

NATIONAL MONETARY COMMISSION

History of Crises under the
National Banking System

BY

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NOTE J.

REPORT OF THE NEW YORK CLEARING-HOUSE COMMITTEE, ACTING AS A LOAN COMMITTEE IN 1907

At a meeting of the Clearing House Association, held October 26, 1907, to consider the disturbed state of financial affairs and to take such remedial action as might be possible, the undersigned clearing-house committee, with the president of the association, were appointed to act as a loan committee with power to associate with them such other bank officers as they judged necessary.

It had been hoped that the crisis imminent for a week previous might be successfully met without the necessity for the issuance of clearing-house loan certificates, in spite of the urgent application for assistance from several banks, members of the association. Such assistance had been given through joint action of many of the banks who advanced cash to the applying banks, receiving participating receipts for their several payments and the clearing-house committee holding the collateral security at the clearing house.

Public apprehension grew so rapidly, however, and the drain upon all the banks so severe that it was soon evident that no inferior expedient would suffice to make effective the aid which it was apparent must shortly be solicited by other members of the association, and the committee then determined to recommend the appointment of a loan committee.

The committee was unanimously appointed at noon, October 26, 1907, and forthwith proceeded to issue loan certificates, blank certificates and proper stationery having been stored at the clearing house for such an emergency.

Under the terms of the resolution creating the committee, the following bank officers were appointed as

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associates of the committee: Messrs. James G. Cannon, vice-president Fourth National Bank; Henry P. Davison, vice-president First National Bank; Walter E. Frew, vice-president Corn Exchange Bank; Gates W. McGarrah, president Mechanics National Bank; Albert H. Wiggin, vice-president Chase National Bank.

To these gentlemen was assigned the duty of passing upon the collateral offered for loans, and certifying to its sufficiency before the issuance of certificates.

The assistance rendered by the members of the associate committee materially lightened the labors of the loan committee, and the systematic methods employed in handling the mass of collateral pledged for certificates insured the transaction of the business of the committee without delay or complication.

Eleven million two hundred and thirty-five thousand dollars in certificates were issued to take up the participating receipts given for loans advanced from October 19 to October 26, and the interest due for such advances was included in the first distribution of interest on the 15th of the following month.

Until near the retirement of all but a small portion of certificates issued, your committee met on the morning of every business day and frequently after noon, at least three members always being present and generally all of the committee.

The date of the first issue was October 26, 1907.

The date of the first cancellation was November 14, 1907.

The date of the final issue was January 30, 1908.

The date of the final cancellation was March 28, 1908.

Gross issue, \$101,060,000.

Maximum amount outstanding was \$88,420,000, December 16, 1907.

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During this period there passed through the hands of the committee, including original deposits of securities, substitutions of securities (both withdrawals and deposits) collateral aggregating in amount \$453,000,000, of which \$330,000,000, or 72.92 per cent, consisted of commercial paper and \$123,000,000, or 27.08 per cent, was made up of stocks, bonds, and short-time railroad and other similar notes.

Of the 52 banks constituting membership in the association 32 took out loan certificates, from whom was received in interest \$1,116,245.83, which amount, of course, was paid to banks holding said certificates.

Three thousand five hundred and forty-eight loan certificates were issued, as follows:

412 at \$100,000 each.....	\$41,200,000
522 at \$50,000 each.....	26,100,000
1,005 at \$20,000 each.....	20,100,000
1,123 at \$10,000 each.....	11,230,000
486 at \$5,000 each.....	2,430,000

The greatest amount of certificates issued to any one bank was \$17,000,000 and the smallest \$250,000, the latter amount in two cases.

The time elapsed from the first issue, October 28, 1907, to the final cancellation, March 28, 1908, was twenty-two weeks, or one hundred and fifty-four days, as compared with nineteen weeks, or one hundred and thirty-three days, in 1893.

Respectfully submitted.

JAS. T. WOODWARD, *Chairman.*

W. A. NASH,

DUMONT CLARKE,

A. B. HEPBURN,

EDWARD TOWNSEND,

A. GILBERT,

Clearing House Committee.

NEW YORK, April 7, 1908.

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Additional data relating to loan certificates:

RESOLUTION APPOINTING COMMITTEE.

(Adopted October 26, 1907.)

Resolved, That the clearing-house committee, with the president of the association, be authorized to receive from banks, members of the association, bills receivable and other securities to be approved by said committee, who shall be authorized to issue therefor to such depositing banks loan certificates bearing interest at 6 per cent per annum, and such loan certificates shall not be in excess of 75 per cent of the market value of the securities or bills receivable so deposited, and such certificates shall be received and paid in settlement of balances at the clearing house, and all rules and regulations heretofore adopted in the issue of such certificates shall be in force in the present issue. Said committee shall have power to associate with it such other bank officers as they may judge necessary.

The percentage of maximum amount of certificates outstanding December 16, 1907 (\$88,420,000), to total net deposits of clearing-house banks (\$1,066,865,900) was 8.28.

The percentage of aggregate amount of certificates issued (\$101,060,000) to deposits as above was 9.38.

Table showing use of loan certificates in paying balances at the clearing house:

	Total balances	Loan certifi- cates paid in	Per cent.
1907.			
October ^a	\$64,648,593	\$54,460,000	84
November.....	218,702,635	211,475,000	96
December.....	203,340,855	198,200,000	97
1908.			
January.....	337,895,293	64,575,000	19
Total.....	824,587,376	528,710,000	64

^a Five days

Loan certificates of the New York Clearing House.

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Loan comm. of	Date of first issue.	Date of last issue.	Date of first cancellation.	Date of final cancellation.	Aggregate issue.	Maximum amount outstanding.	Date.	Rate of interest.	Nature of collateral.
1860	Nov. 23, 1860	Feb. 27, 1861	Dec. 12, 1860	Mar. 9, 1861	\$7,375,000	\$6,860,000	Dec. 22, 1860	<i>P. ct.</i> 7	United States stock; Treasury notes; stocks of State of New York.
1861	Sept. 19, 1861	Feb. 17, 1862	Oct. 7, 1861	Apr. 28, 1862	22,585,000	21,960,000	Feb. 7, 1862	6	Temporary receipts of United States for purchase of government bonds.
1863	Nov. 6, 1863	Jan. 9, 1864	-----	Feb. 1, 1864	11,471,000	9,608,000	Nov. 27 to Dec. 1, 1863.	6	United States or New York State stocks, bonds, etc., or temporary receipts, as in 1861.
1864	Mar. 7, 1864	Apr. 25, 1864	Apr. 20, 1864	June 13, 1864	17,728,000	16,418,000	Apr. 20, 1864	6	Same as in 1863; comm. of that year continued.
1873	Sept. 22, 1873	Nov. 20, 1873	Oct. 3, 1873	Jan. 14, 1874	26,565,000	22,410,000	Oct. 3, 1873	7	Bills receivable; stocks, bonds, and other securities.
1884	May 15, 1884	June 6, 1884	May 19, 1884	Sept. 23, 1886	24,915,000	21,885,000	May 24, 1884	6	Do.
1890	Nov. 12, 1890	Dec. 22, 1890	Nov. 28, 1890	Feb. 7, 1891	16,645,000	15,205,000	Dec. 12, 1890	6	Do.

1893	June 21, 1893	Sept. 6, 1893	July 6, 1893	Nov. 1, 1893	41,490,000	38,280,000	Aug. 20 to Sept. 6, 1893.	6	Do.
1907	Oct. 26, 1907	Jan. 30, 1908	Nov. 14, 1907	Mar. 28, 1908	101,060,000	88,420,000	Dec. 16, 1907	6	Do.

^a The certificates of all the banks, except part of those issued to the Metropolitan National Bank, were canceled by September 1, 1884, and these were gradually retired as the bills receivable became due and were paid.