowman of Kansas is president and Secretary Warner of Iowa secretary. While the membership is confined to fourteen central states, the secretaries of any of the other states with the presidents and vice-presidents of the associations will be very welcome and are cordially invited to attend the sessions. The undersigned will be glad to make hotel reservations upon request. The program has not been announced as yet.

BANKER-FARMER CONFERENCE

This will be a joint conference of the Agricultural Commission of the A. B. A. and the chairmen of the various agricultural committees, presidents and secretaries of the state associations—February 26-27, New Willard Hotel, Washington, D. C. It is the urgent

wish of Chairman Hirsch that all the states shall be fully represented. This conference will be the most important meeting ever held by the bankers' agricultural committees and will be the forerunner of similar meetings in the future.

#### WAR TAX INFORMATION

Apropos of the suggestion contained in Bulletin No. 1 that an effort be made to arrange a meeting of secretaries at which representatives of the Treasury Department could explain and interpret the changes and new provisions of the bill now being considered by Congress, a letter along these lines was addressed to the Commissioner of Internal Revenue, to which the following reply has been received:

"The suggestion contained in your letter of December 27 is very interesting. If a new law is enacted in the near future it is the purpose of this bureau to avail itself of every voluntary agency in instructing taxpayers. The banks of the country rendered invaluable co-operation last year. It is our desire to extend all co-operation possible to taxpayers in connection with the new law.

"I shall keep your letter before me and as soon as the law is enacted I shall give careful consideration to the question of providing instructors, who will be qualified to give your officers the assistance you desire."

#### PROTECTIVE

Secretary Cardwell, Kentucky, reports:

"Please be on the lookout for one Harvey W. Norris, vice-president and general manager, Black Raven Coal Company, of Willard, Ky. Through false conveyances of land and by the use of the name of the coal company, Norris has defrauded several parties and some of our member banks may suffer some small losses by his crooked deals.

"Norris may go under the name of H. W. Norris, Harvey W. Norris, J. M. Jackson, or R. V. Howle. He is about 6 feet high, weighs 240 to 250 pounds, dark hair, brown eyes, round or rather stooped shoulders, lame or impediment in walking, scar under chin and cuticle on both face and hands shows white and dark patches in places; good address, smooth talker and wears good clothes.

"After leaving Kentucky he went to Huntington, W. Va., where he registered at the hotel as R. V. Howle on the 6th inst. It is thought that he went from there to Chicago.

"The Black Raven Coal Company has offered a reward of \$250 for the arrest and delivery of Norris to the officers of said company."

(Since reporting the above Norris has been arrested at Dayton, Ohio.)

Secretary Keyser, Missouri, reports:

"Twenty blank government checks were recently stolen from Camp Knox, Kentucky, serial numbers, upper right-hand corner, running from 1,081 to 1,100 inclusive. All of these checks carry the same symbol number, 20,807, lower right-hand corner under disbursing clerk's name. These checks are liable to turn up in any amount, and with varying signatures. Please give this what publicity you can among your members, but not in the newspapers. If any of the above checks are presented or come to your notice, detain the passer and notify by wire Fred M. Tate,

Post Office Building, Kansas City, Mo., marking the telegram 'Official Business, Government Rate Collect.'"

Secretary Bartlett, Wisconsin, reports:

"Fraudulent checks are arriving here which are very neatly printed on Hammerhill safety paper and purport to be signed by Bunde & Upmeyer Co., Milwaukee jewelers. These checks are drawn on the First National Bank of Milwaukee, where the company carries its account. Across the left-hand end appears the business card, but the name is printed 'Bundy & Upmeyer.' The amounts are typewritten and also perforated with a protectograph machine. The paper bears the watermark 'Safety First' in a circle. These checks are now being cashed in New York, and as the party has evidently gone to the expense of printing the same, he will no doubt undertake to pass as many as he can."

Secretary Graettinger, Illinois, reports:

"A party by the name of N. D. Parker is reported to be passing checks drawn on Manufacturers State Bank, East Moline, Ill., which are worthless, as the account has been closed. Parker was formerly employed in East Moline. Checks have been received from Toronto, Canada, and New York City, where he has evidently been working his game."

"Party known as C. Woodward, alias R. Miller, is wanted on the charge of having forged the name of the payee, H. G. Weatherwax, on a \$1,000 draft drawn by Commercial National Bank, Coshocton, Ohio, on Bank of Pittsburgh, N. A., Pittsburgh, Pa., and obtaining the money thereon from an Illinois bank. He is described as follows:

"Age, about 31; height, 5 feet 7 inches; weight, 125 pounds; build, slender; eyes, blue; hair, brown, worn pompadour; wore brown suit and hat; good dresser; nervous talker; worked as railroad switchman at Galesburg, Ill., about two years.

"It appears that Mr. Weatherwax has a savings account with the Ohio bank which in some manner became known to Woodward, who obtained the draft referred to by requesting the bank, in the name of the former, to forward amount and charge to the account. Since then a similar request was received from Paducah, Ky., but the amount was not remitted, the pass book in the meantime having been sent to Mr. Weatherwax at Douglas, Ariz., upon receipt of which the fraud was discovered.

"Woodward may endeavor to draw through some bank. Please notify your members, and if party is located have him held, advising M. A. Graettinger, Secretary Illinois Bankers Association, 208 S. LaSalle Street, Chicago, by wire (collect) at once."

Secretary Gallien, New York, in a circular to his members, says:

"We are advised by authorities that the bankers of the country should be on guard from now on for what may prove to be an epidemic of crime. With renewed efforts on the part of crooks who, during the war, absented themselves from the country because fields abroad offered greater opportunity, trusting that their identity would be forgotten and who are now returning, constantly on watch for opportunity to obtain easy

money, you are urged to be on the lookout for the attractive woman or well-dressed man who, in a very pleasing way, will endeavor to present '57 varieties' of reasons why he, a stranger, is unable to furnish you identification. In many cases they will attempt to open an account with that alluring 'all cash' item, only to deposit at a later period checks on distant points against which they hope to be permitted to draw without suspicion, and when the checks are returned the bank will awaken to the fact that the party drawing the checks has departed to greener pastures."

#### MEMBERSHIP SIGNS

Secretary Hardy, Colorado, writes that he has ordered a supply of the uniform membership signs proposed and for which a price was quoted in Bulletin No. 2. This is the first association to take advantage of the arrangement whereby the cost of the signs can be materially reduced.

#### INTEREST EARNED, ETC.—COMPTROLLER'S STATEMENT

Secretary MacFadden, North Dakota, reports having received orders from a number of states for large quantities of the forms prepared for the calculations of daily interest accruals by national banks as was requested by the Comptroller of the Currency. Although the Comptroller's request was to begin these calculations January 1, in calling for statements as of January 1, he announced that owing to the epidemic of influenza and shortage of help in the banks he is willing to allow approximate figures to be reported until some future date, and in the meantime he will submit some suggestions as to how these accounts may be kept with the minimum labor and inconvenience.

Secretary McFadden, Georgia, reports that the executive council of his association has adopted a resolution providing that on behalf of the national banks

of Georgia a petition to modify the existing order or to rescind it entirely be presented to the Comptroller.

#### BULLETIN SERVICE

Beginning with the New Year we are going to continue to harp on the subject of co-operation, because the fact is there has been a seeming lack of that spirit, which is so essential to make these Bulletins of value to all. Your efforts are earnestly desired in assisting the section secretary to create an important information service through this medium and we want to impress on you the necessity of forwarding all items that may be of any interest to the other secretaries. Let us have the advantage of the experiences and knowledge gained in your work and the benefit of the exchange will be reciprocal. Write frequently and briefly. All contributions are welcome. This service will be just as interesting as you make it.

Legislative sessions are now being held in a majority of the states, and it is our desire that copies of proposed bills which are of interest to banks in general be transmitted to this office and subsequent action thereon reported.

A program of state legislation recommended by the American Bankers Association has been submitted by the Committee on State Legislation covering seventeen subjects, which are urged for enactment in those states where legislation thereon has not already been procured. Will you kindly keep the Secretary informed with reference to any of these measures as taken up by your association?

#### BULLETIN TO ASSOCIATION PRESIDENTS

If you desire to have the Bulletin mailed to your association president, so advise the undersigned. Some of the secretaries have taken advantage of the previous offer made.

M. A. G.

## New Orleans Selected for A. I. B. 1919 Convention

Announcement is made by J. C. Thomson, President of the American Institute of Banking, that the Executive Council has unanimously selected New Orleans as the convention city in 1919.

This news is received with a great deal of interest because of the great commercial and industrial development which has taken place there during recent years. New Orleans is not only recognized as the gateway to the Panama Canal, but to all South Ameri-

can commercial opportunities. Fifty conventions have already selected the Crescent City for 1919.

On account of war conditions, attendance at Institute conventions has been reduced to a minimum during the past two years. Now that the war is over, the attendance will be materially increased, and New Orleans Chapter is preparing to entertain the largest representation in the history of the American Institute of Banking.

# American Institute of Banking Section

## INSTITUTE COMMITTEES

### COMMITTEE CHAIRMEN

**Membership:**—Bruce Baird, Hibernia Bank & Trust Co., New Orleans, La.

**Publicity:**—Norman T. Hayes, Philadelphia National Bank, Philadelphia, Pa.

**Public Affairs:**—Gardner B. Perry, National Commercial Bank, Albany, N. Y.

**Chapter Presidents Conference:**—A. T. Matthew, Bank of California, Portland, Ore.

**Program:**—Stewart D. Beckley, City National Bank, Dallas, Texas.

**Transportation:**—Henry H. Aehle, Mercantile Trust Co., St. Louis, Mo.

**Chapter Survey:**—James Rattray, Guaranty Trust Company, New York.

**Trade Acceptances:**—Freas B. Snyder, First National Bank, Philadelphia, Pa.

**Public Speaking and Debate:**—E. A. Lahm, Citizens Savings Bank, New York.

### COMMITTEE MEMBERSHIP

**Chapter Survey Committee:**—James Rattray, Chairman, Guaranty Trust Company, New York; A. C. Burchett, Bank of Commerce and Trust Co., Memphis, Tenn.; M. W. Harrison, American Bankers Association, 5 Nassau Street, New York; J. G. Morrow, Tenison National Bank, Dallas, Texas; Jean Phillips, Bank of Pittsburgh, N. A., Pittsburgh, Pa.; R. D. Spaulding, Merchants Loan and Trust Co., Chicago, Ill.

**Publicity Committee:**—Norman T. Hayes, Chairman, Philadelphia National Bank, Philadelphia; Charles W. Stevens, Old Colony Trust Co., Boston; Richard W. Hill, 5 Nassau Street, New York; John A. Graham, c/o Jenkins, Whedbee and Poe, Baltimore; Allen Daley, American Trust and Savings Bank, Birmingham, Ala.; H. C. Wallenberg, Continental Bank and Trust Co., Ft. Worth, Texas; Daniel P. Clifford, Home Savings Bank, Toledo, Ohio; Thos. J. Nugent, First National Bank, Chicago; Clarence R. Chaney, Northwestern National Bank, Minneapolis, Minn.; L. M. Mielenz, Union State Bank, Omaha, Neb.; Joel R. Parrish, Farmers State Bank, Woods Cross, Utah; Fred W. Healy, Guaranty Trust and Savings Bank, Los Angeles, Cal.; Lester McCash, Seaboard National Bank, Seattle, Wash.

**Public Affairs Committee:**—Gardner B. Perry, Chairman, National Commercial Bank, Albany, N. Y.; (1) William Willett, Federal Reserve Bank, Boston, Mass.; (2) J. B. Birmingham, National City Bank, New York; (3) A. G. Felix, Peoples Bank, Philadelphia; (4) E. S. Eggers, Union National Bank, Pittsburgh; (5) Roy L. Neuhauser, National City Company, Washington, D. C.; (6) N. J. Simmons, Chattanooga Savings Bank, Chattanooga, Tenn.; (7) J. W. Hays, West Town State Bank, Chicago; (8) Dale Graham, Mississippi Valley Trust Co., St. Louis, Mo.; (9) H. B. House, First National Bank, St. Paul, Minn.; (10) W. H. Potts, Commerce Trust Company, Kansas City, Mo.; (11) Paul G. Taylor, Federal Reserve Bank, Dallas, Texas; (12) G. E. Maine, Dexter Horton National Bank, Seattle, Wash.

**Membership Committee:**—Bruce Baird, Chairman, Hibernia Bank & Trust Co., New Orleans, La.; (1) O. T. Sherman, Rhode Island Hospital Trust Company, Providence, R. I.; (2) J. W. Jardine, Alliance Bank, Rochester, N. Y.; (3) Walter A. Gilbert, Christiana National Bank, Christiana, Pa.; (4) N. G. Nelson, National City Bank, Akron, Ohio; (5) Raymond H. Lee, Federal Reserve Bank, Richmond, Va.; (6) E. Jones, Metropolitan Bank, New Orleans, La.; (7) W. Berthoff, Peoples Savings Bank, Des Moines, Iowa; (8) E. A. Converse, Louisville Trust Co., Louisville, Ky.; (9) J. A. Murphy, First and Security National Bank, Minneapolis, Minn.; (10) C. A. Parker, Denver National Bank, Denver, Colo.; (11) Karl Sherman, First National Bank, Waco, Texas; (12) H. A. Merrill, Oakland Bank of Savings, Oakland, Cal.

**Chapter Presidents Conference Committee:**—A. T. Matthew, Chairman, Bank of California, N. A., Portland, Ore.; F. W. Bryant, Second National Bank, Boston, Mass.; J. J.

Farrell, Hibernia Bank and Trust Co., New Orleans, La.; E. O. Goodwin, Dime Savings Bank, Detroit, Mich.; H. J. Moore, First National Bank, San Francisco, Cal.; J. F. Wood, National State and City Bank, Richmond, Va.

**Public Speaking and Debate Committee:**—E. A. Lahm, Chairman, Citizens Savings Bank, New York; (1) V. I. Neilson, Riverside Trust Co., Hartford, Conn.; (2) H. H. Halm, Jr., Citizens Commercial Trust Co., Buffalo, N. Y.; (3) T. W. Smith, First National Bank, Philadelphia, Pa.; (4) F. M. Horton, American National Bank, Cleveland, Ohio; (5) O. C. White, Drivers and Mechanics National Bank, Baltimore; (6) T. W. Townsend, Fourth National Bank, Atlanta, Ga.; (7) H. Digman, Wisconsin National Bank, Milwaukee, Wis.; (8) C. W. Hogan, Southern Trust Co., Little Rock, Ark.; (9) R. E. Towle, Federal Reserve Bank, Minneapolis, Minn.; (10) W. H. Dressler, Stock Yards National Bank, So. Omaha, Neb.; (11) D. W. Cooley, Union National Bank, Houston, Texas; (12) Chas. A. Hamm, Exchange National Bank, Spokane, Wash.

**Program Committee:**—S. D. Beckley, Chairman, City National Bank, Dallas, Texas; E. S. Wolfe, First Bridgeport National Bank, Bridgeport, Conn.; C. W. Dupuis, Citizens National Bank, Cincinnati, Ohio; G. C. Clark, Utica Trust and Safe Deposit Co., Utica, N. Y.; F. G. Addison, Jr., Home Savings Bank, Washington, D. C.

**Transportation Committee:**—Henry H. Aehle, Chairman, Mercantile Trust Co., St. Louis, Mo.; Vice-Chairman to be appointed; (1) G. E. Tester, New Haven Bank, New Haven, Conn.; (2) W. A. Boyd, First National Bank, Syracuse, N. Y.; (3) L. S. Marsh, Anthracite Trust Co., Scranton, Pa.; (4) F. H. Stachler, North Dayton Savings Bank, Dayton, Ohio; (5) R. S. Small, Bank of Charleston, Charleston, S. C.; (6) E. R. Harrison, Cumberland Valley National Bank, Nashville, Tenn.; (7) D. A. Murphy, City Trust Co., Indianapolis, Ind.; (8) F. S. Bragg, Jr., Union and Planters Bank, Memphis, Tenn.; (9) L. O. Anderson, Northern National Bank, Duluth, Minn.; (10) O. E. Keine, Interstate Trust Co., Denver, Colo.; (11) Wm. Pardue, State National Bank, San Antonio, Texas; (12) H. J. Dille, National Bank of Tacoma, Tacoma, Wash.

## Institute Committee Work

**PUBLIC AFFAIRS.**—Chairman Gardner B. Perry reports that the Public Affairs Committee has properly functioned as a medium between the Treasury Department and the chapters from the start of the war to the present time, endeavoring to its utmost to be of any assistance it could by way of giving advice, and as a medium of disseminating literature to all of the chapters, and thus to all members of the Institute.

Perhaps one of the most important of the subjects this committee has before it is the readjustment problem which confronts our nation, as well as, of course, the whole world. We are confronted by new conditions, and these new conditions must be met by a new system of doing business and by new methods of meeting the complex social situation bound to arise. This latter is especially applicable to the questions affecting labor and capital, and to the banker the value of a broad viewpoint along this line is of tremendous weight. We should therefore make it a point to teach ourselves to teach others, for if we could have a force of 23,000 men and women spreading the right kind of doctrine, as affects this social condition, we would then be doing a big part in the building of "New America."



There is a warmer feeling today between the public and the banker than before the war, and this more personal contact should be encouraged. The banker will have to "come out" more than formerly and be conspicuously interested in civic affairs, etc. In the eyes of the public he has "arrived" as a human, and he must stay there.

We should strive to maintain the feeling of co-operation that has so quickly been built up and to impress the individual with his importance, and responsibility in the make-up and running of the city. Men and women in the last two years have found themselves, have fitted into the machinery of things, have become a live active force, so to speak; we must not let them fall back into oblivion, or become mere automatons; but must hold them in their thoughts and, as far as possible, in their deeds in the spirit of being a necessary factor in the city, in the state and in the country.

The return of the soldiers to our various institutions and the natural desire on the part of the banks, as far as possible, to give them back the positions which they formerly held in the organizations now claims our attention. Since it will mean the sacrificing of some of the positions, gained through the absence of these men, and since it will take great co-operation in order to help them get fully on their feet again, much will depend upon the attitude which our various members take in encouraging these men upon their return. This, no doubt, will be a big factor in aiding the readjustment problem. This committee may be able to suggest to the various chapters some way in which clearing houses may be formed for the re-employment of these bank men upon their return, whether in their own banks, in other banks, or in other occupations.

Foreign trade, foreign exchange and foreign investments loom up now as they never did before, and it is important that our members become conversant upon these various subjects, whether we live in cities touching the seaboard, or in inland cities. Our banks will have to come into competition more and more with the large foreign institutions, and we have a long way to go before we can learn even the elements of foreign exchange, the final stages of which the banks in other countries have been practicing for years. In the same way, our committee will be able to point out certain factors in foreign trade which should be known by every banker; and will show the importance of our investments in foreign securities as time goes on.

We shall also try to send information to the various chapters in reference to the lines we should suggest along the study of investments. This is becoming more important every day, because of the fact that unscrupulous persons are trying to separate the small Liberty Loan investors from their bonds, in exchange for bonds of little or no character. A large part of the public has been educated to buy Liberty Bonds, and we must teach them as far as possible to discriminate in the future between good and bad investments.

The Public Affairs Committee has been appointed geographically so that each Federal reserve district is represented by a member, and at all times the members of this committee are ready to be of every possible service to any chapter or individual member of the

Institute, and would be glad to discuss any and all of these subjects.

**PUBLIC SPEAKING AND DEBATING.**—Chairman Edwin A. Lahm reports that there never was more need for the Committee on Public Speaking and Debating to promote chapter debates and inter-chapter contests than the present, in order that interest may be stimulated among the members relative to the momentous problems that are agitating the greatest minds of the world.

In its simplest form debate is universally practiced, and your committee cannot too strongly urge the necessity of extending the educational courses in the chapters to include public speaking and debate under competent instructors; the grammatical grouping of words into phrases and clauses; the social, practical and disciplinary value of argumentation cannot otherwise be fundamentally acquired.

As a preliminary course, five-minute speeches on live topics, with review by competent critic, are recommended by your committee.

Intensive work is necessary, for the time will soon arrive when the national cup will be contested for at the annual convention this fall. All chapters are expected to enter teams for inter-chapter debates and schedules should be arranged in order that the first debate may take place in March.

Detailed information as to rules governing will be available.

**MEMBERSHIP.**—Chairman Bruce Baird reports that the Membership Committee is ready and anxious to aid chapters in building up their membership and to generally assist by giving the benefit of the experience of other chapters and thus help solve the new problems about membership which arise from time to time.

It is the idea of the committee to establish a clearing house of Institute problems covering chapter membership, viz.:

1. How best to enlarge the membership of local chapters.
2. How best to retain interest in chapter activities after the membership itself has been established.

In order to achieve the best results it will be necessary that the committee have a detailed report regarding the membership of chapters, upon receipt of which a complete file will be kept of each chapter, and from the information thus gathered this committee will be in a position to answer any and all questions which may be put to it regarding membership.

The two principal membership problems at the present moment are:

1. What is the best way to secure the membership of the returning soldiers?
2. Shall we make the girl in the bank a full-fledged member of the chapter?

Both of these questions should be given serious thought and consideration, as chapter officers will be requested to answer them in the near future.

Finally, remember that the Institute is the educational section of the A. B. A. and as such should make every effort to educate all bank clerks of today for more responsible positions tomorrow.

**PUBLICITY.**—Chairman Norman T. Hayes, reporting for the Publicity Committee, says that it is the

function of that committee to see that information regarding the Institute and its activities reach the financial magazines and the newspapers. The committee is dependent upon the members of the Institute for information, and each member can assist in this important work by forwarding to members of the committee anything which would prove of interest to readers of financial and news papers.

### Institute Study Courses

**ELEMENTARY BANKING.**—For the benefit of the multitude of young men and young women engaged in banking under conditions incident to the war—as well as others who need educational facilities of fundamental character—the Institute has designed a suitable course of study, adapted alike to class and correspondence instruction. The course of study thus provided consists of (1) a text-book entitled “Elementary Banking”; (2) a series of ten sets of practical exercises arranged in accordance with the respective chapters into which the text-book is divided; (3) a final examination in general review of the subject. In City Chapter study classes the cost of instruction in the Institute course of study in “Elementary Banking” is determined by local circumstances. To students enrolled in the Correspondence Chapter the cost of correspondence instruction in “Elementary Banking”—including (1) the prescribed text-book; (2) the serial exercises and (3) the final examination in review—is fifteen dollars (\$15), less one-third to officers and other employees of institutions that are members of the American Bankers Association. *A majority of men and women in banks need the Institute Study Course in “Elementary Banking” whether they ever do any further educational work or not.* The cost of the text-book on “Elementary Banking” without collateral instruction is \$1.25 a copy for single copies or \$1.10 a copy in quantities of ten or more. These prices include transportation.

**ELEMENTARY ECONOMICS.**—Economics is the science that deals with wealth—its production and its uses—and it so closely relates to banking that the study of banking and the study of economics are inseparable. The Institute has accordingly provided an elementary course of study in economics to supplement the study course in “Elementary Banking.” Such study course consists of (1) a text-book entitled “Elementary Principles of Economics”; (2) a series of seven sets of practical exercises arranged in accordance with the respective topics into which the text-book is divided; (3) a final examination in general review of the subject. In City Chapter study classes the cost of instruction in the Institute course of study in “Elementary Economics” is determined by local circumstances. To students enrolled in the Correspondence Chapter the cost of correspondence instruction in “Elementary Economics”—including (1) the prescribed text-book; (2) the serial exercises and (3) the final examination in review—is fifteen dollars (\$15), less one-third to officers and other employees of institutions that are members of the American Bankers Association. The cost of the text-book on “Elementary Economics” without collateral instruction is \$1.25 a copy for single copies or \$1.10 a copy in quantities of ten or more. These prices include transportation.

**COMMERCIAL AND BANKING LAW.**—The Institute standard course of study in “Commercial and Banking Law” is not intended to make lawyers, but simply to impart to bankers sufficient knowledge of law to enable them to act in accordance with established legal principles and refer doubtful questions to a lawyer. In other words, bankers should know what is law and what is not, and thus be able to distinguish between law and a lawsuit. The Institute standard course of study in “Commercial and Banking Law” consists of (1) a standard text-book; (2) a series of twenty-six sets of practical exercises arranged in accordance with respective chapters into which the text-book is divided; (3) a final examination in general review of the subject. In City Chapter study classes the cost of instruction in the Institute course of study in “Commercial and Banking Law” is determined by local circumstances. To students enrolled in the Correspondence Chapter the cost of correspondence instruction in “Commercial and Banking Law”—including (1) the prescribed text-book; (2) the serial exercises and (3) the final examination in review—is fifteen dollars (\$15), less one-third to officers and other employees of institutions that are members of the American Bankers Association. The cost of the text-book on “Commercial and Banking Law” without collateral instruction is \$2.50 a copy for single copies or \$2.25 a copy in quantities of ten or more. These prices include transportation. Enrollment in “Commercial and Banking Law” is restricted to (1) students who possess the Institute Elementary Certificate and (2) students who have either had three years of experience in a banking institution or three years of study in a high school.

**MONEY AND BANKING.**—The Institute standard course of study in “Money and Banking” is a logical combination of theory and practice. Banking has become a profession instead of a trade, and progressive bankers must not only know the practical methods of bank administration and accounting, but also have some understanding of banking history and banking principles. The Institute standard study course in “Money and Banking” consists of (1) a standard text-book; (2) a series of twenty-two sets of practical exercises arranged in accordance with respective chapters into which the text-book is divided; (3) a final examination in general review of the subject. In City Chapter study classes the cost of instruction in the Institute course of study in “Money and Banking” is determined by local circumstances. To students enrolled in the Correspondence Chapter the cost of correspondence instruction in “Money and Banking”—including (1) the prescribed text-book; (2) the serial exercises and (3) the final examination in review—is fifteen dollars (\$15), less one-third to officers and other employees of institutions that are members of the American Bankers Association. The cost of the text-book on “Money and Banking” without collateral instruction is \$2.50 a copy for single copies or \$2.25 a copy in quantities of ten or more. These prices include transportation. Enrollment in “Money and Banking” is restricted to (1) students who possess the Institute Elementary Certificate and (2) students who have either had three years of experience in a banking institution or three years of study in a high school.

## Title Changes Among Bank Officers

Following is a list of officers' title changes in institutions which are members of the American Bankers Association, reported to the JOURNAL from December 26 to January 25, inclusive. Members will confer a favor by notifying this department immediately of any such changes. Publication will be made only on receipt of information direct from members.

### CALIFORNIA

Alturas—C. N. Jackson, formerly assistant cashier, appointed cashier First National Bank, succeeding B. F. Lynip, resigned.

Los Angeles—R. P. Lehmer elected cashier California Savings and Commercial Bank, succeeding A. L. Crandall.

San Francisco—A. Pedrini, formerly cashier, elected fourth vice-president Bank of Italy; W. R. Williams, formerly superintendent of banks of California, now cashier.

San Pedro—L. T. Johnson, formerly assistant cashier, appointed cashier State Bank of San Pedro.

### CONNECTICUT

New London—William Belcher, formerly treasurer, elected president The Savings Bank of New London; Charles E. White elected treasurer.

### DELAWARE

Laurel—P. Edward Wootten appointed cashier Sussex Trust Company, succeeding Henry K. Greene, resigned.

### FLORIDA

Jacksonville—L. P. McCord elected cashier Peoples Bank of Jacksonville, succeeding F. M. Bullard.

West Palm Beach—L. D. Hughes appointed cashier Bank of Palm Beach, succeeding L. P. McCord, resigned.

### GEORGIA

Atlanta—M. W. Bell elected cashier Federal Reserve Bank of Atlanta; J. B. Pike, deputy governor, resigned.

### ILLINOIS

Chicago—Walter M. Heymann, formerly vice-president, elected president Liberty Trust & Savings Bank; Frank A. Alden, formerly cashier, now vice-president; Adolph S. Helquist, heretofore assistant cashier, appointed cashier.

Chicago—W. C. Castle, formerly assistant cashier, appointed cashier Standard Trust & Savings Bank, succeeding H. C. Stevens, resigned.

Chicago—Frederick L. Wilk, vice-president Union Trust Company, retired.

Chillicothe—C. B. Zinser, formerly cashier, elected president First National Bank, succeeding L. N. Gallup; Fred Scheeler, heretofore assistant cashier, appointed cashier.

### IOWA

Burlington—J. J. Fleming, formerly vice-president, elected president Burlington Savings Bank; succeeding George H. Uighbee, deceased; George C. Swiler, formerly cashier, now vice-president and cashier.

Odebolt—C. C. Jameson elected vice-president First National Bank; L. R. Bassett, formerly assistant cashier, elected cashier.

### KANSAS

Waldo—E. A. Ford, formerly cashier, elected president Waldo State Bank; Vernon Bradshaw, formerly assistant cashier, now cashier.

### KENTUCKY

Flemingsburg—S. E. Dye elected cashier Deposit Bank of Pearce, Fant & Company, succeeding John L. Reid.

### LOUISIANA

New Orleans—Chas. F. Herb elected second vice-president Hibernia Bank & Trust Company, succeeding Fred W. Ellsworth, now first vice-president; Paul Villere, formerly cashier, elected vice-president; James H. Kepper, formerly assistant cashier, now cashier.

### MINNESOTA

Cass Lake—H. N. Harding, formerly cashier, elected second vice-president First National Bank; Al. J. Hole, formerly assistant cashier, now cashier.

### MISSISSIPPI

Gulfport—A. C. Purple, formerly cashier, elected second vice-president First National Bank, succeeding J. A. Bandi; P. A. Stilwell appointed cashier.

Meridian—Levi Rothenberg, formerly vice-president, elected president First National Bank, succeeding Edwin McNorris, deceased.

### MONTANA

Fallon—John F. Sinclair elected president Montana State Bank, succeeding E. A. Engebretsen; C. E. Fodness appointed cashier.

### NEBRASKA

Decatur—E. P. Hanson appointed cashier First National Bank, succeeding E. A. Hanson, deceased.

Panama—John T. Marshall, formerly cashier, elected president Bank of Panama, succeeding Charles Marshall, retired; Ralph W. Marshall appointed cashier.

### NEW JERSEY

Asbury Park—Harry A. Watson, formerly cashier, elected vice-president Asbury Park and Ocean Grove Bank, succeeding C. C. Clayton, deceased; Irving L. Reed appointed cashier.

Milltown—H. J. Boorem appointed cashier First National Bank, succeeding J. W. Stull.

### NEW YORK

New York—B. K. Marcus, formerly vice-president and cashier, now vice-president Bank of United States; Louis K. Hyde, elected cashier.

New York—Richard R. Hunter, formerly secretary, elected vice-president Equitable Trust Company of New York; Herman J. Cook, formerly treasurer now vice-president; William J. Eck, formerly assistant secretary, elected secretary; Arthur A. Miller, heretofore assistant treasurer, now treasurer.

New York—Harry E. Ward, formerly first vice-president, elected president Irving National Bank, succeeding Rollin P. Grant who becomes vice-chairman of the board.

New York—James McNeil and B. D. Forster appointed vice-presidents Bank of the Manhattan Company.

New York—North McLean, formerly manager foreign department, appointed vice-president Mechanics & Metals National Bank.

New York—Peter S. Duryee elected vice-president Mercantile Trust & Deposit Company.

New York—Lawrence J. Grinnon, formerly cashier, elected vice-president New York County National Bank; Arthur S. Furst, heretofore assistant cashier, now cashier.

### OHIO

Coshocton—George W. Cassingham elected vice-president Commercial National Bank, succeeding Edwin L. Lybarger, retired.

### OKLAHOMA

Oklahoma City—J. B. Hines, formerly assistant cashier, elected vice-president Oklahoma Stock Yards National Bank; A. Weisman appointed cashier.

Tulsa—E. W. Jacob, formerly auditor, elected vice-president Exchange National Bank.

### OREGON

Hillsboro—J. F. Gardner appointed cashier Hillsboro National Bank, succeeding F. N. Austin.

Moro—K. A. McPherson appointed cashier Bank of Moro, succeeding F. E. Fortner, resigned.

## PENNSYLVANIA

Carbondale—C. A. Morgan elected cashier Liberty Discount and Savings Bank, succeeding C. E. Downing, resigned.

Hanover—Alvin R. Nissy elected president Peoples Bank of Hanover, succeeding Henry A. Bair, resigned; Frederick W. Weber elected vice-president; John C. Krebs appointed cashier succeeding Geo. S. Krug, resigned.

Montrose—W. F. Barron elected cashier Farmers National Bank, succeeding C. F. Pross, resigned.

Philadelphia—R. Bruce Wallace elected president Manayunk National Bank, succeeding Edw. H. Preston; Eugene J. Morris, formerly assistant cashier, appointed cashier.

Philadelphia—Melville G. Baker, formerly vice-president and cashier, elected president Penn National Bank, succeeding Samuel S. Sharp, who becomes chairman of the board; W. B. Ward, formerly assistant cashier, appointed cashier.

## SOUTH CAROLANA

Laurens—H. K. Aiken, formerly vice-president and

cashier, elected president Laurens National Bank; succeeding O. B. Simmons, resigned; J. J. Adams, formerly assistant cashier, appointed cashier.

## TEXAS

Rosebud—H. D. Crosby elected president First National Bank.

Sinton—W. C. Sparks, formerly cashier, elected active vice-president Bank of Commerce; Charles W. Zimmerman, formerly assistant cashier, appointed cashier.

## VIRGINIA

Richmond—Julien H. Hill, formerly vice-president and cashier, elected first vice-president National State and City Bank; R. E. Cunningham, formerly assistant cashier, elected vice-president; Samuel P. Ryland appointed cashier.

Warm Springs—C. W. Allison appointed cashier Bank of Warm Springs, succeeding Walter J. Herrmann, resigned.

## Registration at the Association Offices

REPORTED FROM DECEMBER 26 TO JANUARY 26, 1919

Bailey, W. S., Jamestown, N. Y.  
 Beale, Wilbur F., vice-president and cashier Citizens National Bank, Boston, Mass.  
 Bishop, A. G., president First National Bank, Flint, Mich.  
 Bishop, R. S., assistant to president Genessee County Savings Bank, Flint, Mich.  
 Bogardus, J. H., treasurer Stamford Savings Bank, Stamford, Conn.  
 Davis, B. C., Jamestown, N. Y.  
 Demarest, R. A., president Third National Bank, Walden, N. Y.  
 Drum, John S., Second Vice-President American Bankers Association and president Savings Union Bank & Trust Co., San Francisco, Cal.  
 Goodwill, Fletcher, Jamestown, N. Y.  
 Gray, Wm. J., vice-president First and Old Detroit National Bank, Detroit, Mich.  
 Hall, F. P., Jamestown, N. Y.  
 Hamilton, John L., president American Guaranty Co., Columbus, Ohio.  
 Harwood, P. LeRoy, treasurer Mariners Savings Bank, New London, Conn.  
 Hawes, Richard S., First Vice-President American Bankers Association and vice-president Third National Bank, St. Louis, Mo.  
 Hazlewood, Craig B., vice-president Union Trust Co., Chicago, Ill.  
 Hinsch, Charles A., president Fifth-Third National Bank, Cincinnati, Ohio.  
 Hoyt, Charles E., Secretary Connecticut Bankers Association and secretary and treasurer South Norwalk Trust Co., South Norwalk, Conn.  
 Jones, Breckinridge, president Mississippi Valley Trust Co., St. Louis, Mo.  
 Lennox, George C., assistant cashier National Bank of Commerce, Rochester, N. Y.

Lersner, Victor A., comptroller Williamsburgh Savings Bank, Brooklyn, N. Y.  
 Maddox, Robt. F., President American Bankers Association and president Atlanta National Bank, Atlanta, Ga.  
 Manchon, C. F., treasurer Bound Brook Trust Co., Bound Brook, N. J.  
 Mattox, E. Tilden, assistant to president Fidelity Trust Co., New York, N. Y.  
 Moore, S. E., vice-president First National Bank, Barnwell, S. C.  
 Platten, J. W., president United States Mortgage & Trust Company, New York, N. Y.  
 Price, H. P., cashier National Bank of Norwalk, Norwalk, Conn.  
 Rayner, J. Nilson, transit department Philadelphia National Bank, Philadelphia, Pa.  
 Rayner, Mrs. J. Nilson, Philadelphia, Pa.  
 Russell, R. La Motte, president Connecticut Bankers Association and president Manchester Trust Company, South Manchester, Conn.  
 Sands, Oliver J., president American National Bank, Richmond, Va.  
 Satterlee, E. K., president Franklin Savings Bank, New York, N. Y.  
 Sharp, Wm. E., William J. Burns International Detective Agency, Inc., Detroit, Mich.  
 Strong, S. Fred., treasurer Connecticut Savings Bank, New Haven, Conn.  
 Tobin, L. M., editor *Banker-Farmer*, Champaign, Ill.  
 Trowbridge, J. R., comptroller Franklin Savings Bank, New York, N. Y.  
 Walker, N. G. W., vice-president and manager First National Bank, Barnwell, S. C.  
 Washburn, F. B., president Worcester Five Cents Savings Bank, Worcester, Mass.  
 Wing, Daniel G., president First National Bank, Boston, Mass.

## Mortuary Record of Association Members

REPORTED FROM DECEMBER 25 TO JANUARY 25, 1919

Bogart, Charles W., president Twenty-third Ward Bank, New York, N. Y.  
 Clayton, C. C., vice-president Asbury Park & Ocean Grove Bank, Asbury Park, N. J.  
 Devitt, George D., director Sharon Savings & Trust Co., Sharon, Pa.  
 Edwards, Albert E., president First National Bank, Pasadena, Cal.  
 Ellis, Charles O., vice-president Bank of Douglas, Douglas, Ariz.  
 Harrow, Albert G., vice-president Ottumwa National Bank, Ottumwa, Iowa, and vice-president Farson Savings Bank, Farson, Iowa.

Howard, George, president Dupont National Bank, Washington, D. C.  
 Lowry, Robert J., president Lowry National Bank, Atlanta, Ga.  
 Luedtke, H. W., vice-president Citizens State Bank, Creston, Neb.  
 McGill, Frank I., president Colonial Trust Co., Farrell, Pa.  
 McWilliams, D. W., vice-president Kings County Trust Co., Brooklyn, N. Y., and director Mechanics Bank, Brooklyn, N. Y.  
 Newman, Edward E., secretary Cleveland Trust Company, Cleveland, Ohio.  
 Riley, Charles D., cashier First National Bank, Hartford Conn.

## Membership Changes

REPORTED FROM DECEMBER 25 TO JANUARY 25, 1919

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The General Secretary of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

Arkansas.....	Little Rock.....	Army Bank of Camp Pike changed to Army National Bank of Belmont.	New Mexico.....	Silver City.....	Union Exchange Bank consolidated with Silver City National Bank.
	Mansfield.....	Bank of Mansfield changed to National Bank of Mansfield.	New York.....	Buffalo.....	Marine National Bank converted into Marine Trust Company.
California.....	Marysville.....	Decker-Jewett & Co. Bank changed to Decker-Jewett Bank.		Sinclairville.....	B. G. Tiffany & Co. succeeded by Sinclairville State Bank.
Connecticut.....	Moosup.....	E. E. Salisburys Bank changed to E. E. Salisburys Banking House.		Syracuse.....	First National Bank and Trust and Deposit Company of Onondaga merged as First Trust and Deposit Company, and First Trust and Deposit Company, North Side Office.
Georgia.....	Eastman.....	First National Bank succeeded by Bank of Eastman.	Ohio.....	Toledo.....	Market Savings Bank Company merged with Ohio Savings Bank and Trust Company.
	Stapleton.....	Spread Bank succeeded by Bank of Stapleton.	Oregon.....	Portland.....	East Side Bank purchased by Citizens Bank.
Idaho.....	Leadore.....	Lemhi Valley Bank Gilmore, now same at Leadore.	Pennsylvania.....	Pittsburgh.....	Duquesne Bond Corporation out of business.
Illinois.....	Ashland.....	Skiles, Rearick & Co. changed to Bank of Skiles, Rearick & Co.	South Carolina.....	Barnwell.....	Barnwell Banking Company converted into First National Bank.
	Decatur.....	Farmers and Merchants State Bank succeeded by Farmers State Bank and Trust Co.	Tennessee.....	Chattanooga.....	Bank of Commerce absorbed by Hamilton National Bank.
	Freeport.....	German Bank succeeded by Stephenson County Bank.		Jellico.....	National Bank of Jellico succeeded by Union Bank of Jellico.
	Moweaqua.....	The Ayars Bank sold to First National Bank.	Washington.....	Seattle.....	Union Savings & Trust Company, and its Ballard Station Branch and Georgetown Branch succeeded by Union National Bank.
	Springfield.....	Farmers National Bank merged with Ridgely National Bank as Ridgely-Farmers State Bank.	Canada.....	Manitoba, Winnipeg.....	Northern Crown Bank taken over by Royal Bank of Canada.
Indiana.....	Kouts.....	Porter County Bank changed to Porter County State Bank.	Costa Rica.....	Limon.....	Royal Bank of Canada closed.
Minnesota.....	Delhi.....	Delhi State Bank succeeded by Farmers & Merchants State Bank.			

## New and Regained Members from December 26, 1918 to January 25, 1919 Inclusive

### Alabama

First National Bank, Tuscumbia, 61-123.  
Bank of Wetumpka, Wetumpka, 61-201 (regained).

### Arkansas

Little Rock Branch, Federal Reserve Bank of St. Louis, Little Rock, 81-13.  
Bank of Magazine, Magazine, 81-235 (regained).  
Farmers & Merchants Bank, Mulberry, 81-258.  
Pocahontas State Bank, Pocahontas, 81-202 (regained).

### California

Los Banos Portuguese American Bank, Los Banos, 90-882.  
Bank of Italy, College Avenue Branch, Oakland, 90-7.  
Bank of Italy, Santa Rosa, Cal., 90-195 (regained).

### Colorado

American State Bank, Brighton, 82-399.  
Stockmens & Merchants Bank, Pagosa Springs, 82-400.

### Florida

First National Bank, Graceville, 63-165 (regained).

### Georgia

Citizens Bank, Dublin, 64-151 (regained).  
Bank of Eatonton, Eatonton, 64-271 (regained).  
Peoples Bank, Savannah, 38-54 (regained).  
Bank of Stockbridge, Stockbridge, 64-723 (regained).

### Idaho

First Bank of Culdesac, Culdesac, 92-131 (regained).  
Eden State Bank, Eden, 92-234 (regained).  
Genesee Exchange Bank, Genesee, 92-107.  
First National Bank, Montpelier, 92-70 (regained).

### Illinois

First National Bank, Aledo, 70-623 (regained).  
Casey National Bank, Casey, 70-619 (regained).  
Schiff & Company State Bank, Chicago, 2-180 (regained).  
Waukegan National Bank, Waukegan, 70-163 (regained).

### Indiana

Citizens State Bank, New Castle, 71-208 (regained).  
Farmers Bank, Plainville, 71-888 (regained).  
West Baden National Bank, West Baden, 71-944 (regained).  
Central State Bank, Whiting, 71-290 (regained).

### Iowa

First National Bank, Boone, 72-108 (regained).  
Center Junction Savings Bank, Center Junction, 72-1239 (regained).  
Centerville Trust & Savings Bank, Centerville, 72-143 (regained).  
Creston National Bank, Creston, 72-148 (regained).  
Bankers Mortgage Company, Des Moines.  
Farmers Savings Bank, Dolliver, 72-1155.  
First National Bank, Olin, 72-840 (regained).

### Kansas

Citizens Bank, Frankfort, 83-317 (regained).  
First National Bank, Gaylor, 83-843 (regained).  
Goodland State Bank, Goodland, 83-255 (regained).  
First National Bank, Lindsborg, 83-261 (regained).  
Montezuma State Bank, Montezuma, 83-1131 (regained).  
Citizens State Bank, Wichita, 40-53 (regained).

### Louisiana

Bank of Blenville, Blenville, 84-150 (regained).  
Bank of Houma, Houma, 84-54 (regained).  
Hibernia Bank & Trust Co., Jefferson Branch, New Orleans, 14-9.  
Pointe Coupee Trust & Savings Bank, New Roads, 84-331.

### Maryland

Theo. H. Diener & Co., Baltimore.  
Bank of Marion, Marion Station, 65-229 (regained).

### Massachusetts

Back Bay National Bank, Boston, 5-166.  
Stoneham Trust Co., Stoneham, 53-443 (regained).

### Michigan

Arcadia State Savings Bank, Arcadia, 74-549 (regained).  
Big Rapids Savings Bank, Big Rapids, 74-284 (regained).  
A. J. Hood & Co., Detroit (regained).  
S. W. Straus & Co., Detroit (regained).  
Peoples National Bank, Hamtramck, 74-1018.

**Minnesota**

Farmers State Bank, Dotson, 75-1422.  
 State Bank of Commerce, Minneapolis, 17-82 (regained).  
 Farmers State Bank, Murdock, 75-1202 (regained).  
 First National Bank, Parkers Prairie, 75-567 (regained).  
 Security State Bank, Wanamingo, 75-1425 (regained).  
 Warren National Bank, Warren, 75-264.

**Mississippi**

Cleveland State Bank, Cleveland, 85-228 (regained).

**Missouri**

First National Bank, Brunswick, 80-394 (regained).  
 Citizens Bank, Desloge, 80-336.  
 Hume State Bank, Hume, 80-1352 (regained).  
 Bank of Perryville, Perryville, 80-386 (regained).  
 Mechanics State Bank, St. Joseph, 36-62.  
 Cass Avenue Bank, St. Louis, 4-60.  
 First National Bank, Steelville, 80-589 (regained).

**Montana**

Farmers State Bank, Coburg, 93-437 (regained).  
 Beaverhead State Bank, Dillon, 93-412.  
 Phillipsburg State Bank, Phillipsburg, 93-220.  
 First National Bank, Richey, 93-375 (regained).

**Nebraska**

First National Bank, David City, 76-118 (regained).  
 State Bank of Gilead, Gilead, 76-732 (regained).  
 Farmers State Bank, Howell, 76-1152.  
 Continental State Bank, Lincoln, 43-5 (regained).  
 Peoples Bank, Red Cloud, 76-169 (regained).  
 Community State Bank, Table Rock, 76-1069 (regained).

**New Hampshire**

Berlin National Bank, Berlin, 54-41 (regained).

**New Jersey**

Mechanics National Bank, Burlington, 55-254 (regained).  
 West Jersey Trust Co., Camden, 55-91 (regained).  
 Hammonton Trust Co., Hammonton, 55-309 (regained).  
 First National Bank, Westwood, 55-451 (regained).

**New Mexico**

First State Bank, Capitan, 95-148.  
 Peoples Bank & Trust Co., East Las Vegas, 95-107 (regained).  
 First National Bank, Lovington, 95-144 (regained).

**New York**

National Bank of Andes, Andes, 50-648.  
 Central Valley National Bank, Central Valley, 50-687 (regained).  
 Northern Westchester Bank, Katonah, 50-986.  
 First National Bank, Newark, 50-394.  
 Discount Corporation of New York, New York, 1-304.  
 Franklin Savings Bank, New York, 1-188.  
 August Belmont & Co., New York, 1-466 (regained).  
 Rhoades & Co., New York (regained).  
 Irving Trust Co., New Utrecht Branch, Brooklyn, 1-119 (regained).  
 Corn Exchange Bank, Steinway Avenue Branch, Long Island City, 1-45.

**North Carolina**

Farmers Bank & Trust Co., Forest City, 66-568 (regained).  
 Bank of Plymouth, Plymouth, 66-419 (regained).  
 Siler City Loan & Trust Co., Siler City, 66-267.

**North Dakota**

First State Bank, Merricourt, 77-656 (regained).

**Ohio**

Equitable Securities Co., Columbus.  
 Farmers Bank, Glenmont, 56-967 (regained).  
 First National Bank, Lewisville, 56-1019 (regained).  
 German Banking Co., Lindsey, 56-1023 (regained).  
 Polk State Bank, Polk, 56-1259 (regained).  
 Citizens National Bank, Tippecanoe City, 56-610 (regained).

**Oklahoma**

Bridgeport State Bank, Bridgeport, 86-691 (regained).  
 First National Bank, Comanche, 86-334.  
 First Bank of Hitchcock, Hitchcock, 86-777 (regained).  
 Bank of Hydro, Hydro, 86-539 (regained).  
 Oklahoma State Bank, Jennings, 86-791 (regained).  
 Cimarron County Bank, Kenton, 86-796 (regained).  
 Citizens Bank, Lamont, 86-514 (regained).  
 First National Bank, Pocasset, 86-1053.  
 Oklahoma State Bank, Walters, 86-313 (regained).

**Oregon**

Madras State Bank, Madras, 96-197.

**Pennsylvania**

Farmers State Bank, Dalmatia, 60-1415 (regained).  
 First National Bank, Falls Creek, 60-1155 (regained).  
 Barclay-Westmoreland Trust Co., Greensburg, 60-393 (regained).  
 Union Trust Co. of Pennsylvania, Harrisburg, 60-93 (regained).  
 Russell National Bank, Lewistown, 60-534 (regained).  
 Citizens National Bank, Muncy, 60-948 (regained).  
 First National Bank, Oil City, 60-342 (regained).  
 American Bank of Commerce, Scranton, 60-25 (regained).  
 Pine Brook Bank, Scranton, 60-22 (regained).

**Rhode Island**

Westminster Bank, Providence, 57-29 (regained).

**South Carolina**

First National Bank, Batesburg, 67-169 (regained).  
 Bank of Blackstock, Blackstock, 67-290 (regained).  
 Bank of Branchville, Branchville, 67-214 (regained).  
 St. Matthews National Bank, St. Matthews, 67-218 (regained).  
 Bank of Woodruff, Woodruff, 67-173 (regained).

**South Dakota**

Peoples State Bank, Howard, 78-152 (regained).

**Tennessee**

First National Bank, Greeneville, 87-182 (regained).  
 Greene County Bank, Greeneville, 87-183 (regained).  
 First Savings Bank & Trust Co., Hadley Bend Branch, Jacksonville.

**Tennessee—Continued**

Kingsport Bank & Trust Co., Kingsport, 87-604 (regained).  
 Farmers Bank, Lynchburg, 87-420 (regained).  
 Moscow Savings Bank, Moscow, 87-489 (regained).  
 First Savings Bank & Trust Co., Broadway Branch, Nashville, 87-11.  
 First Savings Bank & Trust Co., Flat Rock Branch, Nashville, 87-11.  
 First Savings Bank & Trust Co., North Nashville Branch, Nashville, 87-11.  
 First Savings Bank & Trust Co., Stock Yards Branch, Nashville, 87-11.  
 First Savings Bank & Trust Co., West Nashville Branch, Nashville, 87-11.

**Texas**

Farmers National Bank, Cooper, 88-534.  
 Crosby State Bank, Crosby, 88-1542 (regained).  
 Guaranty State Bank, Eastland.  
 Guaranty State Bank, Hansford, 88-1784.  
 First State Bank, Mission, 88-1183 (regained).  
 Peoples State Bank, Pearsall, 88-476 (regained).  
 Citizens State Bank, Rockdale, 88-1494 (regained).  
 San Antonio Morris Plan Co., San Antonio.  
 First National Bank, San Augustine, 88-1283 (regained).  
 First National Bank, San Juan, 88-1827.  
 First National Bank, Texas City, 88-205 (regained).  
 Guaranty State Bank, Troup, 88-678 (regained).  
 First State Bank, Vega, 88-1335 (regained).

**Utah**

Bank of Ephraim, Ephraim, 97-61 (regained).

**Vermont**

Waterbury Savings Bank & Trust Co., Waterbury, 58-124 (regained).  
 First National Bank, White River Junction, 58-80 (regained).  
 Inter-State Trust Co., White River Junction, 58-125 (regained).

**Virginia**

Bank of Fincastle, Fincastle, 68-330 (regained).  
 Marine Bank, Norfolk, 68-35 (regained).  
 Peoples Bank & Trust Co., Norfolk, 68-41 (regained).  
 Petersburg Savings & Insurance Co., Petersburg, 68-81 (regained).  
 Bank of Phenix, Phenix, 68-475 (regained).  
 Farmers & Merchants National Bank, Winchester, 68-139 (regained).

**Washington**

Ridgefield State Bank, Ridgefield, 98-280.

**West Virginia**

The Buckhannon Bank, Buckhannon, 69-138 (regained).  
 Citizens National Bank, Morgantown, 69-94 (regained).

**Wisconsin**

State Bank of Eagle River, Eagle River, 79-509 (regained).  
 First National Bank, Highland, 79-923 (regained).  
 Farmers & Merchants State Bank, Waterloo, 79-709 (regained).  
 Citizens State Bank, Wausau, 79-92 (regained).

**Wyoming**

Union Trust Co., Cheyenne, 99-5.

**Costa Rica**

Royal Bank of Canada, San Jose (regained).

