

five per cent, thereof per month, the first payment to be made upon thirty days' notice.

Sec. 6. The bank commissioners shall publish, monthly, in two of the newspapers published in Newport and two in Providence; a statement or recapitulation of such of the aggregate amounts of the several items in the returns of the banks made to them as they may deem expedient.

Sec. 7. The supreme judicial court may appoint any person or persons to be receiver or receivers of any bank; upon an injunction being granted against the same, notwithstanding such person or persons may be interested therein, provided such interest be not so great as, in the opinion of the court, to disqualify him or them for the proper discharge of the duties of the appointment.

Sec. 8. Whenever a complaint shall be made by the bank commissioners against any bank, in conformity with law, the supreme judicial court shall have power to grant a partial or temporary injunction against said bank, staying the proceedings thereof so far and for such a length of time as, in the opinion of the court, may be necessary for the safety of the public and the proper management of the affairs of the bank, without proceeding to the appointment of a receiver or receivers.

Sec. 9. In case of the insolvency of any bank, the holders of the bills thereof shall have a priority of claim for payment over other creditors of the bank.

Sec. 10. No bank, the loans and discount of which are within the due limit prescribed by this act, shall be deemed by the bank commissioners to be so conducting its business that the public are in danger of being defrauded thereby, unless the said bank commissioners shall have reason to suspect direct and intentional fraud, or unless such of the obligations for the payment of money held by the bank, as may have been given by individuals or corporations known to be insolvent, or whom the commissioners shall have probable cause to suspect of being insolvent, shall amount to so great a sum as to render the bank unable to pay its debts in full; or unless the bank shall sell its specie, or otherwise dispose of the same for any other purpose than the redemption of its own bills at par; or shall otherwise conduct its affairs contrary to law.

Provided, however, That the loans and discounts limited and prescribed by this act shall be deemed and taken to include the value of the real estate and other property owned by each bank, over and above the profits on hand, and also the amount deposited by each bank in other banks, bearing interest.

True copy. Witness:

HENRY BOWEN, Secretary.

March 1837

CONNECTICUT

Report of the Committee appointed by the Legislature to visit and examine the Banks in Connecticut, made at May Session, 1837.

To the General Assembly of the State of Connecticut.

At the session of the General Assembly held at New Haven in May last, the subscribers were appointed a committee to visit and examine the several banks in this State, by the following resolution, viz:

"Resolved by this Assembly, That the treasurer of this State, the comptroller of public accounts, and the commissioner of the school fund be, and they hereby are, appointed a committee to examine into the banks of this State, and to ascertain, by inspection or otherwise, the management, and their mode of doing business, and whether the same is according to and within the provisions of their charters, and whether their business is done in a manner to accommodate the public; and to ascertain if any increase of bank capital is needed in this State.

And the said committee are authorized and vested with power to send for persons and papers, and to examine under oath all officers, agents, or servants, of any bank, to whom said committee or either of them are empowered to administer an oath.

And the said committee are further authorized to examine and inspect all books, accounts, and papers, of any bank which may, in their opinion, be necessary to a full investigation of the subject; and their report make to the next General Assembly of this State."

Before proceeding to make an examination of the banks under the foregoing resolution, we first, and as a preliminary step, prepared and forwarded a circular letter dated the 19th of September, and directed to the respective cashiers of each of the thirty-one banks in the State. This circular was accompanied with the form of a return, and required the cashiers to state on the one hand the amount of the liabilities and of debts due from the bank, and on the other hand the means and resources of the bank to meet those liabilities, as the same should stand on the 1st day of October, 1836, at four o'clock, P. M.

This request was promptly complied with by all the banks; and the following statement exhibits the aggregate of their liabilities and resources:

| | | LIABILITIES. | |
|---|----------------|--------------|----------------|
| Capital stock paid in, transferable, | \$7,882,460 00 | | |
| Do. not transferable, | 796,847 50 | | |
| | ----- | | \$8,679,307 50 |
| Bills of the banks in circulation, | - | | 4,094,681 71 |
| Balances due to other banks, | - | | 457,650 27 |
| Deposites not bearing interest, | 1,832,714 80 | | |
| Do. bearing interest, | 90,028 60 | | |
| | ----- | | 1,922,743 40 |
| Dividends unpaid, | - | | 36,655 76 |
| Surplus fund, profit and loss, and earnings since last dividends, | - | | 415,557 94 |

| | |
|---|-----------------|
| Bonus due from banks, | \$1,624 17 |
| Other debts and liabilities, not above specified, | 1,273 46 |
| Variation in accounts, | 189 35 |
| Due in New York, | 220 14 |
| | <hr/> |
| | \$15,609,903 70 |

RESOURCES.

| | |
|---|-----------------|
| Real estate owned by the banks, viz: | |
| Banking-houses, | \$165,993 32 |
| Other real estate, | 13,609 80 |
| | <hr/> |
| | \$179,603 12 |
| Personal estate, | 15,759 86 |
| Bills of other banks in this State, | 220,411 71 |
| Do. do. out of this State, | 119,167 79 |
| | <hr/> |
| | 339,579 50 |
| Balances due from other banks, | \$374,802 82 |
| Deposites in other banks, | 127,684 64 |
| Gold, silver, and other coin, in the banks, | 426,290 51 |
| Stock of the banks, | 13,700 00 |
| Stock of other banks, | 37,484 67 |
| Other stocks, | 373,058 50 |
| Bonus paid, | 71,116 19 |
| Expenses, | 4,988 05 |
| Specie funds, so called, (not coin,) in New York, | 271,271 38 |
| Cash drafts and checks on other banks, | 10,792 72 |
| Bills discounted and debts due the banks, viz: | |
| From corporations, | \$295,523 75 |
| From individuals, | 13,066,404 85 |
| | <hr/> |
| | 13,361,928 60 |
| Other property, not before specified, | 1,905 72 |
| | <hr/> |
| | \$15,609,966 18 |

The original returns from which this statement is made, and an abstract thereof, accompany this report.

After a careful examination of these returns, we visited thirty of the thirty-one banks, and three branches, and made as extensive an examination of their affairs as our other engagements would permit. This examination was in all cases conducted at the banking-house of the bank; and the course of proceedings adopted by us was to place the cashier, and in most cases the president, and in several instances some of the directors, and other persons, under oath, to answer such inquiries as should be made by us in relation to the affairs of the bank. The questions and answers were generally made and taken down in writing.

The officers of the banks treated us with great politeness and attention, and, except in the case of the Quinebaug Bank at Norwich, (which will be noticed hereafter,) they promptly, and with apparent candor and integrity, furnished us with all the information requested; and all the books and papers of the other banks were submitted to us for such inspection and examination as we deemed necessary, to enable us to execute the duties of our appointment.

The principal subjects of our investigation will be noticed as briefly as possible; entering, however, into detail, as we proceed, upon important facts on each point; so far as is necessary to a correct understanding of the subject.

It may, however, be proper for us to state, in the outset, before entering into any details, that the soundness and solvency of all the banks examined by us is, in our judgment, unquestionable. We believe that the public may place entire confidence in their ability to meet all their engagements; and, inasmuch as the present is a time of suspicion and distrust in pecuniary concerns, we feel bound to express ourselves fully on this point. We think nothing short of a state of general bankruptcy can deprive any of our banks of the means of redeeming all their bills. Our examination has naturally led us to consider the remedies which ought to be provided for such evils as we have found to exist among the banks. We have therefore prepared, and herewith submit to the consideration of the Legislature, a bill for a public act which embraces all the subjects connected with our investigation, and which appear to us to require the action of the Legislature. The reasons which have operated upon us to recommend the several provisions of the bill will be adverted to in the course of this report.

The Legislature, at its session in May, 1836, referred to our consideration a bill for an act entitled "An act relative to incorporated banks." That subject has received due attention, and it will be seen that the bill recommended by us adopts most of the provisions of the bill so referred. In order to enable us to present to the Legislature a view of the sources from which the banks derive their profits or "earnings," so called, we have from the books of each bank stated an account, in which each bank is charged with the amount of its earnings or income, for each half year. These earnings arise generally from discounts received; from interest on accounts and on notes lying over, or payable on demand; from premiums received on drafts sold; from exchange charged on paper payable abroad, whether discounted or received for collection, &c. We have then ascertained the disposition made of such earnings, and have credited the same to the bank. The earnings are disposed of in paying salaries and other expenses; in paying interest on deposits; in losses sustained; in dividends to stockholders, &c. After thus stating the account, we have then struck the balance in most instances semi-annually, and have transferred such balance, as the case required, to the account of the next six months; and we have thus continued the process semi-annually, down to the time of the last dividend previous to our visit. We have gone through this process with every bank and branch in the State, except one: thus showing the semi-annual receipts and expenditures of nineteen banks and three branches, from the commencement of their operations to this time; of the Hartford and Phoenix banks from June, 1826, to this time, and of the remaining nine banks for about seven years last past. Although these accounts have cost us much labor, yet we have deemed their importance such as to justify and require their being made. Copies of the same have been prepared, and are herewith submitted.

For the purpose of ascertaining where the stock in our banks is owned, whether by our own citizens or by those of other States, we took at

each bank a list of their stockholders, their places of residence, and amount of stock owned by each. These lists are ready for the inspection of the Legislature, or any committee appointed for that purpose. We have, however, prepared, and herewith report, an abstract of the whole, showing, 1st, what amount of the stock of each bank is owned in the town where the bank is located; 2dly, what amount in other towns in the county; 3dly, what amount is owned in other counties in the State; and, 4thly, what amount is owned out of the State.

The charters of the banks, or the order of the directors, or both, require bonds from their cashiers and clerks, for the faithful performance of their trusts. We have, therefore, inquired into the amount of the bond, and the situation of the sureties in each case; and we have found the cashier under bonds in every bank except one. The charter of the Phoenix Bank provides that the directors shall determine the securities to be given by the cashier, &c. It appears from the records of the directors, that on the 7th of September, 1815, the board voted that the cashier should give bonds in the sum of \$20,000, with sufficient sureties. This order was not complied with till the expiration of four or five years after it was made. Since that time the cashier has been under bonds till within about two years. During this period of two years there has been no bond from the cashier, nor was there any at the time of our examination in the month of April last.

As directors of banks are the lenders of the funds of the institution, there seem to be strong objections to their being also the borrowers, to any considerable extent. The possibility, that their accommodations might reach to an amount endangering the safety of the bank, is an objection entitled to some consideration; and it is often remarked, by men experienced in business, that banks have been more exposed to loss from large accommodations given to directors, than from all other causes combined. When the means of a bank are inadequate to accommodate all safe applicants for loans, there seems to be too strong a temptation for directors to give to themselves a preference over other applicants equally meritorious. Under a full belief that evils have arisen, and might hereafter arise, from this source, we commenced an examination, with the determination to ascertain the indebtedness of the president, directors, and cashier, in each institution; and our inquiries upon this point have been promptly answered by all, except the Quinebaug Bank, and the result shows that in a few cases the evil exists to an extent which requires legislative correction.

Inasmuch as the cashier derives his appointment from the directors, we think it improper for him to exercise any agency in their election. We therefore inquired to what extent (if any) the cashiers had voted upon proxies, in the choice of directors, and are happy to learn that it has occurred only in a few instances. Yet as it has been done, and may again occur, it is proposed by the accompanying bill to prohibit it altogether.

We deem it our duty to state that some of the banks have, in a few instances, paid to their stockholders, in the form of dividends, a part of their capital stock. It is very obvious that practices of this character ought not to be tolerated; they impair the security on which the public rely for the fulfilment of bank engagements. The entire capital stands virtually pledged to bill-holders, depositors, and other creditors, and can in no

form be withdrawn without a violation of good faith. The profits or earnings of the bank, the *nett profits*, and the *nett profits only*, can with propriety be divided among those who own the stock. No authority is given to divide the capital, and it cannot be done without the assumption of powers not conferred by their charters or by the laws of the State. By these remarks it is not intended to convey an impression that the few cases alluded to originated in any improper designs. But, however innocent may have been the motive, still the practice is of a dangerous tendency, and calls for reasonable and effectual legislation to prevent its recurrence.

The practice of obtaining loans from banks, upon pledges of the borrower's stock, though not censurable when done to a moderate extent, is objectionable when a large proportion of the stockholders thus withdraw from the bank the means of accommodating other meritorious borrowers who have not been so fortunate as to obtain any of the stock. If one-third in amount of the stockholders are permitted to do it, the remaining two-thirds may do the same; and thus virtually the whole capital may be withdrawn, contrary to the design of the Legislature in establishing the bank. But another important objection to the practice is, that the directors generally give to this class of borrowers a preference over others in the vicinity, whose claims to bank accommodations are at least equal, if not superior, to stockholders. Banks are not established in any community for the exclusive benefit of the holders of their stock. Other very important considerations have governed the Legislature in granting charters. There is only one institution where these loans are too numerous, and the directors of that institution entirely concur with us in opinion that they ought to remedy the evil without any legislative enactment.

When bank charters have been applied for, the applicants have usually urged that the bank was needed to accommodate the business of the community where it was to be established; and the committee suppose that the Legislature has never incorporated a bank, except on the consideration that its capital should be employed in the neighborhood of its location. The committee cannot believe that the Legislature of this State have conferred charters with the intent that the banks should operate nominally, indeed, in this State, but virtually in some other State or Territory. In general, the banks have used their funds within their proper districts; but some have lent large amounts to strangers in remote parts of the United States, and that, too, without requiring an endorser within the State. This is done under the expectation of an extensive and profitable circulation of bills abroad; but the practice is considered by the committee to be hazardous, and of doubtful benefit to the banks themselves; and, when carried to any considerable extent, a breach, moreover, of the implied condition on which they were created. Too much of the capital of several banks in Fairfield county, of the Phoenix Bank in Hartford, of the Middletown Bank, and of the Middlesex County Bank, has been loaned to persons abroad, and in many cases residing too distant from the State to be well known as entitled to credit to the extent which has been given. Thus the Middlesex County Bank has discounted paper to a considerable amount for the benefit of persons in New York, and \$44,000 for a house of brokers in Chicago. In Au-

gust last, the Middletown Bank loaned \$25,000 to the same brokers. We are, however, gratified to be able to state that this practice does not exist to any very great extent, and the force of public sentiment will probably correct the evil, without the aid of any legislative action on the subject.

The business of the banks has been generally done at their banking-houses; but several banks have established agencies in other parts of the State, for the purpose of discounting paper; and discounts are thus made to a considerable extent. We have expressed an opinion to the officers of these banks, that such agencies are virtually branches; which neither the laws of the State nor their charters tolerate. Some of them have since discontinued the practice, while others will probably continue in it till prohibited by a positive law. A provision to this effect is contained in the bill herewith reported.

Some banks, particularly in Fairfield county, have employed agents who were daily engaged in withdrawing from their legitimate circulation the bills of other banks in the State, and substituting their own in their places; and, when it cannot be done without, they pay a premium for the exchange. Thus the Bridgeport Bank exchanged, through eleven agents, in the year 1834, the sum of \$268,294; through ten agents, in 1835 the sum of \$334,142; in 1836, \$435,734; and in the first two months of 1837, \$59,191. The Stamford Bank has for about two years past employed about the same number of agents, and, during the nine months previous to our visitation, paid out to them for this purpose \$312,074, in the bills of that bank. The directors of the Connecticut Bank, at Bridgeport early passed a resolve, inviting the other banks, in Fairfield county to concur in the discontinuance of the practice; but, as the other banks declined a concurrence, it continued till we visited those banks in February last. Upon a suggestion that the practice was in our opinion injurious to the character of the institutions, and was hazarding their funds in the hands of numerous, and, in many instances, irresponsible agents, they agreed to make an effort to unite in a simultaneous abandonment of the practice; and we have the satisfaction to learn that the presidents of all these banks met at Bridgeport a few weeks since, and resolved to withdraw their funds from the hands of such agents forthwith. As the practice may be resumed, or introduced into other parts of the State, we have reported a provision for its prohibition.

The dividends of the several banks, in the year terminating near the 1st October last, as reported to us on that day, have been as follows, viz: Hartford Bank, at the rate of 8 per cent. per annum; Phoenix Bank, 8; Connecticut River Bank, 5½; with exemption from taxation; Farmers and Mechanics' Bank, 8½; Exchange Bank, nearly 6; New Haven Bank, 6½; City Bank, 7; Mechanics' Bank, about 6; New Haven County Bank, 8; Meriden, 7; New London Bank, about 6½; Union Bank, 8½; Whaling Bank, 7½; Norwich Bank, 7½; Quinebaug Bank, 7; Thames Bank, 4½; Merchants' Bank, Norwich, 6; Jewett City Bank, 7½; Stonington Bank, 8; Mystic Bank, 7; Bridgeport Bank, 8½; Connecticut Bank; Bridgeport, 8; Fairfield County Bank, Norwalk, 9; Stamford Bank, 10; Windham Bank, 7½; Windham County Bank, Brooklyn, 4; Thompson Bank, 6; Middletown Bank, 8; Middlesex County Bank, 7; East Haddam Bank, nearly 8; Tolland County Bank, 9.

As their discounts and circulation have since been diminished, their dividends must necessarily undergo a corresponding diminution.

As so large an amount of property of the citizens of this State is vested in bank stock, a large portion of which belongs to the State; ecclesiastical societies, widows, orphans, and others, who have become aged and infirm, we believe that the Legislature, in directing this investigation, viewed it of importance that measures should be taken to enable the State, in its legislative capacity, to protect, not merely persons dealing with banks, but the rights and interests of those who have a right to ask for that aid which, from the nature of the property, and their situation, they cannot afford, as in cases of property of an ordinary character. And however gratifying it may be to the State, and all other stockholders, to receive rich and liberal dividends, yet it is presumed they cannot wish or expect that our citizens in business, whose dealings must be with banks, should be subjected to unreasonable exactions of extra interest, in the shape of what is termed exchange, premiums, &c. By their charters, the banks are restricted to six per cent. interest upon their loans and discounts; and we can perceive no distinction between loans made to persons in or out of the State; as their rights are created by their charters, they must in all their dealings be regulated by its provisions. Though by their charters they are permitted "to deal in bills of exchange," yet in these dealings we apprehend they must be confined to their charter rate of interest, at 6 per cent.

Cases of the following character have come under our observation, in which the banks have taken more than 6 per cent., and all charges:

1st. Loans made to persons in New York, on notes taken and payable there, carrying 7 per cent. interest on their face.

2d. Notes and drafts from the city of New York, and payable there, and at other places abroad, purchased by the banks or their agents in New York, deducting the interest for the time they have to run at various rates, from 8 to 18 per cent. per annum.

In August last the Hartford Bank purchased drafts, having about 20 days to run, on banks in the city of New York, to the amount of \$9,000, at a discount of the interest at about 9 per cent. per annum. In November last the same bank purchased drafts on New York, of \$10,000, having 30 or 40 days to run, at a discount of the interest at the rate of 18 per cent. per annum; and another of \$5,000, on Boston, having about 90 days to run, at the rate of 10 per cent.

In October, 1836, the Exchange Bank placed \$48,000 of their bills in banks at Rochester; these bills were to be used in purchasing or discounting paper payable in the city of New York or Boston. With these bills the Rochester Bank accordingly purchased for the Exchange Bank drafts payable at from 60 to 70 days, discounting the interest at the rate of 7 per cent. per annum. The reason assigned for this operation was, that by it the bank hoped to obtain an extensive circulation of their bills, and also obtain funds in Boston and New York, when the paper should come to maturity. About two years ago this bank discounted three notes of \$2,667. each, against a person in Rhode Island, payable in three, six, and nine months, deducting the interest at 6 per cent., and the further sum of one hundred and twenty dollars, and paid their bills for the balance. In February, 1837, this bank, through brokers in New York, purchased two parcels of notes, to the amount of \$45,000, at a discount of 18 per cent. per annum for the time they had to run, which was from 38 to 105 days.

In March and April, 1834, the *Farmers and Mechanics' Bank*, purchased notes in the city of New York to the amount of \$30,000, which had from 90 to 120 days to run, at a discount of the interest at about 9 per cent. per annum. In July, 1834, this bank made another purchase of notes in the same city, to about the same amount, at a discount of the interest at the rates of 8, 8½, and 9 per cent. In December, 1834, another parcel was purchased, to the amount of \$54,000, which the former cashier and clerk understood to have been obtained at a discount of the interest at the rate of 15 per cent. per annum. In June, 1835, another parcel was purchased to the amount of \$100,000, about \$18,500 of which was purchased at a discount of the interest at 7 per cent., and about \$15,000 at a discount of 64 per cent. per annum.

In February, 1837, the *Middletown Bank* discounted four notes for a company in New York, and there payable, which, after deducting the legal discount, amounted to \$11,292.37; the sum of \$432.08 was then also deducted, under the name of exchange, at 2½ per cent. These notes were payable at from 98 to 148 days. In March, 1837, the same bank discounted for the same company six notes, also payable in New York, which, after deducting the legal discount, amounted to \$7,110.12. These notes had from 69 to 115 days to run, and the bank received, beyond the legal interest, 3½ per cent. in the name of exchange, amounting to \$216.42.

We understand from some of these banks, that they justify these transactions on the ground that, by their charters they are permitted to "deal and trade in bullion and in bills of exchange," and that they may therefore purchase paper on the most favorable terms which they can obtain. On this subject we have already expressed our opinion; and we think that the existing laws, and the influence of public sentiment, will furnish sufficient remedies for the evil.

3d. Paper payable abroad is discounted at our banks at 6 per cent.; and then what is termed exchange is charged for the loss of interest, and for the supposed expenses which they may be subjected to in collecting and obtaining the avails from the place where the note or draft is payable. This rate of exchange, in some cases, has been double to the actual loss of interest and expense which the bank can be subjected to in obtaining the funds from the place where the note is collected. If the Legislature wish for a statement of the rate of exchange charged by the banks on different places, we will cheerfully furnish it from the information in our possession.

4th. A note or draft has been discounted upon the ordinary deduction of 6 per cent., on an understanding that the nett proceeds of it shall remain with the bank a given time, in deposit for the use of the bank; sometimes for half the time the note has to run.

5th. Notes payable 90 days from date have been discounted say 45 days before due, and yet interest has been charged for the whole 90 days.

6th. Paper has been discounted with an understanding that the bills received of the bank shall not be used by the borrower, or that they shall be placed in a situation that they cannot be returned to the bank for a given time.

Cases coming under the last three heads do not appear to have very frequently occurred.

We believe that the safety of our banks has been somewhat jeopardized by unnecessarily lodging all their New York, Southern, and Western paper in the hands of irresponsible brokers in New York, for collection; and, also, by permitting large balances of cash to remain in their hands, for the ostensible purpose of redeeming their bills. Recent experience has so fully satisfied the banks of this hazard, that it is hoped the practice will not be continued.

Large accommodations to single individuals or companies are evils which the banks must correct themselves. The loans have been made, and the exercise of great skill, prudence, and careful management, at the present juncture, is requisite, to reduce these debts within the bounds where they ought to have been originally confined. It may not be of any use to name the banks to which these remarks are applicable; but the officers of them cannot fail to make the application, and we hope with profit, to their respective institutions.

Previous to our visitation to *Stamford Bank*, complaints were made that the bank had violated its charter in several respects, viz:

1st. That promissory notes had been purchased or discounted at more than legal interest.

2d. That the bank had created fictitious deposits, in order to increase its circulation beyond the limits of the charter.

3d. That the directors had circulated, and permitted others to circulate, \$1- and \$2 bills of the bank, soon after the prohibitory act had taken effect. When we arrived at the bank, these charges were investigated. The president, cashier, and several of the directors, and a former cashier, attended from New York, and were examined under oath; and, from the whole testimony, the committee have come to the conclusion, that, as to the first charge, the cashier, without any permission or authority from the directors, purchased notes, at several times, to the amount of \$18,000, at a discount of from nine to twelve per cent. per annum, entered them upon the discount journal of the bank, and laid it before the board, who did not approve of the transaction; but, as their money had already been paid for the notes, there seemed to be no alternative but to receive them. In regard to the second charge, the charter provides that the circulation of the bank shall not exceed the amount of capital paid in, and deposits. About February, 1835, the capital stock paid in was \$40,000, and the deposits \$7,214.63, both amounting to \$47,214.63; their circulation at that time was \$99,036, this being about \$52,000 above the amount authorized by the charter. In order, however, to observe the appearance of keeping within the charter, one director drew four checks on Boston, New York, and Philadelphia, to the amount of \$40,000; another on Troy, for \$5,000; another on Albany, for \$5,000; another on Hartford, for \$10,000; making in all \$60,000. It was understood that the drawers of the checks had no funds at these places. The amount of each check was placed to the credit of the drawer, on the books of the bank, as a deposit, and the checks were kept in the bank and counted as cash. Some time afterwards they were given up to the drawers, and charged to balance their deposit. This practice was several times repeated, and deposits thus created to the amount of \$80,000; so that, with a capital of from \$40,000 to \$70,000, and bona-fide deposits to the amount of from \$3,000 to \$10,000, the bank maintained a circulation, through the

most part of 1835, of from \$99,000 to \$135,000. It seems the directors were unacquainted with banking; and, on the representation of the then cashier that the practice was customary among the banks, they were prevailed upon, by his solicitation, to adopt the measure. It appeared, however, in proof, that one of the directors entirely disapproved of the practice, and refused to give it his sanction. As to the third charge, namely, of circulating small bills, it appeared that whatever was done in that respect was done at the suggestion of the then cashier, but was disapproved of by the president, and it is doubtful whether it received the approbation of any director. The cashier did not directly pay out small bills, but he suffered individuals to take them from the vault, on leaving their check therein for the bills so taken. It did not, however, appear that any of the bills were put in circulation by the directors.

In relation to the *Quinebaug Bank*, at Norwich, to which we have already alluded, we would merely remark that we visited that institution on the 25th January last, and, after placing the cashier under oath, we proposed to him the same inquiries which we had made at other banks. Several of these questions were answered, but many others, of more importance, he utterly declined answering. We then inquired for certain books of the bank, (naming them,) and requested liberty to inspect them; this was wholly refused. We then asked permission to inspect several other books, (naming them;) this was also refused. We then inquired whether they would permit us to inspect any books or papers of the bank, and received for answer that they would not. The president was also present, and, on making the same inquiry of him, he replied that he should decline giving permission. After visiting the other banks in that county, we proceeded to the counties of Middlesex, Fairfield, New Haven, and Hartford. A few weeks since, while we were closing our examinations at Hartford and Danbury, we received a communication from a committee of the directors of the *Quinebaug Bank*, requesting us, at their expense, to again visit that bank; to which we gave the following reply:

"HARTFORD, April 12, 1837.

"GENTLEMEN: Since the return of one of our number from the bank at Danbury, which was visited the last week, we have examined your communication in behalf of the directors of the *Quinebaug Bank*, and given it a deliberate consideration.

"It would have afforded us much satisfaction, if, when at Norwich, the officers of your bank had permitted us to inspect the books and papers of the institution. We also should have cheerfully returned there from Stonington or New London, (where we were more than a week thereafter,) had we received an intimation that your officers or board had receded from the determination expressed to us by the officers at the banking-house. Our whole time, between now and the session of the Legislature, will be required in examining the four banks in this city, and preparing our report to the Legislature.

"It will therefore be out of our power, at this late period, to comply with your request to visit your bank again.

"We are, gentlemen, with respect,
Your obedient servants,

JEREMIAH BROWN,

WILLIAM FIELD,

SETH P. BEERS,

} *Bank Committee.*

"Messrs. ASA CHILD and JOHN REED,
A committee in behalf of the
Directors of the *Quinebaug Bank.*"

"From the documents furnished us, and from the scanty information obtained concerning this bank, the Legislature will readily perceive that we can express no opinion in relation to its condition.

In the course of our investigations, complaints were made that there were irregular and improper proceedings in the management of the affairs of the *New Haven County Bank*. To the subject-matter of these complaints we devoted considerable attention while visiting that institution. We examined the officers, books, and papers, of that bank; and, from this examination and other information, we were well satisfied that other important existing testimony, which we had not time or opportunity to collect, is indispensable to form a correct determination upon the several topics and grounds of complaint. We think, therefore, that it is due to the public, as well as to the character of those employed in the management of that bank, that a further investigation should be made. We therefore recommend, unless the Legislature establish a board of bank commissioners, as suggested in another part of this report, that a special committee be appointed to investigate the affairs of this bank, as was done in relation to the *City Bank*.

The *Windham County Bank* has purchased from individuals a considerable amount of its own stock, under the belief that it had more capital than could be profitably employed. Although we do not question the honesty of their motives in this measure, yet we doubt whether a bank can thus reduce its capital, without special liberty from the Legislature. There are 132 shares now owned by the bank, of \$100 each. As the affairs of the *City Bank of New Haven* were, at the session of December last, referred to a special committee, we made no material visit to that institution, and no particular examination of its affairs.

We recollect no act of either of the following banks on which we can fix any censure worthy of notice; but, on the contrary, we feel ourselves bound to state that their prudent, careful, and correct management entitle them and their officers to great commendation, viz:

The *Union Bank*, at New London; *Mechanics' Bank*, at New Haven; *Meriden Bank*; *Norwich Bank*; *Thames Bank*; *Merchants' Bank*; *Jewett City Bank*; *Stonington, Mystic, and Windham Banks*; *East Had-dam Bank*, and the branch banks at Danbury and Litchfield. Many of the other banks, with the exception of a single irregularity in each, to which we have alluded, might be placed in the same class, to wit: *New Haven Bank*; *Connecticut River Bank*; *New London Bank*; *Whaling Bank*; *Connecticut Bank*, (at Bridgeport;) *Windham County Bank*, (Brooklyn;) *Thompson Bank*, and *Tolland County Bank*.

The other banks, having been particularly named in this report, cannot be placed in either of the above classes; and, yet the committee do not mean to create an impression unfavorable to any bank, any further than is warranted by the facts hereinbefore particularly stated; and nothing is meant to be in any manner intimated against the entire solvency of any bank.

In another part of this report, it appears that there was in the different banks, on the 1st of October last, about \$36,000 of *unclaimed dividends*. In the course of our investigation, we found some of many years' standing, and which were probably unknown to the owners. If the dividend has remained unclaimed for a year, it would seem that there was some cause for its rendering it proper that the owner or his friends should be furnished with the means of knowing the fact. We have therefore prepared, and herewith submit, a section providing that the banks shall annually publish a list of the stockholders whose dividends have remained unpaid for the term of one year.

In the course of our inquiries, we have found some irregularities, which, on our suggestion, were cheerfully and promptly corrected, and which we have therefore deemed it unnecessary to notice particularly in this report.

Notwithstanding the law of 1835, prohibiting the circulation of one and two dollar bills within this State, yet bills of these denominations, issued by the banks in Massachusetts and Rhode Island, compose a considerable portion of our currency in the northern and eastern counties of the State. We were informed, while in the eastern counties, that large quantities of these bills were constantly loaned by Rhode Island banks, and used for the payment of laborers, &c., at the numerous manufacturing establishments in those counties. And as our banks in those counties refuse to aid in violating the law, by receiving them, even for the purpose of returning them to the banks for redemption, they continue in circulation longer than bills of other denominations, and much to the injury of the legal currency in that vicinity. As the local prosecuting officers and common informers decline the unpleasant task of prosecuting for violations of the law, and as the county prosecuting officer does not deem it his duty, or even right, to file informations for this offence, the law is little regarded. As, therefore, the law has not been successful to prevent their circulation in that section of the State, further legislation seems to be necessary to enforce its provisions.

It will be seen that the amount of specie on hand, in all the banks, on the 1st October, 1836, was \$426,290 51. This amount may appear small in comparison with the four millions circulation, and the eight and a half millions of banking capital. But it should be borne in mind that our banks redeem their bills in New York or Boston, or both; and the redemption of bills takes place in these cities to an extent, probably, one hundred-fold greater than at their own counters. Thus, it has become unnecessary for the banks to keep in their vaults any large amount of coin. The calls on the banks for specie, during the winter past, have been less than was anticipated; and we are informed that, in many parts of the State, the amount drawn for the purpose of being manufactured was greater than for all other purposes united. As before stated, the amount of coin in the vaults of the banks on the 1st of October, 1836,

was \$426,290 51. On the last day of March, 1837, it was \$415,386 10, being a diminution in that half year of only about \$11,000 in the State. The greatest reduction during this period was in the three deposit banks. This was probably produced by the payment to towns of the deposit instalments the 1st of January, and to pensioners on the 1st of March; many of whom, particularly the latter, required a portion in specie.

We have taken the pains to inquire at each bank the average period of the circulation of bills, and find that so rapidly do their bills circulate and return for redemption, that, for the six months prior to the 1st of April last, about two thirds of the bills of the Connecticut banks in circulation were redeemed once in thirty days, and the other third within about forty-five days from the time they were issued.

The committee have considered with attention the bill referred to them in relation to *bank commissioners*, and are inclined respectfully to recommend the adoption of most of its provisions. We have accordingly, in the bill herewith submitted, prepared a section which provides for two bank commissioners, with powers and duties substantially the same as those conferred by the Legislature on this committee. And the bill further provides that the banks shall contribute, in proportion to their capital, for the payment of the commissioners' services.

The right of the Legislature to examine into the state, condition, and operations of banks, is, in our opinion, unquestionable; and this examination may undoubtedly be made either by a committee for that special purpose, or by commissioners. It is a well settled principle, that all corporations are liable to visitation by the power to which they owe their existence. The just exercise of the right of visitation ought not to be deemed inquisitorial; and it ought not to be presumed, or feared, that this right will be abused, or exercised for any other than proper and salutary purposes. We are gratified to learn from the officers of several banks, and from other citizens of this State, that much good has already resulted to the public, and to the banks, from the visitation which we have made; and we think that such visits ought to be made as often as once in each year. Other States have placed their banks under this sort of supervision. A board of bank commissioners has existed for many years in New York and Vermont, and such a board has been lately appointed in Rhode Island; and the experience of these States is calculated to recommend similar measures to our adoption.

By the resolution under which we were appointed, we were directed to inquire whether any increase of banking capital was needed in this State. This subject is one of great interest, and is peculiarly so at this time, when the currency, money, and banks, are the exciting topics of private conversation and public discussion. One thing on this subject is certain, that the present crisis in money affairs will throw much light on all questions relating to banks, and will aid in answering the general question, whether banks are or are not useful, and to what extent they are so; and whether we can or cannot, with safety, go any further in treating them. And we think, before expressing any decided opinion concerning the increase of banking capital, we ought to wait for the light which the present crisis is shedding on this important question; a question with which the future prosperity of the State may be inti-

mately connected. Instead, therefore, of expressing any opinion on this subject, we have thought it most advisable at present, merely to present to the Legislature some facts bearing on this question, which our investigation has enabled us to collect.

On the 1st of May, 1833, the capital of the twenty-one banks then in operation in the State was \$5,708,015. In January, 1836, the number of banks had increased to thirty-one, and their aggregate capital amounted to \$8,519,368. At that time the amount of banking capital in Connecticut was greater than in any other State in New England, (except Massachusetts, and perhaps Rhode Island,) and exceeded that of the States of New Jersey, Maryland, and Ohio, respectively; and also exceeded the banking capital of any State south or west of Pennsylvania, excepting only Louisiana and Mississippi.

The banking capital of this State on the 1st of October last was \$8,679,307.50, and distributed as follows, viz:

| | |
|--|----------------|
| banks in Hartford county, (about \$250,000 of which is employed at a branch in Litchfield county,) | \$3,463,150 00 |
| 5 banks in New Haven county, | 1,984,760 00 |
| 10 banks in New London county, | 1,628,787 50 |
| 4 banks and two branches in Fairfield county, | 606,530 00 |
| 3 banks in Windham county, | 241,990 00 |
| 3 banks in Middlesex county, | 694,090 00 |
| 1 bank in Tolland county, | 60,000 00 |
| | <hr/> |
| | \$8,679,307.50 |

The demand for banking capital is not at all times the same at the same place, even where the business of the place is uniform. The currency of every country is subject to painful fluctuations, and this country seems to be peculiarly exposed to these distressing ebbs and flows. In this State the times have been, and that too somewhat recently, when the banking capital has been more than sufficient for the business wants of the community. At such times capital seeks employment in distant loans or extravagant speculations. At other times, in a different state of the currency, the banks have been apparently unable to supply the real wants of those whom they ought to aid. Thus, at present, there is an unusual press for discounts, exceeding, probably, that of any former time. Investments which have been made in speculations are now needed for business, but they cannot be immediately brought into use in aid of the mercantile, manufacturing, and other interests of the State.

It may be worthy of notice, that several of the present banks already possess a power, conferred by their charters, of increasing their present capital to a considerable extent, and of augmenting the present capital of the State about two millions of dollars. In almost every county in the State, one or more of the banks are vested with this power. It may be worth inquiry, whether the further demand for banking capital (if such demand exists) may not be wholly or partially satisfied in this manner.

It will also be recollected that by the act of Congress for depositing the surplus revenue with the several States, above one million of dollars

is in a course of distribution to the several towns in this State; and that about \$100,000 more has been recently appropriated by Congress to satisfy our claims for militia services in the last war. This latter sum, by an act of the General Assembly, is to be distributed to the several towns, according to their lists. These means will enable the several towns to relieve, to some extent, a class of moderate borrowers. It will be conceded, also, that as we increase our banks, we increase the possibility of their failure; and every failure of this kind has been, and always will be, extremely disastrous to individuals, to other banks, and to the banking credit of the State.

All which is respectfully submitted.

JEREMIAH BROWN, }
SETH P. BEERS, } Committee.
WILLIAM FIELD, }

HARTFORD, May 9, 1837.

Abstract from the statements of the several Banks in the State of Connecticut on the last Saturday of March, 1837, made up to and at 4 o'clock, P. M., as returned to the Comptroller's office.

DEBTS AND LIABILITIES

| Names of banks. | Capital stock paid in. | Bills in circulation. | Balance due to other banks. | Deposites not bearing interest. | Deposites bearing interest. | Dividends unpaid. | Surplus fund and profit and loss, including earnings since last dividend. | Deposits due from the bank and other banks specified. | Total amount of liabilities and debts due from the bank. |
|------------------------|------------------------|-----------------------|-----------------------------|---------------------------------|-----------------------------|-------------------|---|---|--|
| HARTFORD. | | | | | | | | | |
| Hartford | 1,120,000 | 434,079 06 | 81,973 25 | 154,061 80 | - | 5,463 67 | 90,440 72 | 1,886,018 50 | 1,886,018 50 |
| Phoenix | 1,233,100 | 543,817 43 | 111,400 87 | 134,574 04 | - | 20,097 17 | 122,663 31 | 2,210,458 53 | 2,210,458 53 |
| Farmers and Mechanics' | 464,580 | 150,411 | 32,876 15 | 235,711 32 | - | 625 94 | 29,261 03 | 913,368 69 | 913,368 69 |
| Connecticut River | 250,000 | 60,960 50 | 3,003 88 | 33,980 41 | 18,700 07 | 1,286 50 | 4,983 61 | 372,894 97 | 372,894 97 |
| Exchange | 400,000 | 162,486 | 16,589 10 | 44,001 15 | 2,000 | 88 40 | 9,448 87 | 634,613 52 | 634,613 52 |
| NEW HAVEN. | | | | | | | | | |
| New Haven | 364,800 | 181,262 | 28,020 26 | 63,983 76 | - | 367 | - | 635,433 02 | 635,433 02 |
| New Haven County | 501,150 | 217,499 | 108,507 86 | 81,335 56 | 2,000 | 2,759 | 26,792 42 | 940,043 84 | 940,043 84 |
| Mechanics' | 472,970 | 132,039 | 72,858 20 | 208,607 94 | 209,731 45 | 592 60 | 14,280 87 | 1,110,079 96 | 1,110,079 96 |
| City | 500,000 | 123,359 | 37,161 87 | 24,152 66 | - | 427 30 | 83,268 22 | 768,344 65 | 768,344 65 |
| Meriden | 150,000 | 70,243 | 4,504 90 | 4,343 73 | - | 9 50 | 7,006 48 | 236,107 61 | 236,107 61 |
| NEW LONDON. | | | | | | | | | |
| New London | 153,437 50 | 40,989 | 4,815 71 | 12,280 85 | - | 370 60 | 4,806 11 | 216,699 77 | 216,699 77 |
| Union | 100,000 | 52,695 | 548 90 | 6,505 66 | - | 324 50 | 6,682 24 | 166,756 30 | 166,756 30 |
| Whaling | 153,550 | 55,047 | 7,689 49 | 13,115 64 | - | 471 | 2,688 89 | 232,462 12 | 232,462 12 |
| Norwich | 210,000 | 73,094 | 10,931 89 | 24,675 35 | 2,000 | 949 38 | 8,693 36 | 330,343 98 | 330,343 98 |
| Thames | 209,100 | 58,009 | 16,383 80 | 6,973 95 | 1,500 | 1,690 25 | 8,235 34 | 301,895 34 | 301,895 34 |
| Quinebaug | 500,000 | 100,980 | 12,783 90 | 86,102 31 | 7,169 68 | 469 | 17,020 59 | 730,525 48 | 730,525 48 |
| Merchants' | 155,000 | 104,564 | 4,835 06 | 32,053 86 | 200 | 955 13 | 1,319 87 | 310,737 22 | 310,737 22 |
| Stonington | 56,700 | 43,605 | 1,349 49 | 27,248 35 | - | 834 75 | 3,914 39 | 133,651 98 | 133,651 98 |
| Mystic | 50,750 | 21,862 | 122 74 | 1,903 04 | 900 | 196 | 1,390 09 | 77,192 87 | 77,192 87 |
| Jewett City | 40,000 | 37,411 | - | 5,943 36 | - | - | 1,784 60 | 85,138 96 | 85,138 96 |

F 2—Continued.

RESOURCES.

| Names of banks. | Real estate owned by the bank. | Personal property owned by the bank. | Bills of other banks in this State. | Bills of banks out of this State. | Balances due from other banks. | Gold, silver, & other coined metals belonging to the bank, in banking-house. | Stock of this bank owned by the bank. | Amount of all other stocks owned by the bank. | Deposites in other banks. | Amount due from individuals. | Amount due from cities, towns, and other corporations and communities. | Other property belonging to the bank not before specified. | Total amount of resources of the bank. |
|--------------------|--------------------------------|--------------------------------------|-------------------------------------|-----------------------------------|--------------------------------|--|---------------------------------------|---|---------------------------|------------------------------|--|--|--|
| HARTFORD. | | | | | | | | | | | | | |
| Hartford | 18,000 | - | 22,345 | 8,134 | 104,352 75 | 46,661 44 | - | 3,041 | - | 1,607,020 59 | 72,467 18 | 3,996 55 | 1,886,018 50 |
| Phoenix | 30,000 | - | 28,242 | - | 123,909 96 | 43,937 83 | 500 | - | - | 1,702,249 21 | 138,145 67 | - | 2,210,278 50 |
| Farmers and Mec's | 14,886 91 | - | 5,326 | 7,339 | 49,864 49 | 33,574 52 | - | - | - | 801,292 45 | 162 | 943 32 | 913,368 69 |
| Connecticut River | 7,239 19 | - | 6,826 | 3,270 | 13,064 18 | 7,013 05 | - | 60,000 | - | 275,482 55 | - | 200 | 372,894 97 |
| Exchange | 11,939 74 | - | 9,262 | 4,529 | 17,222 12 | 13,061 20 | - | - | - | 566,121 27 | 12,478 19 | - | 634,613 52 |
| NEW HAVEN. | | | | | | | | | | | | | |
| New Haven | 7,385 | - | 10,841 | 1,331 | 27,763 86 | 15,823 89 | - | - | 2,000 | 562,065 29 | - | 8,680 03 | 635,895 07 |
| New Haven County | - | 1,100 | 12,703 03 | 262 | 66,306 35 | 31,728 | - | - | 22,816 55 | 805,127 91 | - | - | 940,043 84 |
| Mechanics' | 8,625 17 | - | 13,609 80 | 473 | 16,290 52 | 33,708 99 | - | 210,000 | 2,000 | 824,572 48 | 800 | - | 1,110,079 96 |
| *City | - | 1,000 | 1,200 92 | 99 | 11,209 89 | 8,277 44 | - | 100,000 | 2,000 | 638,839 75 | - | 417 65 | 768,344 65 |
| Meriden | 4,000 | 109 85 | 1,500 | - | 1,809 66 | 0,321 75 | - | - | 2,000 | 216,547 60 | - | 818 75 | 236,107 61 |
| NEW LONDON. | | | | | | | | | | | | | |
| New London | 4,624 18 | 109 | 2,156 05 | 404 50 | 9,389 63 | 6,559 70 | - | - | 2,000 | 193,256 71 | - | - | 216,699 77 |
| Union | 2,500 | - | 1,741 | 886 | 10,770 38 | 4,393 71 | - | - | 2,000 | 144,465 21 | - | - | 166,756 30 |
| Whaling | - | 1,728 43 | 4,376 | 1,730 | 525 17 | 6,077 71 | - | - | 23,243 26 | 193,381 55 | 1,400 | - | 232,462 12 |
| Norwich | 5,719 94 | - | 5,191 | 4,340 | 14,579 88 | 9,322 62 | 5,775 | - | - | 285,870 66 | - | 44 88 | 330,343 98 |
| Thames | 4,706 29 | - | 7,508 | 552 | 3,320 25 | 5,548 23 | 3,200 | - | - | 243,622 63 | 27,400 | 6,037 94 | 301,895 34 |
| Quinebaug | 8,403 14 | 2,000 | 10,563 54 | 647 | 25,412 64 | 11,010 72 | - | 15,000 | 2,000 | 654,231 73 | - | 1,256 71 | 730,525 48 |
| Merchants' | - | 2,449 14 | 5,015 | 2,053 | 6,480 58 | 4,261 16 | - | - | 2,000 | 270,854 20 | 4,966 50 | 1,158 14 | 299,237 72 |
| Stonington | 1,000 | 50 | 2,164 | 8,695 | 2 98 | 3,150 14 | - | - | 12,151 65 | 106,438 21 | - | - | 133,651 98 |
| Mystic | - | 50 | 919 55 | 245 | 9,265 44 | 3,940 92 | - | - | - | 62,751 96 | - | - | 77,192 87 |
| Jewett City | - | 1,853 | 1,911 | 502 | 5,199 25 | 4,864 75 | - | - | 2,000 | 68,808 96 | - | - | 85,138 96 |

*\$5,300 stock of other banks owned by City bank.

[Doc. No. 79.]

[Doc. No. 79.]

DEBTS AND LIABILITIES.

| Names of banks. | Capital stock paid in. | Bills in circulation. | Balance due to other banks. | Deposites not bearing interest. | Deposites bearing interest. | Dividends unpaid. | Surplus fund and profit and loss, including earnings, since last dividend. | Debts due from the bank and other liabilities, not before specified. | Total amount of liabilities due from the bank. |
|----------------------|------------------------|-----------------------|-----------------------------|---------------------------------|-----------------------------|-------------------|--|--|--|
| FAIRFIELD. | | | | | | | | | |
| Bridgeport | 130,000 | 188,500 | 4,377 62 | 25,899 26 | - | 418 80 | 6,405 04 | - | 355,600 72 |
| Connecticut | 264,640 | 256,895 | 17,335 13 | 41,172 24 | - | 292 40 | 8,751 11 | - | 589,135 88 |
| Fairfield County | 177,340 | 209,572 | 8,163 96 | 21,274 25 | 4,100 | 172 | 6,694 90 | - | 427,277 11 |
| Stamford | 80,000 | 100,668 | 764 56 | 28,875 59 | - | 1,153 90 | 409 79 | - | 211,871 84 |
| WINDHAM. | | | | | | | | | |
| Windham County | 103,990 | 51,427 | 1,765 34 | 10,361 08 | 3,106 32 | 480 | 5,057 64 | - | 176,187 38 |
| Windham | 58,000 | 61,386 | 1,392 10 | 4,076 58 | 14,073 08 | 377 50 | 513 52 | 238 | 140,056 78 |
| Thompson | 80,000 | 65,000 | 1 75 | 10,091 80 | - | 16 80 | 8,947 20 | - | 164,057 55 |
| MIDDLESEX. | | | | | | | | | |
| Middletown | 419,300 | 149,595 31 | 9,574 02 | 40,458 99 | - | 1,244 16 | 37,054 44 | - | 657,227 92 |
| Middlesex County | 222,800 | 122,454 | 5,154 46 | 37,728 19 | 7,309 24 | 632 | 9,349 87 | - | 405,427 76 |
| East Haddam | 63,530 | 69,181 | 237 05 | 9,581 31 | - | 97 25 | 2,114 43 | 257 | 144,998 07 |
| TOLLAND. | | | | | | | | | |
| Tolland County | 60,000 | 59,235 | 8,750 88 | 10,850 07 | 4,037 | 278 40 | 5,254 80 | - | 148,406 15 |
| Total dollars | 8,744,697 50 | 3,998,325 30 | 639,824 32 | 1,441,925 10 | 275,826 84 | 43,041 00 | 435,414 75 | 12,304 80 | 15,715,964 59 |

[Doc. No. 79.]

RESOURCES.

| Names of banks. | Real estate owned by the bank. | Personal property owned by the bank. | Bills of other banks in this State. | Bills of banks out of this State. | Balances due from other banks. | Gold, silver, & other coined metals belonging to the b'k in banking-house. | Stock of this bank owned by the bank. | Amount of all other stocks owned by the bank. | Deposites in other banks. | Amount due from individuals. | Amount due from cities, towns, and other corporations and communities. | Other property belonging to the b'k, not before specified. | Total amount of resources of the b'k. |
|----------------------|--------------------------------|--------------------------------------|-------------------------------------|-----------------------------------|--------------------------------|--|---------------------------------------|---|---------------------------|------------------------------|--|--|---------------------------------------|
| FAIRFIELD. | | | | | | | | | | | | | |
| Bridgeport | 7,874 05 | - | 6,181 | 744 | 16,820 62 | 8,406 74 | - | - | - | 312,805 31 | - | 2,769 54 | 355,600 72 |
| Connecticut | 12,998 76 | 1,898 41 | 10,056 | 14,160 | 9,190 83 | 24,002 60 | - | - | - | 506,929 28 | - | - | 579,135 88 |
| Fairfield County | 13,654 58 | - | 28,521 81 | 5,359 84 | 179,765 91 | 9,686 58 | - | - | 2,000 | 188,288 39 | - | - | 427,277 11 |
| Stamford | - | 1,450 | 1,495 | 7,831 | 1,091 48 | 11,349 16 | - | - | 2,000 | 181,605 20 | - | 5,000 | 211,871 84 |
| WINDHAM. | | | | | | | | | | | | | |
| Windham County | 1,861 59 | - | 1,928 | 764 | 40,199 61 | 2,506 52 | 13200 | - | 2,000 | 112,569 36 | - | 1,158 30 | 176,187 38 |
| Windham | 1,553 | - | 898 | 354 | 16,714 69 | 4,394 05 | - | - | 3,550 55 | 104,554 49 | - | 7,735 | 140,056 78 |
| Thompson | 1,919 42 | - | 1,686 | 661 | 32,197 44 | 2,936 44 | - | - | 2,000 | 192,657 25 | - | - | 164,057 55 |
| MIDDLESEX. | | | | | | | | | | | | | |
| Middletown | 5,000 | - | 2,851 | 225 | 14,664 47 | 29,221 10 | - | - | - | 605,266 35 | - | - | 657,227 92 |
| Middlesex County | - | - | 2,218 69 | - | 2,893 03 | 13,116 67 | - | - | 2,000 | 385,199 37 | - | - | 405,427 76 |
| East Haddam | - | 104 | 1,709 | 1,302 | 9,356 58 | 3,889 67 | - | - | 2,000 | 126,488 58 | - | 148 24 | 144,998 07 |
| TOLLAND. | | | | | | | | | | | | | |
| Tolland County | 1,992 59 | 550 | 6,886 | 1,953 | 9,912 79 | 4,638 60 | - | - | 2,000 | 111,205 58 | 8,775 47 | - | 147,914 23 |
| Total dollars | 175,883 55 | 15,651 83 | 217,831 39 | 78,894 84 | 649,552 43 | 415,386 10 | 22675 | 388,041 | 91,762 01 | 12,980,360 07 | 266,585 01 | 40,368 05 | 15,691,285 07 |

[Doc. No. 79.]

F 2—Continued.

| DIVIDENDS AND RESERVED PROFITS. | | | |
|----------------------------------|---|---------------|---|
| Names of banks. | Rate and amount of last semi-annual dividend. | | Amount of reserved profits at time of dec'g last divid. |
| HARTFORD COUNTY. | | | |
| Hartford | \$44,800 00 | 4 pr. ct. | \$57,469 31 |
| Phoenix | 94,324 00 | 4 " | 15,163 60 |
| Farmers and Mechanics' | 25,577 77 | 5 " | 5,900 00 |
| Connecticut River Exchange | 7,500 00 | 3 " | 979 84 |
| NEW HAVEN COUNTY. | | | |
| New Haven | 10,944 00 | 3 " | 15,000 00 |
| New Haven County Mechanics' City | 20,040 00 | 3 " | 3,013 48 |
| Meriden | 13,845 00 | 3 " | 77,211 58 |
| | 20,000 00 | 4 " | 2,178 93 |
| | 4,750 00 | 3 1/2 " | |
| NEW LONDON COUNTY. | | | |
| New London | 4,910 00 | 3 1/2 " | 2,895 29 |
| Union | 4,000 00 | 3 1/2 " | 4,690 84 |
| Whaling | 4,608 50 | 3 " | 479 67 |
| Norwich | 7,350 00 | 3 " | 2,843 40 |
| Thames | 6,273 00 | 3 " | 5,845 82 |
| Quinebaug | 17,500 00 | 3 1/2 " | 6,390 93 |
| Merchants' | 5,057 50 | 3 1/2 " | 159 72 |
| Stonington | 2,835 00 | 3 " | 2,323 14 |
| Mystic | 2,030 00 | 3 " | 316 34 |
| Jewett City | 1,400 00 | 3 1/2 " | 1,426 13 |
| FAIRFIELD COUNTY. | | | |
| Bridgeport | 5,200 00 | 4 " | 5,183 61 |
| Connecticut | 10,585 60 | 4 " | 2,700 00 |
| Fairfield County | 7,580 00 | 4 " | 2,359 22 |
| Stamford | 3,200 00 | 4 " | 115 10 |
| WINDHAM COUNTY. | | | |
| Windham County | 2,745 00 | 3 " | 1,611 75 |
| Windham | 2,320 00 | 4 " | 88 84 |
| Thompson | 2,400 00 | 3 " | 5,724 43 |
| MIDDLESEX COUNTY. | | | |
| Middletown | 19,168 00 | 3 " | 26,031 98 |
| Middlesex County | 8,760 00 | 4 1/2 pr. sh. | 1,969 90 |
| East Haddam | 2,189 00 | 3 1/2 " | 1,262 61 |
| TOLLAND COUNTY. | | | |
| Tolland County | 2,400 00 | 4 pr. ct. | 2,284 72 |
| | \$319,590 37 | | \$253,599 10 |

To the honorable General Assembly, now in session:

In conformity with the law of 1836, requiring the several banks in this State to make returns of their condition to the Comptroller, according to a form to be furnished by him, and directing him to make and present to the Legislature an abstract of the same, he herewith respectfully submits an abstract of the returns made for March, 1837.

WM. FIELD, Comptroller.

COMPTROLLER'S OFFICE, May, 1837.

Report of the Special Committee concerning the City Bank of New Haven.

The subscribers, appointed a committee at a special session of the General Assembly in December last, by virtue of the following resolution:

"Resolved by this General Assembly, That Isaac N. Prior, of Hartford, Ebenezer Seeley of New Haven, and Edwin Stearns of Middletown, be, and they are hereby, appointed a committee to inquire into, and investigate the affairs and concerns of the City Bank of New Haven, and particularly the charges, allegations, and grounds of complaint, made in the memorial of William Brown and others; and that they be, and are hereby, authorized and empowered to inquire into the management of said bank, and its mode of doing business, and whether the business and operations of said bank have been uniformly done, since its organization, according to and within the limits of its charter; and also whether its loans and discounts have been at all times made at the legal rate of interest either at New Haven or elsewhere; and whether the business of said bank has been done with special regard to the wants, and to facilitate the business, of the people of New Haven and the neighboring towns; and also to inquire how far the funds of said bank have been employed out of this State, and in what ways, and for whose benefit, and for what purposes: and said committee are hereby empowered to issue a writ of subpoena or capias, as the case may require, to cause or compel the appearance before them of any officer, servant, or agent of said bank, or any other person, to give testimony under oath, or otherwise, touching any of the matters of inquiry hereby referred to said committee, and to administer an oath to such witness or witnesses; and said committee are also empowered to inspect all books, accounts, papers, and correspondence of said bank which may, in their opinion, be necessary and proper to a full investigation and development of the matters of inquiry hereby referred to said committee; and they are also authorized to make, their examination, as aforesaid, at New Haven and elsewhere, and at such times as they shall deem proper, and to employ a clerk, if necessary; and they are to make report of their doings in the premises to the next session of the General Assembly"—

Respectfully beg leave to report:

That, pursuant to the resolution of the General Assembly, the committee met on the 17th day of January last, at New Haven, notified the City Bank that they would be ready to commence their investigation as soon as the convenience of the bank would permit, and furnished the directors with a copy of their commission.

The bank was chartered in 1831, with a capital of \$500,000. It was organized December 1, 1831, and commenced its regular business June 25, 1832. The last instalment of the capital stock was called July 30, 1833, the charter requiring the whole to be paid in by the 1st day of January, 1834.

Of the 5,000 shares, 2,470 were subscribed by the people of this State, and 2,530 by persons out of the State.

In consideration of the capital stock being exempt by its charter from taxation, and of other extraordinary privileges, the bank was required to

subscribe one hundred thousand dollars to the capital stock of the Hampshire and Hampden Canal corporation. These privileges were a fair consideration and equivalent for the subscription so to be made.

The first object of the committee, in the execution of their trust, was to obtain a general view of the affairs of the bank by an inspection of the books, intending afterwards to examine more in detail such transactions of the bank, if any, as should seem to require their particular attention.

A principal ground of complaint against the bank, stated in the memorial upon which the resolution of the General Assembly was founded, was, that the funds of the bank had been largely used out of this State, for purposes not contemplated by its charter, and without due regard to the fair business wants of New Haven and the neighboring towns; the charter having been granted on satisfactory evidence, before the General Assembly, that a greater amount of banking capital was necessary to accommodate the trade and business of the city of New Haven, and the manufacturers in its vicinity.

The committee were informed by the cashier that no inspection of the books could be had but in the room of the banking-house, and in his presence. They were, at the same time, furnished with a copy of a vote of the board of directors, submitting the books and papers of the bank to their inspection, without any expressed or implied restriction, and in accordance with the clear intention of the General Assembly.

They commenced their duties by looking into the offering book and discount journal: the first presenting a statement of all paper offered for discount, and the second a full view of all paper actually discounted by the board.

In order to determine, as far as the books would show, what proportion of the capital had been employed out of this State, and what in, the committee proceeded, with the assistance of the cashier, to take memorandums, from which to prepare a table giving a general and condensed view of the discounts of the bank since its organization. A table thus prepared is annexed, marked A. But they had not proceeded further than to take some general views of the offering book and discount journal, when they were informed by the cashier that "the books and papers" were not open to a full and unlimited examination, but subject to certain restrictions imposed by the board.

These restrictions were, that the committee would not be permitted to examine any individual accounts, (except the directors',) for any purpose whatever. The committee were told that they might see that page, for instance, of the discount journal, which contained figures only—as dates, amounts, interest, nett proceeds of notes, &c.; but they were not to look at the opposite page of the book, and see the names of the parties connected with those notes; they were distinctly told they could not be allowed to inspect any book, so as to refer any transaction to the name of the party concerned in it. The reason given in behalf of the board was, "that, as public agents, the committee might be required to communicate to the public all the information obtained by them in the discharge of their official duties, and touching the subject-matter of their investigation: a reason which, if well founded, would equally have justified the board in refusing to open their books at all; and, for the same reason, the investigation into the affairs of the bank contemplated by the

General Assembly might be entirely suppressed, or only partially allowed, as it was at the pleasure of the board, independently of the expressed will of the Legislature, and in denial of its right to interfere.

The committee insisted upon their right to a free inspection of the books, by virtue of the clear language of the resolution under which they acted; but the bank adhered to its determination not to allow, "for any purpose whatever," any individual account to be seen in connexion with the name of any party. The ledger was asked for, but withheld. The committee also called for the books containing the original minutes of the debts and credits, and received for answer an explicit refusal to show them.

The principal sources of information being thus denied to the committee, it is apparent that little remained in their power to do without a free access to the books; much of their duty must be left entirely unexecuted, and nothing could be done in any part of their inquiries but in a manner imperfect and unsatisfactory. An examination of the officers of the bank must be general, and could not be pointed to particular transactions, unless by accident. For the same reason, many inferences made by the committee may perhaps be exposed to errors, which either the books of the bank, if open to their inspection, or the parties to transactions, if known, or even the officers of the bank, might have readily corrected. These embarrassments in the way of a full investigation have been increased by the reluctance of certain officers of the bank, most intimate with its concerns, to disclose their knowledge of its management and business.

The committee, having obtained the minutes from which the table A was prepared, proceeded to examine the officers of the bank under oath; the answers were reduced to writing as they were made.

Charles Atwater was chosen president in June, 1832, and has continued to receive that appointment since; his salary is 1,500 dollars.

The resources and ability of the bank have never been questioned, which the committee take pleasure in stating, although the resolution of the General Assembly has directed the attention of the committee to other subjects of inquiry.

The earnings of the bank to the 1st of August, 1834, were reserved; out of which, at that time, \$58,724.60 were carried to the surplus fund, and 3½ per cent. upon the whole capital of 500,000 dollars divided to the stockholders; from that time, half-yearly dividends of 3½ per cent. have been regular, except a dividend of 4 per cent. made on the 1st February, 1837, at which time the whole reserved earnings of the bank amounted to \$76,872.83.

Referring to the table, it will be seen that the complaint of the memorialists, charging the bank with using its capital to a great extent out of the State, is fully sustained by the investigation. In no one year have the citizens of this State (exclusive of directors) had the benefit of one-half of the loans, as it will appear by the following statement. It has been a bank for some other place than New Haven and its vicinity. The discounts were—

| | | | |
|--------------------------------------|---|---|--------------|
| In 1833, for persons in this State, | - | - | \$736,232 79 |
| 1833, for persons out of this State, | - | - | 947,214 22 |
| 1834, for persons in this State, | - | - | 450,384 22 |

In 1834, for persons out of this State, \$1,151,856.27
 1835, for persons in this State, 336,136.34
 1835, for persons out of this State, 1,130,581.80
 1836, for persons in this State, 400,866.45
 1836, for persons out of this State, 1,337,101.49

The president and two of the directors stated, in their examination, that a larger proportion of the capital could not have been safely and profitably used here. If that opinion be correct, the course taken by the board of directors in reserving a large surplus of the earnings, amounting to over 76,000 dollars, to be used as a part of the capital stock of the bank, cannot be justified. Something every year has been carried to this surplus fund, thereby increasing a capital already larger than was required to do the legitimate business of the place where the bank is established; while, under the circumstances, it was the clear duty of the board to divide the whole earnings of the bank to its stockholders, and keep down its funds used as capital within their original limits.

But the committee are satisfied that any systematic and regular employment of the funds of the bank abroad finds no sufficient apology in any real want of a safe and adequate business at home. A large number of witnesses, late directors in the City Bank, and others, men of experience, and entitled to full confidence in questions of this nature, concurred in the statement that the banking capital established in New Haven has all been wanted, and could have been profitably used here; and that, for the greater part of the time, a much larger amount of banking capital could have been employed, with equal safety and great advantage, to the mercantile and manufacturing interests, which have increased in a ratio far beyond the facilities afforded by the existing banks.

The true reason for discounting so much foreign paper is to be found in the temptation held out by the higher rate of gain always made, directly or indirectly, on the business out of the State, than could be made, without violating the charter, on loans of the same amount at home. The duties which the institution owes to the public are lost sight of, in the eagerness to grasp the largest amount of profits which its funds can be made to realize.

For three years past there has been a constant and general dissatisfaction with the bank, owing to the continued and systematic preferences given to New York notes, and the discouragements thrown in the way of a liberal business at home.

Mr. Atwater, the president, and one leading director and large stockholder, have, from the organization of the bank, had a controlling influence at the board; and the discounts proposed by the one have generally been seconded by the other, and carried by the influence of both.

Mr. Atwater early commenced bringing up, at regular intervals, large parcels of notes, for discount, from New York; and these, with few or no exceptions, have been discounted by the bank. Whatever may have been the state of the money market, the business of New Haven and its vicinity has been treated as of secondary importance. The funds of the bank being used so largely abroad, good notes at home were frequently rejected, and the business of the bank was constantly subjected to interference from its distant loans. Customers were cut short in their ex-

pected accommodations without warning, on the alleged ground that the bank was not in a condition to discount; a considerable number withdrew their accounts in 1833.

In 1833-4 there was a great and continued pressure in the money market; such was the demand for money, that good notes could be purchased in New York at rates of discount varying from twelve to twenty-four per cent. per annum, and even more. At this period, when the whole capital of the bank might have been used to great advantage at New Haven, it was largely employed in discounting the notes procured in New York by Mr. Atwater. These notes, from the first, seem to have been offered for discount, and discounted, without explanation; the only question at the board being whether they were safe. Several of the late directors testified before the committee that they suspected that the president of the bank had some personal benefit from the notes which he procured in New York and brought up for discount. Dissatisfied with the system of distant loans, suspecting the motives which led to them, feeling less responsibility by reason of the restricted discounts at home, and unwilling to continue a silent acquiescence in a business abroad which they did not understand, they either resigned their places or refused to be candidates for reappointment.

From that time the bank has not generally been regarded as a New Haven institution. There was a general impression that it would be in vain to apply for discounts; it would only subject the applicant to disappointment and mortification. Hence, while the discounts at the other banks were large, and the offerings more than could be done, the applications to the City Bank were comparatively few. It was left to pursue its foreign business, without much interference from calls at home. The nature of this business was a subject of particular importance in the view of the committee. Without a free access to the books, it was impossible to investigate it fully, or in a manner confidently to be relied upon as exempt from error.

When the bank commenced discounting, an account was opened with the bank itself, under the head of "Charles Atwater, president." Under that head a large line of discounts has been kept up to the present time, amounting, for the four years commencing February, 1833, to the sum of \$1,530,913.75, and averaging per month, for three years past, \$37,564.73, and exceeding the monthly discounts, for the same three years, for all the citizens of this State, (not including directors,) by the sum of \$4,303.98 each month.

Within the four years commencing February, 1833, the discounts for Mr. Atwater, in his individual capacity, amount to \$163,003.28.

The account opened with the president of the bank, as such, was not intended or supposed (as the cashier stated) to have any connexion with Mr. Atwater's private affairs; it consisted of discounts for the bank, and not for the accommodation of Mr. Atwater; or of any of the parties whose names appeared on the notes thus discounted, with some few exceptions, for it was said that some of these notes were offered in behalf of the parties to them. Only two instances of loans (to be noticed more particularly in the progress of this report) were specified as belonging to the exceptions; probably there were others, but the amount the committee have no means of ascertaining, the books being withdrawn from

their inspection. The general character of the notes discounted, under the head of "Charles Atwater, president," was understood to be, as already stated, that of notes owned by the bank and discounted for it.

It was this class of notes which were brought up in parcels; from time to time, from New York, by Mr. Atwater, (or which were occasionally sent up by some private arrangement with him, not explained to the board of directors,) that were regularly discounted, and without reference to the offerings of domestic paper. It was so much a matter of course for the board to discount these notes, that they were often entered in the discount journal, the interest and exchange computed, and the nett proceeds carried out into their proper columns, before the board of directors met, and in the same manner that other notes were entered after they had been submitted and approved. The safety of these notes was the only question made; and if there was any difficulty on this head, (as in very few instances happened,) Mr. Atwater had them done, on pledging some collateral security of his own. With respect to good domestic notes, they were sometimes rejected, because the party offering them was not a customer of the bank, because he was a dealer at another bank, or because the bank had not the means, at the time, of discounting; but as to the class of notes offered by the president, as such, it did not appear that they were excepted to for a similar reason, or that the bank was at any time in want of funds to do them. They were never endorsed by Mr. Atwater; in some few instances he pledged collateral security, but his name never appeared upon them; they were taken by the bank, upon the strength of the names upon them, at the time they were obtained in New York.

The class of discounts under this head, constituting so large a portion of the whole business of the bank, being, for the four years commencing 1st February, 1833, \$1,530,913 75, or an average of \$31,894 03 per month, during that period, it was considered by the committee a most important part of their duty to inquire into the nature of this business, and ascertain for whose accommodation and benefit it had been done for a series of years.

It has already been observed that these notes were offered in parcels by Mr. Atwater, as president, and that they were discounted, with few exceptions, for the bank. Customers of the bank had accounts opened in the books, and the proceeds of notes discounted for their accommodation were passed to their credit; but the nett proceeds of notes discounted for the president, as such, were passed to his credit in his official capacity. These notes were laid before the board of directors, without explanation as to the mode in which they were obtained, or the uses to which the proceeds were to be applied; they were offered and discounted, simply as being a good and safe business for the bank, and they were preferred, as affording, indirectly, a larger gain than at the rate of six per cent. per annum. It was apparently for this reason that the regular offerings of these notes became, soon after the bank was organized, part of one uniform system, not to be broken in upon at any of those seasons of pressure in the money market, which have frequently occurred and embarrassed the operations of the mercantile and manufacturing interests; a system, though reluctantly submitted to by a part of the board of directors, yet always regarded with suspicion, and at all times complained of by the public.

The suspicions alluded to were, that Mr. Atwater had a private interest in these notes, which he did not disclose to the board of directors; or, in other words, that he bought them at extra rates of discount, and then, for his own accommodation and benefit, without assuming any responsibility as an endorser, had them discounted by the bank, thereby securing, for his own personal advantage, the difference between the current market discounts upon the paper so bought, and the legal established rate at which the bank must discount, if at all.

That these suspicions are not without strong reasons to justify them, the examination of Mr. Atwater himself leaves no serious doubt on the minds of the committee.

The bank has always had a large amount of money on deposit in New York, subject to draft.

Mr. Atwater admitted, on his examination, that, while in New York, where he spent a considerable portion of his time, he had always drawn on the funds of the bank, as president, at pleasure, both for the purposes of the bank and for his own private use, and for his friends; that he had, from the organization of the bank, dealt largely in foreign bills of exchange, on account of the bank and for himself, drawing equally for both on those funds, which were as much subject to his order, for his own private advantage, as for the business of the bank, being under no other restraint or check than what his own discretion might dictate, always holding himself responsible to the bank for the amount of such drafts and the interest; until the account was balanced. If he had a deposit in the bank, no interest was allowed, unless he overdraw his account. He refused to inform the committee what the extent of his foreign exchange transactions in behalf of the bank had been, admitting, at the same time, that he had kept, for his own private convenience, an account of all his dealings in buying and selling foreign bills; but he would not allow the committee to see the book, nor would he, at their request, refer to it himself, for the purpose of aiding them in their investigations. He admitted that these transactions sometimes amounted to \$100,000, or more, in a month; sometimes to \$30,000 and \$40,000 in a day; but the average amount he would not state, or any data from which even a conjectural estimate could be made; and, generally, in reference to all this business, he either positively refused to give the committee any definite information, or answered evasively, and with marked rudeness and insolence.

It appeared that the directors knew nothing of the operations of the president in foreign bills, nor was any transaction of the kind laid before the board, or communicated to the cashier, or entered in the books of the bank. This business was so entirely confined within the private knowledge of Mr. Atwater, (as appeared from his own admissions, from the testimony of directors, the cashier, and book-keeper,) that the books showed nothing from which an inference could be made that the bank ever employed any of its funds in dealing in foreign exchange in New York. His drafts on the funds of the bank while in New York were known, but the object of those drafts was not known, either to the board or cashier, or inquired into. In addition to the drafts thus made, Mr. Atwater also took at pleasure the bills of the City and other banks to New York, leaving a memorandum check in the drawer, which was considered as cash until the account, both of bills so taken and drafts

made, was settled with the cashier on his return. Nor were these drafts entered to his debit in the books of the bank, his indebtedness only appearing in the semi-weekly returns made to the cashier, by the banks or brokers upon whom the drafts were made, and from Mr. Atwater's own private memorandums kept for his own convenience. The account was settled in this way: the parcels of notes which he brought up from New York, (or which were occasionally sent up, as heretofore stated,) were discounted, and the nett proceeds passed to his credit as president; and he then gave the bank his official check, to balance the account. If the nett proceeds of the notes exceeded the amount of his drafts, (and memorandum checks, if any,) the balance in his favor was paid to him by the bank; and if the difference was against him, he made it good by paying the amount. He also accounted for the interest (unless when he had a deposit in the bank) until the account was settled, commonly by computing the discount on the notes back to the day when the drafts on the funds of the bank were made in New York. This account was settled with the cashier, and never laid before the board of directors. It was kept open a shorter or longer time, as the means in his hands enabled him sooner or later to make it good, and sometimes, as he stated, stock was pledged for the balance until the account was settled.

Mr. Atwater stated that, in thus drawing upon the funds of the bank to purchase bills of exchange and notes, he never considered himself obliged to render any explanations to the board of directors, and insisted that they had no right to inquire at what rate of discount he obtained them; nor did it appear that any such inquiry was ever made. He said, if he had been asked, he might have told; but, so long as he accounted for all he drew, and interest, the board had no right to inquire farther; and he had always acted upon that principle.

That a system of foreign business, thus established and conducted, without reference to the public objects for which the bank was chartered, should interfere with the duties of the bank at home, was a matter of course; that its management should have been intrusted to the sole discretion of a single individual, and never made the subject of explanation or inquiry, would seem incredible, were it not distinctly admitted.

The exercise of a discretionary power, so remarkable having been tacitly conceded to the president from year to year, without any attention on the part of the board of directors, the committee viewed it as a matter of great importance to inquire (as directed by the resolution of the General Assembly) how that power had been used, and for whose benefit.

The transactions of Mr. Atwater in foreign bills, on account of the bank, not having been entered on the books of the institution, nor submitted to the board, it is apparent that all information on this subject must be derived chiefly from him.

As he made no explanations of his dealings in foreign exchange, so he admitted that he had never rendered any account of profits or losses in this extensive branch of business. He occasionally, and at distant intervals, delivered parcels of money to the cashier, which was entered in the profit and loss account, as "gain on exchange." The original

minutes on the books of the bank ought to show, if properly kept, how often and to what extent such credits were entered; and the committee called for the books for that purpose; but they were withheld. The testimony of the cashier on this head was so general and indefinite that nothing satisfactory could be derived from it. Mr. Bacon (who was cashier till the 10th October, 1836) stated that "Mr. Atwater had sometimes handed him some money; and told him it was for exchange—he should think not more than once or twice a year—and just before dividend time." Mr. Pardee, (appointed cashier October 10, 1836,) having stated that he had no knowledge of any foreign bills of exchange being bought or sold by the president in New York for the bank, said there were credits in the profit and loss account of "gain on exchange;" but whether derived from foreign or domestic exchange he could not determine. The money was handed to him by Mr. Atwater, and entered without explanation or inquiry, as "gain on exchange;" and these entries were so often coupled with items of profits from other sources, that it was impossible to learn, from the books, how much was derived from dealings in exchange; a gross sum was entered, embracing various items, not distinguishing one from one another. He thought there had not been a thousand dollars of credits under that head since he was cashier; but his statements were so indefinite, as to time and amounts, that it was impossible to conjecture what the profits of the bank from that source had been. These profits, too, were equally unknown to the board of directors. Mr. Atwater paid over what he considered as belonging to the bank; but the committee were not able to ascertain from him any information as to the time when any transaction of this sort took place; nor the amount of profit upon a single transaction, nor when a loss happened; the amount of loss; nor in what manner he settled the profit or loss with the bank. He refused to show the committee the books he kept for this purpose, nor would he refer to them to refresh his own memory. He said if the bank was satisfied with the mode in which this business had been done, the committee had no right to inquire; he was under no obligation to answer; it was his own private business.

The committee have already mentioned that the first vote of the board of directors, submitting the books of the bank to a free inspection, was rescinded, or rather qualified, by a subsequent vote, restricting the examination to the accounts of directors only. Mr. Atwater, in this part of his examination, extended that restriction, and refused to show the books which he, being a director and agent of the bank, had kept of his official transactions; conduct (in the view of the committee) justifiable only upon the principle that a man is not obliged to criminate himself.

So far as the committee could learn from Mr. Atwater, he sometimes sold for cash foreign bills, which he had bought on account of the bank; but more generally exchanged them for notes of hand. When he sold these bills for cash, he considered the proceeds as belonging to the bank, and accounted for them; but when he exchanged such bills for notes, he considered those notes as his own, to be disposed of or held at his own pleasure; or to be offered for discount in the same manner that any other customer of the bank would offer notes, and upon the same terms; they were purchased without the authority of the bank, and the bank might discount them or not, being under no obligation to receive them; insist-

ing; throughout his examination, that, when he refunded the amount of his drafts, and interest, he fulfilled his entire duty to the bank, growing out of these transactions. He admitted that these notes were discounted under the head of "Charles Atwater, president," but refused to answer whether they were taken by the bank at the same rates of discount at which he purchased them. He said, "the purchase of these notes was his own private business, and he did not explain to the directors what discount he obtained them at; they were discounted at interest and exchange, without reference to what he paid. He never felt himself bound to explain what he gave for notes discounted under that head; if the paper suited the bank they took it; the bank had nothing to do with what he gave, nor any right to know; the interest and the exchange were all the bank was entitled to." He also admitted that notes which he purchased for cash, by drafts on the funds of the bank, were discounted in the same manner.

At the same time that he was buying and selling foreign bills on account of the bank in New York, he was also drawing, buying, and selling, on his own private account; in like manner converting these bills into notes, and offering the notes for discount; paying for each equally by drafts on the funds of the bank, and holding himself responsible to make good his account with the bank on his return to New Haven. While he was procuring notes through the medium of foreign bills, he was also purchasing them at brokers' offices, in Wall street and elsewhere, by similar drafts, and also with his own private funds.

All these notes, however procured, he considered as a private business of his own: they were his own property until they were received and discounted by the bank; if they were satisfactory to the bank, they were discounted at exchange and interest, without reference to any rate of discount at which he procured them.

Such was the general character of these transactions, as given to the committee by Mr. Atwater, in three distinct examinations.

It has been observed, in a former part of this report, that, according to the testimony of the cashier, the account thus opened with the president, as such, in the books of the bank, had no relation to Mr. Atwater's own private affairs; certainly it could not have been intended to have any such relation. But the inference cannot well be avoided, that it consisted wholly of his own private affairs, with the exceptions heretofore adverted to. Mr. Atwater not only admitted, but claimed, that all these notes were his own, to every purpose, until they were assumed by the bank, and he relieved from any farther responsibility by the bank taking them, just as he held them, without his endorsement.

To what extent the funds of the bank have been used in these operations, and what the profits were, the committee have no definite knowledge: the amount of discounts under the head of "Charles Atwater, president," (as shown in the table,) affords a strong presumption, which ought to stand until he gives those explanations which he alone can give. In whatever aspect he might view his own rights, it was at least due to public opinion to vindicate the management of the bank from charges involving on his part, great misapprehension, to say the least, of the proper duties belonging to his station. While he admitted he had books showing these operations, and the profits, distinguishing the amount

of moneys drawn for the purposes of the bank from those drawn for his own private use, he refused to give the explanations called for, or answered obscurely and evasively, denying the right of the committee to interrogate him; on the ground that it was his own private business.

When asked why the bank should not have the whole profit made upon notes purchased in New York with the funds of the bank, his answer was, "How do you know but the bank has the whole?" and when one of the committee put the interrogatory again to him, he replied "I shall not answer that question."

It is well known that, for three years past, money has at times commanded much more than the legal rate of interest. The committee endeavored to ascertain from Mr. Atwater, at what rates of discount he had procured the notes discounted at different periods in the manner stated, but he uniformly refused to answer. He admitted, generally, that he bought them on the best terms he could, at the current market rates of discount, as contradistinguished from the legal rate; these rates are understood to have varied, sometimes being at or near the legal rates, and at other times from 12 to 24 per cent. per annum, and even more than that; and always uncertain, depending so much upon the agreement the parties might happen to make. In times of pressure in the money market, of which there have been long periods within three years, the rate of interest is increased in a greater ratio, as the note has a longer time to run. These long notes (as they are called) cannot be discounted at the banks, they generally confining their discounts to notes having two or three months to run; it is therefore more difficult to raise money upon this class of notes, and the holder is consequently obliged to make a greater sacrifice, in proportion as the time of payment is more remote. The largest profit, it is obivious, is made on this class of notes. The committee observed that a great amount of New York notes discounted under the head of "Charles Atwater, president," have a long time to run—four, five, and six months, and some from seven to over eleven months. When it is considered that the notes bought by Mr. Atwater in New York, were bought, like articles of merchandise, upon the best terms he could make, many of them in seasons of great pressure, and many at very long dates, it is fair to presume that a very high rate of interest was realized upon the capital so employed. The committee are not prepared to express an opinion what rate was in fact received; they were not allowed to see the names of the parties to these bought notes, and of course it was not in their power to derive any evidence from the merchant whose necessities obliged him to submit to an extortionate discount. If a conjecture might be allowed, it is believed that rates as high as 12, 18, and 24 per cent. per annum would be within reasonable limits. In the foreign exchange operations, great profits are also made: cash will purchase bills at the lowest rates, and they can be sold at a great advance, on a credit, in exchange for notes. Mr. Atwater mentioned but a single instance of a bill bought for cash, and sold for five or six months' paper in December last; the rate of interest made by the operation was about 17 per cent. per annum, and his evidence left it doubtful whether it was not considerably more. He stated this as only a single instance, in a course of similar transactions from month to month.

The extraordinary profits growing out of these transactions have either been received by the bank or reserved by Mr. Atwater. The evidence before the committee leaves this question, perhaps, in some uncertainty; but the fact of Mr. A. considering the notes bought in this manner his own private property, affords a strong ground for an inference that the profits would also be his own. His mode of settling his account with the bank justifies the same conclusion, and it is confirmed by his refusing to answer questions put to him for the purpose of ascertaining to whose use these profits were appropriated. If that conclusion be correct, he is still liable to account, unless, perhaps, he may be screened from responsibility by the illegal nature of the transactions.

The committee will advert for a moment to the extensive dealings of the president in domestic bills of exchange. Mr. Atwater admitted that, from the organization of the bank, he had used its funds in dealing in domestic exchanges; that he had bought bills on the Southern, Southwestern, and Western cities, at the current market rates for the time; and the committee understood him to admit, though not distinctly, that bills thus purchased had been discounted by the bank at the legal rates, and without reference to the rates at which he obtained them. But the extent of those operations he left in absolute uncertainty, the profits made equally uncertain, and the question whether those profits had been paid over to the bank unanswered. The rates of exchange between New York and the Southern and Southwestern cities have for several years been high, and a cash capital employed in that way would doubtless realize large profits.

Thus was kept up a system of short loans to Mr. Atwater, at his pleasure, and on his naked responsibility, without the knowledge of the board of directors; a responsibility which, continued but for a few days, the bank relieving him, as soon as the operation was made, by assuming the notes, with all the risks incident to long credits, except in the very few instances when he lodged collateral security.

The committee will not extend this report by remarking upon the extraordinary assumption of powers by Mr. Atwater over the funds of the bank, and the more extraordinary use of them. They will only add that they have stated no fact in reference to the dealings and connexion of Mr. A. with the bank which is not sustained by his testimony. If the committee were at any time in doubt of his meaning, they called upon him for a more full explanation; and they have made no inferences from his answers, where they were obscure or evasive, without first informing him of the conclusion they would feel obliged to make.

Referring again to the table, it appears that very large discounts, employing the greater part of the capital, (in addition to those under the head of "Charles Atwater, president,") have been regularly made to persons out of the State, from the organization of the bank. The committee have little information respecting this class of loans, except as to the amount, which was read from the books by the cashier. Without a free access to the books, no investigation in detail could be made. The character, circumstances, and standing of the persons receiving discounts are not known to the committee, nor, except in a very few instances, their names or business, and in no instance the object for which the money was borrowed. The committee observed, generally, frequent loans in large sums and at longer dates than banks usually discount at.

Any system of extensive loans kept up out of the State from year to year must be opposed to the spirit of the charter granted to supply local wants; all of its powers, whether to discount or deal in exchange, or for any other purpose, are given with an implied reference to their being generally exercised at their banking-house. A course of foreign transactions, whether done by the president or a branch established abroad, equally conflicts with the intention of the Legislature. The directors are trustees for the stockholders, and, to a certain extent, public officers; and they are bound to fulfil the duties growing out of each relation; neither can be sacrificed to the other; and much less, without the grossest abuse of power, can the funds of the bank be employed for the private advantage of its officers.

Besides, the character, standing, and business of the borrowers living out of the State cannot ordinarily be known to the body of directors; nor whether such loans are solicited for fair business purposes, or for projects which no bank ought to encourage.

All this class of discounts must be made on the presumed knowledge of a very small minority of the board, probably that minority controlled by a single man, and he, perhaps, over-confident in his own sagacity, perhaps stimulated by the excitement of the times, influenced by private friendship and favoritism, or by some concealed personal advantage. The majority of the directors would be consulted only as a matter of form: they would soon learn to feel their insignificance, and either retire in disgust, or, growing less vigilant where most vigilance was needed, would yield up the management of the bank to the unchecked discretion of one man. There would be danger, too, if any members should remonstrate, or make troublesome inquiries; that at the next election their places would be filled by men less officious or more pliant and confiding. Instead of the "nine directors, to be chosen for the well-ordering of the affairs of the corporation," as required by the charter, the property of the stockholders and the security of the public would, in the end, be intrusted to one individual. His indiscretion in a single instance might tempt him to another desperate loan to retrieve a doubtful one, and one secret false step might involve a series still worse, till an explosion takes place. That evils of this sort are not imaginary, the history of banks in this country affords abundant evidence. The Legislature intended to protect stockholders and the public against these evils. In regard to the City Bank, the committee saw no reason to question the safety of the stockholders or of the public; but it is plain that such a system of foreign business, in other hands, and managed with less caution and vigilance, might be ruinous. It ought, therefore, to receive no countenance, from its inevitable tendency to abuse: not to repeat, what should never be lost sight of, that a large business abroad lessens the ability of the bank to render those facilities at home which the institution was chartered to supply, and more especially at those seasons of pressure in the money market when, of all others, the aid of the bank is most wanted to sustain our commercial and manufacturing interests.

The committee have already stated, generally, the earnings of the bank; these, it is apparent, are much larger than could have been realized, if the capital had been employed in doing a legitimate business at home.

The earnings of the bank from its loans are made up of interest, ex-

change on notes payable at places distant from the bank, and from premium on checks, with which the proceeds of notes discounted are paid. The interest and exchange have not been kept separate, as they should be, but carried out in one column; nor is the rate of exchange specified at all on the books of the bank. The only mode to ascertain how much had been received for interest, and how much for exchange, was to compute the interest on each note on which exchange was charged, and the excess reserved beyond the legal interest to call exchange. For this purpose the committee copied from that page of the discount journal not withheld from them the amount of each note, amount of interest and exchange carried out against it, and the length of time such note had to run to maturity. Believing that one year would fairly show the extensive operations in this branch of their loans, and also one of the fruitful sources of the large earnings of the bank from the use of its capital, the committee selected the year 1836, and computed the interest on 538 notes, amounting in the aggregate to \$1,200,000. The notes on which no exchange was taken, amounting to \$600,000, the committee did not deem it necessary to examine.

In 1836 the whole amount of earnings were \$54,628 68
The simple interest, as ascertained by the committee,
amounted to 29,769 34

Leaving an excess of \$24,859 34
as being received for exchange, premium on checks, &c., and including a sum of about \$2,500 for interest on deposits in New York city. This excess is equal to five per cent. on the capital employed for banking purposes, and is over and above what the bank had received for simple interest. From this statement it is seen that the leading and by far the largest operations of the bank are in exchange, and that it is from this class of notes it has been enabled to reserve so large an amount as is carried to the surplus fund: at the same time dividing to the stockholders a liberal per centage for their investment.

The books of the bank do not show where any notes are payable at maturity, and of course the committee were under the necessity of referring to the officers of the bank for the information which they could give only from recollection, or by recurring to the note itself when it was in the bank.

With these limited means for acquiring a knowledge of the rates at which exchange had been charged on discounted paper, their inquiries were confined to those of recent dates.

The committee ascertained that on Meriden and Hartford half of one per cent. had been charged; on a note payable in Middletown, for \$2,919 20, having 166 days to run, \$41 48 exchange was received, or nearly one and one-half per cent.

A note for \$990, having 89 d. to run, payable in N.Y. city, 3 pr. ct. ex.
" 1,500 " 179 " 1 1/2 "
" 4,500 " 106 " 2 "
" 5,200 " 109 " 1 1/2 "
" 4,150 " 87 " 1 1/2 "
" 6,442 59 " 138 " 1 1/2 "
" 3,000 " 165 " 1 1/2 "

A note for \$1,540 72, having 179 d. to run, payable N.Y. city, 2 pr. ct. ex.
" 1,206 19 " 209 " 2 1/2 "
" 5,626 37 " 112 payable in Connecticut, 1 "
" 3,395 80 " 89 " New York city, 1 1/2 "
" 3,755 81 " 203 " " 2 "
" 2,065 21 " 184 " " 2 "
" 487 63 " 44 " " 1 1/2 "
" 9,000 " 123 " " 1 "
" 25,000 " 93 " " 1 1/2 "
" 6,500 " 125 " " 1 "
" 2,656 39 " 6 months, " 1 1/2 "
" 2,439 11 " 164 days, " 1 1/2 "
" 1,149 94 " 156 " " 1 1/2 "
" 3,445 12 " 170 " " 1 1/2 "
" 907 20 " 226 " " 2 "
" 1,380 27 " 209 " " 1 1/2 "

Not to multiply instances of this kind, the above will show the rates of exchange which have been charged on New York city. Those rates do not vary from what has also been usually taken on notes payable in New Jersey, Philadelphia, Baltimore, and Boston. Three and three and a half per cent. has been taken on notes payable in Cincinnati. The exchange taken on notes payable in New York exhibits clearly how the bank was enabled, under the color of exchange, to take more than legal rates of interest, by drawing more than a fair rate of exchange between New Haven and New York—a fair rate not being at any time more than $\frac{1}{4}$ or perhaps $\frac{1}{2}$ of one per cent.

The directors did not know what rates of exchange Mr. A. was in the habit of charging on notes payable in New York, as it was not a subject of consideration at the board, but left entirely to the discretion of the president. One of the directors testified that he supposed the bank charged the usual rates of $\frac{1}{4}$ to $\frac{3}{4}$ per cent., but had never looked at the books to see. When the president was asked upon what principle he settled the rate of exchange, he replied, "it depended upon the bargain." He seems to have considered he had a right to take any exchange he bargained for.

Another principle which seems to have governed the rates of exchange was, that he always charged a higher rate as the note discounted had a longer time to run to maturity. This practice cannot be justified. The rates at this bank were not affected at all by reference to what other banks charged at the same time, but made to depend upon the agreement. In some instances of large discounts for persons in New York, no exchange appears to have been charged; while upon others, at the same time, exchange was taken at rates varying from $\frac{1}{4}$, $\frac{1}{2}$, 1, 1 1/2, to 2 per cent. The president, in answer to the inquiry why the distinction was made, said, "such was the bargain." There have been, also, instances (as admitted by the president and cashier) where exchange was charged upon a note payable in New York, and a premium on a check with which the proceeds were paid. It will be noticed, too, that the borrower was giving the bank, when the note came to maturity, the same funds the bank charged a premium for at the time of the discount. The com-

mittee, being refused an inspection of the daily entries on the cash journal, cannot refer to any instances of premium charged on checks, or the rate of premium; the testimony of the officers only states, generally, that the charge was one per cent.

A note at 90 days, payable in New York, would leave for the bank one and a half per cent. for interest, one per cent. for exchange, one per cent. for a check on New York for the proceeds, making 3½ per cent., or at the rate of 14 per cent. per annum. A charge for exchange on the discount of a note payable in New York, and also a premium on the check with which the proceeds are paid, or a charge for exchange, or for a check at rates above the usual rates established by long practice, and believed to be fair and reasonable, must be deemed a device to obtain more than 6 per cent. interest per annum upon its loans, and as such is a violation of that provision of the charter which limits the rate of interest to 6 per cent.; for if, while the bank professes to reserve only 6 per cent. in the name of interest, it may take any other additional rate under color of exchange, the legal protection of the borrower against the avarice and rapacity of the lender is evaded, and the sum paid for a loan is left entirely to the agreement of the parties, like the price between the buyer and seller of an article of merchandise.

The bank is entitled to interest, and a reasonable charge for remittance, and the expense of collecting New York notes. It seems questionable whether any excess above that be not usurious; whether any thing should be received for exchange on the discount of a note which, on payment, restores to the holder the same funds which the borrower, at the time of the discount, received for the proceeds of his note. There is no difference in value between the note payable in New York and a draft given for the nett proceeds payable in the same place; the difference in time of payment between the note and the draft being compensated by the interest on the note. There does not, therefore, seem to be any sufficient consideration for charging the borrower with any difference of exchange; but if, from long usage or otherwise, some difference of exchange, in addition to the interest and expense of collecting, may be reserved in a case of this kind, the amount of exchange generally taken by the City Bank is clearly excessive and usurious.

It would even seem that interest taken under color of exchange, on the discount of notes, was, in fact, in some instances, greater than appears on the discount journal; for it was stated that sometimes the exchange was divided, a part being entered on the discount journal, and a part carried to the profit and loss account in other books. What amount of interest may have been received in this way did not appear, nor was any reason given for this peculiar mode of keeping the interest account.

While the bank was taking such large rates of exchange on its discounts of New York notes, it redeemed its bills in that city at ½ of one per cent., by an arrangement with a broker. It is doubtful whether a bank can take advantage of the distance of its circulation from home to purchase it in under par; what it cannot be permitted to do at its own counter, it would seem improper to employ its funds in doing through an agent abroad.

The loans of the bank have generally been made on notes simply; sometimes the stock of banks, land companies, railroads, &c., has been

pledged as collateral security; in 1836, to the amount of \$215,000. In answer to the question, whether any loans had been made at a less rate than 6 per cent., it appeared that in September last, \$25,000 were lent, at six months, to certain brokers at Chicago, at the rate of 4 per cent. per annum. The bills of the bank were taken for circulation in the State of Illinois; a private mark was placed upon them, by which they could be identified, if they were returned to the bank before the expiration of the credit; in which case the bank was authorized to draw at sight, for the amount so returned, on the agent of the borrowers in the city of New York, who received back the bills so prematurely returned. It was, therefore, equivalent to a stipulation, on the part of the borrowers, that the bills of the bank should be kept out in circulation until the maturity of the note given for the loan. This loan has been renewed upon the same terms. Also, a loan of \$50,000 was made in September last, to the State Bank of Illinois, at the rate of 3 per cent. per annum, on a note payable on demand. The Illinois Bank took the bills of the City Bank to use as circulation in lieu of their own; if the bills came back before the Illinois Bank was called upon for payment of the principal, they were returned to the agent of the Illinois Bank, and the City Bank drew upon the funds of the Illinois Bank in New York for the amount. The understanding between the two banks was, therefore, equivalent to an agreement to indemnify the City Bank against its liability to redeem its own bills, or to a guarantee that they should not return while the loan continued. A circulation in that way might be created to an unlimited amount, (if the charter permitted,) and the whole responsibility of its redemption thrown upon the borrower, so long as the relation of debtor and creditor subsisted. It was essentially a loan of the credit of the bank. These two loans were entered in the discount journal, under the head of "Charles Atwater, president," and constituted the exceptions to the general character of that class of discounts, adverted to in a former part of this report.

These were the only transactions between the bank and individuals, the terms and conditions of which have come to the knowledge of the committee. In their character they are liable to all the exceptions which have been made to the other foreign loans; while the principle of taking interest, and protecting themselves against any liability to redeem their circulation, is not in accordance with the spirit of the charter.

The circulation of the bank, considering the amount of its capital, has always been small. In 1833 it ranged from \$100,000 to \$120,000; in 1834, \$80,000 to \$70,000; in 1835, from \$60,000 to \$70,000; in 1836, from February to August, it varied from \$60,000 to \$70,000; in September, 1836, it was increased, by reason of the loan of \$75,000 of its bills West, to nearly \$140,000. So that taking its circulation on the 1st of February, 1837, at \$131,930, and deducting the Illinois loans, which cannot be regarded as the legitimate circulation of the bank, it was at that time \$56,930. The public have not, therefore, at any time, been in danger from over issues. The leading business of the City Bank did not, in its nature, permit an extensive issue of its own bills, inasmuch as its large exchange operations, and discounts of New York paper, required drafts on its New York funds.

The specie in the vaults of the bank has varied from about \$4,000 to

\$7,000. On the 29th day of September last, it was \$4,446. On the 1st day of October following, in a statement (see table B) given by the cashier, in answer to a call by the commissioners appointed at the last May session of the General Assembly, the amount of "specie in the banking-house" is stated at \$16,458 17. On the 3d of October, it was reduced to \$6,457. It appeared that \$10,000 of specie was obtained by the bank, for the special purpose of enabling it to make a satisfactory statement. That purpose being answered, the \$10,000 were disposed of between the 1st and 3d of October.

In concluding this report, the committee will take leave to remark that, notwithstanding the unforeseen embarrassments in the way of a full investigation, they still felt bound to spare no labor to justify the confidence reposed in them by the General Assembly.

ISAAC N. PRIOR,
E. SEELEY,
EDWIN STEARNS:

New Haven, May, 1837.

Statement of the City Bank.

| Date. | Disc'ts for persons out of the State. | | | Discounts for persons in the State. | Discounts for directors. | Total discounts in each month. |
|----------------|---------------------------------------|--------------|-------------|-------------------------------------|--------------------------|--------------------------------|
| | For C. Atwater, as president. | For brokers. | All others. | | | |
| 1833. February | \$4,096 14 | \$73,689 01 | \$22,965 65 | \$52,925 21 | \$23,376 82 | \$177,052 83 |
| March | 5,045 00 | 17,481 97 | 2,461 25 | 51,124 57 | 9,725 06 | 85,837 85 |
| April | 19,751 84 | 56,182 94 | 22,553 98 | 62,599 53 | 23,037 75 | 184,126 04 |
| May | - | 51,760 32 | 2,461 25 | 73,396 56 | 19,430 49 | 147,048 62 |
| June | - | 64,939 00 | 30,344 63 | 64,571 01 | 11,831 19 | 171,685 83 |
| July | 60,882 46 | 28,611 31 | 12,834 72 | 65,872 15 | 20,530 32 | 188,730 96 |
| August | 15,443 54 | 57,610 78 | 2,461 25 | 67,273 23 | 18,180 45 | 160,969 25 |
| September | 2,471 65 | 39,657 52 | 19,643 56 | 65,256 45 | 18,891 41 | 146,329 39 |
| October | 7,265 20 | 33,411 64 | 40,760 43 | 62,118 79 | 14,652 12 | 158,208 18 |
| November | - | 68,309 75 | 14,469 39 | 65,058 60 | 19,731 60 | 167,569 34 |
| December | 23,584 82 | 55,327 44 | 10,303 57 | 61,739 60 | 24,525 72 | 175,510 95 |
| 1834. January | 39,632 80 | 11,244 87 | 29,146 94 | 47,277 09 | 11,323 64 | 1,385,623 34 |
| Total | 178,573 45 | 558,254 55 | 210,406 22 | 736,232 79 | 215,236 57 | 1,898,683 58 |
| February | 40,249 86 | 32,953 50 | 12,368 46 | 49,114 64 | 17,863 26 | 152,549 72 |
| March | 72,264 36 | 14,456 67 | 2,461 25 | 32,832 45 | 17,429 99 | 139,444 72 |
| April | 64,268 31 | 16,080 00 | 55,930 43 | 43,900 14 | 6,608 64 | 188,787 52 |
| May | 76,363 28 | 3,116 60 | 31,684 73 | 47,697 15 | 10,964 91 | 169,826 67 |
| June | 22,096 35 | 54,302 52 | 23,176 94 | 32,299 04 | 13,276 88 | 145,151 73 |
| July | 52,506 38 | 3,002 70 | 11,438 07 | 48,164 33 | 9,747 36 | 124,858 84 |
| August | - | 59,393 03 | - | 42,283 32 | 2,242 36 | 103,918 73 |
| September | 17,426 27 | 37,963 03 | 59,304 14 | 50,432 79 | 7,081 03 | 172,207 26 |
| October | 26,968 98 | - | 17,968 45 | 26,761 59 | 18,233 66 | 89,932 68 |
| November | 57,161 66 | 2,473 75 | 57,494 36 | 28,278 87 | 9,541 77 | 154,950 41 |
| December | 55,087 85 | - | 34,236 50 | 21,361 90 | 26,090 50 | 136,776 73 |
| 1835. January | 55,101 46 | 44,602 50 | 36,953 88 | 25,258 00 | 7,388 79 | 169,304 63 |
| Total | 539,494 74 | 268,344 32 | 343,017 21 | 450,384 22 | 146,469 15 | 1,747,709 64 |
| February | 9,116 51 | 5,185 47 | 6,463 06 | 12,018 88 | 44,866 98 | 77,650 90 |
| March | 27,601 03 | 26,359 89 | 57,702 11 | 28,843 50 | 20,552 02 | 161,058 55 |
| April | 37,636 09 | 33,943 00 | 17,587 14 | 25,294 78 | 5,071 39 | 119,522 40 |
| May | 34,299 25 | 51,975 00 | 86,542 23 | 31,275 68 | 5,238 07 | 209,330 23 |
| June | 39,077 76 | 16,282 00 | 64,735 97 | 20,013 43 | 1,975 16 | 142,084 32 |
| July | 26,976 44 | 28,882 53 | 10,508 56 | 30,139 38 | 1,587 10 | 98,094 01 |
| August | 45,489 01 | - | 47,324 47 | 28,295 53 | 2,064 89 | 123,173 90 |
| September | - | - | - | 17,109 85 | 3,120 98 | 20,230 86 |
| October | 25,466 55 | - | 87,235 04 | 30,158 11 | 10,044 93 | 152,904 63 |
| November | 18,059 80 | 52,463 75 | 96,018 10 | 27,221 24 | 1,181 74 | 194,944 63 |
| December | 22,395 53 | - | 56,043 08 | 55,048 82 | 1,548 91 | 135,036 34 |
| 1836. January | 6,961 12 | 51,123 54 | 41,137 77 | 50,717 11 | 8,863 21 | 138,802 75 |
| Total | 293,069 09 | 366,215 18 | 571,297 53 | 336,136 34 | 106,115 38 | 1,572,833 52 |
| February | 4,998 88 | - | 26,406 28 | 37,410 52 | 7,769 02 | 76,584 70 |
| March | 62,748 61 | - | 40,865 46 | 28,203 31 | 6,139 77 | 137,957 15 |
| April | 56,724 49 | 26,880 00 | 124,407 19 | 28,783 08 | 4,555 67 | 241,350 43 |
| May | 18,456 93 | 29,167 50 | 28,053 89 | 36,298 77 | 2,422 31 | 114,349 40 |
| June | 38,331 73 | 9,842 50 | 25,835 95 | 56,241 19 | 1,023 72 | 131,275 09 |
| July | 58,406 79 | 2,454 79 | 63,791 02 | 35,294 54 | 1,823 71 | 161,770 85 |
| August | 30,429 45 | - | 41,412 02 | 24,583 78 | 2,761 53 | 99,186 78 |
| September | 123,870 11 | 6,939 70 | 76,167 28 | 24,314 62 | 10,212 14 | 235,503 85 |
| October | 23,030 46 | 22,441 87 | 70,676 71 | 22,868 59 | 8,834 58 | 147,852 21 |
| November | 26,072 76 | - | 56,147 53 | 28,407 50 | 13,422 64 | 124,050 43 |
| December | 54,893 14 | 5,184 18 | 69,973 23 | 44,698 17 | 9,159 83 | 183,910 55 |
| 1837. January | 21,861 12 | 2,461 25 | 94,216 67 | 33,762 38 | 6,859 75 | 159,161 17 |
| Total | 519,776 47 | 105,371 79 | 711,953 23 | 400,866 45 | 74,984 67 | 1,812,932 61 |

B.

Statement of the condition of the City Bank, New Haven, October 1, 1836, at 4 o'clock, P. M.

| | | | |
|--|-------------------|--|-------------------|
| Capital stock paid in, all transferable | \$500,000 00 | Personal estate | \$1,200 00 |
| Bills in circulation | 134,561 00 | Bills of other banks in this State | 1,678 00 |
| Balances due to other banks, viz: | | Bills of other banks out of the State, all solvent | 427 00 |
| New York Dry Dock Company | \$391 32 | Balances due from other banks, viz: | |
| Mechanics and Traders' Bank, N. Y. | 1,639 24 | Norwich Bank | 2,760 17 |
| Middletown Bank | 837 36 | Bridgeport Bank | 1,177 62 |
| Leather Manufacturers' Bank, N. Y. | 11,098 78 | Hartford Bank | 439 80 |
| | 13,966 70 | Stamford Bank | 4,454 95 |
| Deposits not bearing interest | 41,500 58 | Specie in the banking-house | 16,453 17 |
| Dividends unpaid | 378 00 | Stock of other banks owned by this bank | 5,484 67 |
| Surplus fund, and profit and loss, including earnings since last dividends | 79,387 30 | Other stock—Hampshire and Hampden Canal stock | 100,000 00 |
| | | Deposits in other banks—Suffolk Bank, Boston | 2,000 00 |
| | | Amount due from individuals | 638,090 79 |
| Total amount of liabilities | 769,793 58 | Total amount of resources | 769,793 58 |

* Of this amount there is due from citizens in this State \$72,731 53
 do do do out of this State 542,154 00
 do there is specie funds on deposit in New York city 23,205 26

[Doc. No. 79. 1

C.

Statement of the City Bank.

| Date. | Bills discounted. | Circulation. | Half-yearly earnings. | Semiannual expenses. | Amount semi-annually carried to surplus fund. | |
|------------------|-------------------|--------------|-----------------------|----------------------|---|------------------------------|
| 1832, August 1 | \$121,086 41 | \$29,243 00 | \$5,500 30 | \$1,599 65 | \$3,900 65 | |
| 1833, February 1 | 335,297 86 | 102,437 00 | 13,535 76 | 1,644 51 | 11,891 25 | |
| | | | 19,036 06 | 3,244 16 | 15,791 90 | |
| 1833, August 1 | 495,832 73 | 116,845 00 | 19,931 71 | 2,551 71 | 17,380 00 | |
| 1834, February 1 | 515,385 18 | 82,166 00 | 22,408 81 | 2,493 11 | 19,915 70 | |
| | | | 42,340 52 | 5,044 82 | 37,295 70 | |
| 1834, August 1 | 518,800 66 | 69,476 00 | 26,071 00 | 2,934 00 | 5,637 00 | Dividend declared 3½ per ct. |
| 1835, February 1 | 494,469 10 | 61,721 00 | 20,717 65 | 2,432 93 | 784 72 | Do do 3½ do. |
| | | | 46,788 65 | 5,366 93 | 6,421 72 | |
| 1835, August 1 | 464,223 20 | 69,068 00 | 21,008 58 | 2,430 20 | 1,078 38 | Do do 3½ do. |
| 1836, February 1 | 523,054 40 | 62,200 00 | 23,508 39 | 2,097 60 | 3,910 79 | Do do 3½ do. |
| | | | 44,516 97 | 4,527 80 | 4,989 17 | |
| 1836, August 1 | 536,012 77 | 69,735 00 | 27,719 05 | 2,453 72 | 7,765 33 | Do do 3½ do. |
| 1837, February 1 | 604,946 01 | 131,930 00 | 26,909 63 | 2,300 62 | 4,609 01 | Do do 4 do. |
| | | | 54,628 68 | 4,754 34 | 12,374 34 | |

[Doc. No. 79. 1

MAY 22, 1837.

Answer of the board of directors of the City Bank, by their agents, to the report of the Committee of Investigation, made to the General Assembly, May session, 1837.

To the honorable the General Assembly of the State of Connecticut, now in session at Hartford.

The undersigned, agents appointed by the directors of the City Bank of New Haven, respectfully ask leave to present this their answer to the report of the special committee appointed at the last session in December, to investigate the charges preferred against that institution, on the petition of William Brown and others. They feel a reluctance in presenting themselves before the Legislature, as your honors have not cited them to appear; but the report of the special committee, now in the hands of your honors, and published to the world, bears so severely upon the interests of the stockholders confided to their care, many of whom, relying upon the public faith guaranteed to them through the charter, have invested their all in this bank; and who, from their retired habits, their age, and some from their sex, have never been conversant with its business concerns, but have securely relied upon their dividends as their support; inasmuch, too, as the report presents the conduct of the corporation and its officers in a light, as the undersigned believe, altogether erroneous and undeserved, a further silence on their part could neither be justified nor excused.

The honorable Legislature will please to bear in mind the unusual course which has been taken in reference to this subject. The laws of our State have wisely provided "that no petition or memorial, made or preferred by any person or persons whatsoever to the General Assembly, shall be heard or considered by said Assembly, where any other person or persons is or are concerned, in the estate, matter, or thing in controversy, and have right to be heard therein, unless he or they, so concerned, have been summoned or notified thereof, by giving or offering to him or them, or leaving at the place of his or their usual abode, a copy duly attested of such petition or memorial, and of the summons or citation annexed thereto, at least twelve days before the day of appearance mentioned in the said summons or citation."—Statute, edition 1835, page 281.

This salutary provision, which the people of Connecticut, through their representatives, have made to protect the interests of all, even of the humblest and most unworthy individual in the community, has been entirely disregarded by the petitioners; and, notwithstanding the deep and vital interests which the corporation and its stockholders have in the proceedings now pending, they have never been made parties to the petition. The investigation has been altogether *ex parte*; the witnesses selected by the committee, and their examination conducted, not in the banking-house, but in a private room, separately and apart; and the testimony of the "large number of witnesses" which the committee saw fit thus to summon before them, (even the names of nearly all of whom are yet unknown,) instead of being now spread before the Legislature, as taken down at the time, is exhibited in such detached parts as the committee have thought proper to present, and according to the construction which they have put upon it, rather than in the language of the witnesses them-

selves. If, therefore, this reply is not as full, as precise, and perfect, as the honorable Legislature would otherwise reasonably expect; it is humbly presumed that its imperfections will be accounted for by the peculiar circumstances under which the investigation has been conducted, and the result reported.

It may not be amiss here to observe that of the 106 citizens who signed the original petition, 54, a majority of the whole, have since voluntarily requested that their names should be withdrawn, and that they be no longer considered parties thereto. Their written request accompanies this answer. And of the 52 petitioners now remaining, who complain that the bank has not afforded the usual accommodations to citizens of New Haven, it is believed that not more than three of the number have ever had any dealings with the bank, and of course have not been denied any accommodations: two of the three have been disappointed in discounts but once each, and not one of them has ever been denied, as the undersigned verily believe, under circumstances which should subject the board to censure.

On the 17th of January the cashier was notified, by one of the gentlemen of the committee, that they had been directed by the honorable General Assembly to examine the transactions of the bank, and that they wished to proceed at once in the investigation. The board of directors had not at that time been furnished with a copy of the resolve under which the committee were to act; but, having the fullest confidence in the justice of the Legislature, and the honorable discretion of any committee whom they might send, a meeting of the board was immediately convened, and the following votes were passed:

"At a meeting of the board of directors of the City Bank of New Haven, held at their banking-house, January 17th, 1837: Present, Messrs. St. John, Babcock, Kimberly, Beach, and Bryan.

"Whereas Ebenezer Seely, Esq., has notified the cashier of this bank that a committee has been appointed by the General Assembly to investigate the affairs of the institution, and that said committee were desirous of proceeding immediately to such investigation—

"Voted, That the books and papers of the bank be submitted to the inspection of said committee, at any time when it suits their pleasure; and that the cashier furnish such explanations and facilities for examination as are in his power.

"Voted, That the cashier respectfully request of said committee a copy of their commission."

The committee were immediately furnished with a copy of these votes, and were also verbally informed that, as the books were in daily use, it would be necessary that their examination should be had in the banking-house. It will thus be seen that the books and papers of the bank were thrown open to the freest investigation; and under these votes the examination was commenced, and every facility in the power of the board to grant was readily accorded. Every book was cheerfully placed at their disposal. The *offering book*, which contains a list of every note or draft ever offered for discount, with the names of the drawers and endorsers, their respective amounts, dates, and time when payable; the *discount journal*, containing a list of all notes and drafts discounted, a notice of the collateral securities, if any, the names of the drawers and endorsers,

the amounts, dates, and times when payable, with the interest and exchange taken on each; the *general ledger* of the bank; the *statement book*, containing a statement of the condition of the bank, as made up and submitted to the board twice in every week—all these were before the committee. Indeed no book or paper was withheld, and it never entered the imagination of a single member of the board that any the slightest difference, as to the manner or propriety of the examination, could grow out of their official intercourse. Matters thus remained for nearly a fortnight, nor would there probably ever have been the least interruption to this harmony, had not one of the gentlemen of the committee commenced a correspondence with the cashier of the bank, in which there was a request that the board thought unreasonable, and which they honestly believed, under the circumstances in which it was made, ought not to have been complied with, and could not have been contemplated by the Legislature.

It should be here borne in mind that the principal ground of complaint against the bank stated in the memorial, upon which the resolution of the General Assembly was founded, was that the funds of the bank had been largely used out of the State, without regard to the business wants of the citizens of New Haven and the manufacturers in its vicinity; and while investigating this branch of the subject the correspondence commenced. The committee have informed the Legislature that restrictions were imposed upon their examination. They say: "These restrictions were, that the committee would not be permitted to examine any individual accounts, (except the directors,) for any purpose whatever." Again they say: "The principal sources of information being thus denied to the committee," &c. Again they speak of "the books being withdrawn from their inspection." With what justice this is said, let the following correspondence show; it speaks for itself.

CORRESPONDENCE BETWEEN THE COMMITTEE AND CASHIER OF THE CITY BANK.

From Mr. Seeley to the Cashier.

NEW HAVEN, January 28, 1837.

SIR: Will you furnish the committee with a transcript of the *offering book* of the City Bank, commencing 23d of August last, and ending 20th of January current, with a column containing a statement of the nett proceeds of the several notes, &c., discounted, and the names of the persons to whose credit the proceeds were passed? Or if you should be too much engaged, will you procure such a transcript to be made at the expense of the committee? The committee would be glad to receive it as early as possible.

Your obedient servant,

E. SEELEY,

In behalf of the committee to investigate City Bank.

S. D. PARDEE, Esq., Cashier.

From the Cashier to Mr. Seeley.

CITY BANK, NEW HAVEN,

January 30, 1837.

SIR: Yours of the 28th instant, requesting a transcript of the offering book of this bank, was handed me this morning. I have submitted the same to our board, and am instructed to reply, that the board cannot, in justice to the dealers of the bank, expose to the public in any way their individual names, or make public their private accounts. I am, however, directed to furnish you, if wished, the transcript required, omitting the names of individuals, and, in lieu thereof, stating their places of residence, with the column of the proceeds of the notes, &c., as desired; which it is presumed will be in accordance with the views of your committee. It is to be understood, however, that the private accounts of the *directors* are at all times open to the examination of the committee; and I am further directed to renew to the committee the assurance, heretofore given, that every facility will be afforded them in the examination of the books of the bank. As the 1st of February is the time for making up our semi-annual accounts, and balancing all our books, and as the transcript required will be very long, and can be made out by no one but myself, besides which, your committee have left me a statement to be prepared, which will consume the leisure time of several days, it will be impossible for me to furnish the abstract until a considerable time has elapsed. As soon as possible, however, it shall be prepared.

Very respectfully,

S. D. PARDEE,

Cashier.

EBENEZER SEELEY, Esq.

From Mr. Seeley to the Cashier.

NEW HAVEN, February 2, 1837.

SIR: Your letter of the 30th ultimo is received. The objection on the part of the bank to giving the *entire transcript* which I asked for in behalf of the committee, in my note of the 28th ult., you state to be that "the board cannot, in justice to the dealers of the bank, expose to the public in any way their individual names, or make public their private accounts." As this objection does not on the face of it purport to have any application to the committee charged with the performance of an official duty, I need only reply that it is unsatisfactory, and that the committee cannot accept, as a substitute, the imperfect copy which you propose. If your engagements will not allow you to make the transcript soon, the committee are ready to procure it to be done by a clerk of their own.

Very respectfully, your obedient servant,

E. SEELEY,

In behalf of the Committee.

S. D. PARDEE, Esq., Cashier.

The Cashier to Mr. Seeley.

CITY BANK, NEW HAVEN,

February 3, 1837.

SIR: Yours of the 2d instant is received. The objection on the part of the board of directors to giving the transcript of the names and accounts of the individual dealers of the bank, which I stated to you in mine of the 30th ultimo, was *intended* to apply to the committee. It is entirely my fault if the application does not distinctly appear upon the face of the objection. I should add, that with perfect respect for the committee, and with entire confidence in their discretion and integrity, the board, nevertheless, undoubtedly supposed that, as public agents, the committee might be required to communicate to the public all the information obtained by them in the discharge of their official duties, and touching the matter of their investigation. You will observe that in my last I stated that no one could make the abstract but myself. I hope soon so far to discharge my other engagements as to be able to devote myself more entirely to the service of the committee.

Very respectfully, your obedient servant,

S. D. PARDEE,
Cashier.

EDENEZER SEELEY, Esq.

From Mr. Prior to the Cashier.

NEW HAVEN, February 9, 1837.

SIR: Are the committee to understand that they cannot be permitted to inspect and examine the books and papers of the bank, to take any notes or memorandums of any transactions with any individuals, for the purpose of ascertaining whether such transactions on the part of the bank have been in conformity with the charter or not?

If any restrictions in taking notes or memorandums are imposed upon the committee, will you state explicitly to what extent? such notes or memorandums to be held confidential by the committee, unless the official duty of the committee should, in their opinion, require any facts so ascertained to be communicated to the Legislature.

Respectfully, yours,

ISAAC N. PRIOR,

Chairman of the Committee of Investigation.

S. D. PARDEE, Esq.,

Cashier of City Bank.

The Cashier to Mr. Prior.

CITY BANK, February 9, 1837.

SIR: Yours of this date is received. It has been the disposition of the board of directors to afford to the committee every facility for a full and perfect investigation of the affairs of this bank, consistent with a due regard to the interests and feelings of its customers. I am not, however,

prepared to answer your communication in detail, but will submit the same to the board, at their meeting this evening, for their advice. In the mean time you will confer a favor if you will state particularly what notes or memorandums you wish to take, and whether you propose to take the names of any individuals in connexion with such notes, &c.

Very respectfully, your obedient servant,

S. D. PARDEE,

Cashier.

ISAAC N. PRIOR, Esq., Chairman, &c.

The Cashier to Mr. Prior.

CITY BANK, February 10, 1837.

SIR: Yours of yesterday was last evening submitted to the board of directors, and I am directed to reply that it has not been the purpose of the board to question the right or power of the committee to inspect or examine the books of the bank for any purpose expressed in the resolve of the General Assembly under which they act, however questionable that right may be. The board accordingly by vote, under date of the 17th ultimo, directed the cashier to submit all the books of the bank to the unrestricted examination of the committee, having every confidence that the committee would conduct the examination with a scrupulous regard to the interests and feelings of the dealers of the bank, whose names and private accounts the board believed would in no event be made public. While, therefore, they have at all times submitted, and still offer, the books to the examination of the committee, it is, as it ever has been, with the understanding, which is now distinctly expressed, that such examination is not had with the view of ascertaining the names of the customers of the bank, or the state of their *private* accounts; and that, if in the progress of the examination, the committee observe the names of such customers on the books of the bank, they are not to be taken therefrom, or used by the committee for any purpose whatever. The board have not suggested, nor do they at this time contemplate, any other restriction or limitation to the committee in their further investigation. They regret, however, that they have not been favored by the committee with a particular statement of the information which they wished to derive from the books of the bank, and of the precise purposes for which such information is sought; still they hope that the foregoing, in answer to yours of yesterday, will be deemed sufficiently definite. I am directed by the board to assure the committee of their undiminished respect, and of their unfeigned desire to facilitate the investigation in every way consistent with a just regard to the rights and interests of others.

Respectfully, your obedient servant,

S. D. PARDEE,

Cashier.

ISAAC N. PRIOR, Esq., Chairman, &c.

Before the cashier was requested, as above, to furnish "the names of the persons" appearing on the offering book before described, that book had been submitted to the unrestricted examination of the committee; not a name concealed from them. But when the officers of the bank were required to have these names copied off, it was apprehended that they might be used unnecessarily, though not intentionally, to expose the credit and business standing of their customers, without answering any public purpose whatever. The position of the board of directors, in this respect, was one of peculiar delicacy; if any thing could render them and the bank perfectly odious, in the estimation of the whole community, it would be an unnecessary exposure to the public of the business standing and pecuniary engagements of their customers, especially in times like these, when almost every man's credit is doubted, and when but a whisper is necessary to break him up. The board therefore frankly informed the committee of the objections, and suggested what they thought would obviate every difficulty; that in lieu of the names, the places of residence should be substituted in the copies, so that it might be seen at once where the funds had been employed, *in or out* of the State. It is in vain to say that the committee may have wanted those copies for other purposes than to ascertain where the funds had been used. That the board understood the inquiry as having reference to that object, can be proved only by their own declarations; but that the committee so understood it is apparent from their report.

If the members of the General Assembly will turn to page 5 of the printed report, they will find that it was when following out that inquiry that the committee complain of being restricted. Their account of it is as follows:

"In order to determine, as far as the books will show, what proportion of the capital had been employed out of the State, and what in, the committee proceeded, with the assistance of the cashier, to take memorandums from which to prepare a table, giving a general and condensed view of the discounts of the bank since its organization. A table thus prepared is annexed, marked A. But they had not proceeded farther than to take some general views of the offering book and discount journal, when they were informed by the cashier that the books and papers were not open to a full and unlimited examination, but subject to certain restrictions imposed by the board." It is submitted, with great confidence, to the members of the honorable Legislature, to say whether, for any purpose connected with the above inquiry, the residences of the different debtors, with the sums due from them, would not be just as useful as their several names, connected with their private accounts. Surely it will not be contended that these examinations should be inquisitorial. The committee were once and again respectfully requested, as the correspondence shows, to specify the purposes for which they wished the names of the debtors to be extracted from the books; but they did not see fit to favor the board with any such specification. If they had mentioned any other purpose than that already indicated within the scope of their inquiry, the board would have waived their objection at once, acceded to the wishes of the committee, and justified themselves to their customers, as they would have stood justified before the public. It is with equal confidence submitted to the members of the honorable

Legislature to say, after a candid perusal of the foregoing correspondence, (all of which is in the hands of the committee, though withheld from their report,) whether this part of the proceedings is justly liable to the harsh version put upon it by the committee in their report; whether "these restrictions were, that the committee would not be permitted to examine any individual accounts, (except the directors',) for any purpose whatever?" Whether it can be justly said that the books were "withdrawn from their inspection?" Whether, in short, "the principal sources of information" were denied them?

If the committee had reported this correspondence, it would have saved the necessity of any comment. The board of directors cannot but feel that, in this particular, great, perhaps irreparable, injustice (however unintended by the committee) has been done them. It is a maxim as old as civilization, that no one should be condemned unheard; the vilest men have this privilege; and why the vindication of the board, contained in this correspondence, on a subject peculiarly calculated, if left unexplained, to excite against them the feelings of the Legislature and of the public, should be kept entirely out of sight by the committee, we are at a loss to conjecture. It is not intended here to complain of the course which has been taken; we are not used to the language of complaint, and have no other wish than to place the motives and conduct of the board plainly before the Legislature.

After the correspondence closed, the cashier understood, in conversation with two of the committee, that they were satisfied to go on with the examination without insisting upon the names of the individual debtors, as connected with their private accounts; the cashier so informed the directors, and they governed their conduct accordingly. The books and papers of the bank were thereafter freely submitted to the committee, with no other limit than that already mentioned in the correspondence; a limit which appeared so reasonable in itself that the board flattered themselves it had been, on farther reflection, entirely acquiesced in by the committee; and it was with a surprise that they have not language to express that they found this subject wrought up in the report into grave and serious matter of accusation.

The committee also complain (see their report, page 13) that "Mr. Atwater, in this part of the examination, extended that restriction, and refused to show the books which *he*, being a director and agent of the bank, had kept of his official transactions." The charge is that the witness refused to show the books which *he*, not the bank, had kept of his transactions with the bank. It is not pretended that these books were kept by, or were the property of, the bank. The board of directors had no more control of the books which Mr. Atwater kept of his transactions with the bank than the books of any other citizen who has transactions with it. The power of sending a committee to examine the books and papers of the citizens of this State has never been claimed by our Legislature, nor by that of any other free country. It is only to examine the books of a corporation, created by the Legislature, that the power is exercised; it could never have been intended by the General Assembly that their committee should go farther than this. If Mr. Atwater, without the knowledge or sanction of the board, had, on his private examination, even withheld the book of the corporation, the board could

not be responsible for his conduct; but the complaint of the committee is, that he declined showing books that were not kept by the bank, or in its banking-house, but were the private property of himself, and kept by him for his own convenience. Mr. Atwater's accounts on the books and papers of the bank were submitted to the freest examination of the committee; all the knowledge which the board of directors had in regard to them was unreservedly communicated; and the board have yet to learn that any thing farther than this could be required of them. In respect to the ledger and book of original minutes, which the committee say were subsequent to the correspondence, withheld, the board would remark that it was not the general ledger of the bank, for that was at all times at the disposal of the committee, but a ledger containing only the names of the individual debtors, with their private accounts; and the committee not specifying the object for which these names and private accounts were wanted, it was considered by the board as coming within the limit, which they supposed had previously been acceded to by the committee; and so as to the minute book, which would also give the names and more minutely the dealings of the customers—such as their daily deposits and the like, the same remark is applicable. But that the committee had, from the books and papers submitted to them, and the information furnished by the officers of the bank, a full exposition of its affairs, would seem to the board to be apparent from the table of the concerns of the bank prepared by the committee, and accompanying the report. This table contains a minute statement, from month to month, of the discounts since the bank was organized, for Charles Atwater, president, for brokers, for directors, for other persons in the State, and for persons out of the State.

The bank was incorporated in 1831, with a capital of \$500,000, on the condition that it should subscribe and pay \$100,000 to the capital stock of the Hampshire and Hampden Canal Company, which it was then supposed could complete a line of canals from New Haven harbor to the Connecticut river at Northampton. The canal companies had exhausted their means and credit, and, as a last resort, the friends of these companies applied to the General Assembly to grant a bank charter, in hopes that they might in that way indirectly obtain funds to complete their work. No one at that time pretended that \$500,000 additional bank capital, or half that sum, was then wanted to accommodate the trade and business of New Haven and its vicinity. The grant was made on "the petition of James Goodrich and others, praying for an act of incorporation for banking purposes, with certain provisions to aid in completing the line of canals from the city of New Haven to Northampton, in Massachusetts." Mr. Goodrich was the president of the Hampshire and Hampden Canal Company. A copy of the petition is hereunto annexed, marked A. It will be seen, on reading it, that nothing is said as to the business wants of New Haven requiring \$500,000 additional banking capital, but the grant is solicited as an indirect mode of making the canals, through the funds of those who might be willing to take the charter and subscribe their money.

There was pending before the General Assembly, at the same session, another and earlier petition of sundry citizens of New Haven, asking for a bank, without any connexion with the canal; in which petition they

state that the business of New Haven and its vicinity requires more bank capital; and, to supply the wants of the community in that respect, they ask for a capital of \$200,000, with liberty to increase it, when necessary, to \$400,000. Some of those petitioners afterwards signed a supplemental petition, expressing their desire that aid should also be provided for the canals; but they did not express any other opinion than that \$200,000 was all-sufficient for the business of that community, with liberty to increase to \$400,000, as before mentioned. The committee would seem to leave the inference that the directors had violated their charter, by lending a large portion of their capital out of the State, because it is said that this charter of \$500,000 was granted on satisfactory evidence "that a greater amount of banking capital was necessary to accommodate the trade and business of the city of New Haven, and the manufacturers in its vicinity;" and, therefore, the capital should have been all lent to the citizens of New Haven and its vicinity. The very words above in italics, are marked as quotations, by the committee, in their report, by which some have supposed, in reading it, that they were taken from the act of incorporation, or from the petition of James Goodrich and others, asking a capital of \$500,000, on which the act was passed. They are not, however, to be found in either of those instruments. It is the language of those who had asked for a capital of \$200,000 only, with liberty to increase; and, if it proves any thing, it is that the business of the city of New Haven, and the manufacturers in its vicinity, did not at that time require more than \$200,000 additional banking capital; of which opinion, it is presumed, one of the gentlemen of the committee then was, as his name appears on the petition for a bank of \$200,000, with liberty to increase, unconnected with the canal.

The report of the joint committee on banks, to whom was referred "the petition of James Goodrich and others," May session, 1831, will abundantly show that the primary object of a grant of a bank charter, with \$500,000 capital, instead of \$200,000, was to furnish aid to the canal; nearly the whole report is taken up with the concerns of the canals. A copy of it is also hereto annexed, marked B; and although, towards the close, it expresses the opinion that more bank capital was needed in New Haven, the joint committee also say that "this necessity will be still farther greatly increased, should said canal be completed as contemplated." It was the universal opinion in New Haven then, and the joint committee on banks, doubtless, thought so too, that the aid secured from the bank (\$100,000) would make the canal, and the canal would make business for the bank. The Legislature, therefore, provided not only for the then present wants of banking capital, (estimated by the first petition at \$200,000,) but for the "greatly increased" wants which it was supposed would grow up on the completion of the canal. Unfortunately, these expectations were never realized; the bank has paid the \$100,000, but the money turned out not to be sufficient; the canal remained unfinished, has since passed into other hands, and every dollar subscribed to it by the bank has been forever lost. The bank, therefore, when put in operation, was obliged to lend a large amount of its funds to citizens of other States, or leave its unwieldy capital unemployed, and thus incur additional losses to the \$100,000 already sunk.

After the charter was obtained, books of subscription were opened in New Haven, and the utmost exertions were made by the friends of the canal to induce the citizens of this State to fill up the stock; but so little confidence had our citizens in the success of the bank, that, though the commissioners had several meetings, it was found impossible to get even half the stock taken by citizens of Connecticut. An appeal was then made by the friends of the canal to citizens of New York, many of whom were large stockholders in the canal company; and finally, on the 17th day of December, 1831, the stock was filled: 2,470 shares taken by citizens of this State, and 2,530 by persons out of the State. It then appeared to be the understanding of all parties, when so large a portion of the stock was subscribed by persons out of the State, that a large portion of the loans would be made to persons out of the State also. As soon as the bank commenced business, its board of directors made every fair effort to procure customers in this State, and, so far as they could be obtained, loans were made to them. But after supplying all the business calls of New Haven and its vicinity that could be safely done, it was seen to be absolutely necessary to make loans out of the State; to a large amount, or the capital would be idle. The discounts the first year, 1833, were: for persons in the State, \$951,468, and for persons out of the State, \$947,214, throwing off the cents. Though persons out of the State held the greater part of the stock, our own citizens in that year had the greater part of the loans.

But, to bring the sums loaned to our citizens below the amount counted for persons out of the State in that year, the committee have in their report deducted from the computation the loans to directors, all of whom were citizens of this State. Again, in the third paragraph of the 8th page, we think the committee ought to have added the discounts for directors, citizens of this State, to the monthly discounts of our other citizens, and to have averaged the *four* years, instead of *three*, which would have varied the result, as will appear by the tables. It is said in the report, "customers were cut short in their expected accommodations, without warning, on the alleged ground that the bank was not in a condition to discount; a considerable number withdrew their accounts in 1833." The board have ascertained that, of the domestic offerings for that entire year, less than 34 per cent. was rejected, which is believed to be a very small proportion; and it is not known that any part of that portion was rejected to give place to foreign loans. During the same period, but six persons closed their accounts with the bank, and some of them had at the same time open accounts with other banks. In the following year, (1834,) the whole amount of domestic paper rejected by the board was less than \$10,000. The undersigned are not informed who the late directors are, who "either resigned their places, or refused to be candidates for reappointment," because they were dissatisfied with the amount of foreign discounts. They know of but one who professes to have resigned on that account; if there were others, it would seem strange that they should not have interfered to prevent it, when, by a rule of the bank, the votes of two directors only were necessary to reject any paper offered.

In 1834, the New Haven County Bank was incorporated, with a capital of \$500,000; upon its establishment, great efforts were made to pro-

ure customers for it; and, it being a new institution, many of the customers of the City Bank went to its aid, and transferred their accounts there. This was done, not because they were dissatisfied with the mode of doing business at the City Bank, nor because they had ever failed to meet with every reasonable accommodation; and it will appear, from this cause alone, the City Bank was deprived of more than \$200,000 domestic discounts. In consequence of this dividing of the customers, the business of the City Bank with persons in this State was then necessarily much reduced, and the deficiency thus occasioned made it necessary for the bank to increase further its business with persons out of the State. The same causes have since continued the inequality between loans made to persons in the State and persons out. It will be seen, from this short view, how the City Bank, under the peculiar circumstances of its creation, and its position since, has found it necessary to employ so large a part of its funds in loans to persons out of the State. There is nothing in its charter to forbid it, nor in the existing laws to prevent it.

There is now pending before the General Assembly a bill for a public act, reported by the State commissioners on banks, which provides, in its third section, that no bank shall "employ any agent or person to make loans or discounts at any other place than the banking-house." If this was unlawful before, why the necessity of making a new law to prevent it now? And if not unlawful hitherto, why complain of the City Bank for doing that which, under the existing laws, it had a perfect right to do, and which has been extensively done by other banks in the State, long before the City Bank came into existence, without the Legislature ever having intimated a wish to the contrary? Indeed, as to this bank, there seems to be less cause to complain of the practice, for the greater part of its stock has, from the beginning, belonged to citizens of other States: a circumstance which the Legislature which granted the charter seem to have anticipated; for by the report of the joint committee on banks, May session, 1831, hereto annexed, it will be seen that a large proportion of the capital to be invested in the City Bank is spoken of as not then taxed; alluding, probably, to expected investments from abroad.

If, then, this bank had a right, under the existing laws, to employ an agent to procure loans for it in New-York, to whom could the board with so much propriety intrust that agency as the president of the institution? If, in the course of that agency, any irregularities or improprieties have intervened, they have taken place without the sanction, concurrence, or knowledge, of the board. Indeed, as to most of the irregularities charged upon that agency in the report, the board never heard of them, nor, from their nature, could they have been known until reported by the committee. Whilst, therefore, they verily believe that the committee must have been under a misapprehension in this particular, yet, not having had time to investigate them since the report, the board are not now prepared fully to answer them; and it is respectfully suggested, whether, under any circumstances, they could be justly chargeable to the board, or visited upon the stockholders of the institution. In respect to the use of the bank funds by the president in New-York, of which much is said in the report, the board will but remark that they have no knowledge of the use of those funds by the president, other than in the discount of customers' notes, and purchasing exchange, in the same way as is usual

with officers of banks at the counter, in the absence of the board, leaving the transactions to be ratified or rejected by the directors at their first meeting. The board have every reason to believe that the business of the bank has been fairly transacted, and always within the spirit of its charter.

The committee have charged the bank with taking usury on its loans, by way of exchange, in discounting paper payable abroad. The charter allows the bank to "trade" in bills of exchange, and there is no law to limit the rates of exchange in this mode of trade, as there is in the case of interest. Similar language is used in most, if not in all, of the other charters granted for banks. These terms (trade in bills of exchange) had received a known and practical construction by the other banks, and by the public generally, at the time they were inserted in this charter. This bank, therefore, did the same under this clause in its charter as was and is the practice of other banks; and the board cannot satisfy themselves that they will deserve censure for it, so long as there is no law to regulate or forbid it. That this has been the common practice of other banks is manifest from the report of the State commissioners now before the General Assembly. Why, then, should this bank be singled out as deserving of special punishment, for adopting a construction of this part of its charter, which practice and common consent had put upon the other charters, where similar language had been used, long before this was granted? In this place it should be understood that the charge made by the bank, to its dealers, under the head of exchange, consists of either a compensation for the trouble and expense of collecting notes and drafts payable, not at the banking-house, but at a distant place, or a premium on drafts furnished the customers, by which they are provided with funds equal to specie, at a place distant from the bank. But the board have not been able to find that the bank has in any instance charged a compensation for collecting a note or draft payable at a distant place, and a premium for furnishing the funds at the same place, as the committee seem to suppose, when (on page 20th) they say "exchange was charged upon a note payable in New York, and a premium on a check with which the proceeds were paid." The case, therefore, put by the committee, that "a note at 90 days, payable in New York, would leave for the bank one and a half per cent. for interest, one per cent. for exchange, one per cent. for a check on New York for the proceeds," is a case which never occurred. And the committee must have misapprehended the president and cashier, if they suppose that any such admission was made by either of those gentlemen. The committee also seem to be laboring under another error, in respect to the supposed practice of the bank in charging exchange on different places within this State; and in the case by them stated, (page 19 of the report,) of a note payable in Middletown, the exchange was received, not because the note was payable in Middletown, but for furnishing funds in New York for the proceeds of the note discounted at the bank.

The committee have given a prominent place in their report to the fact that the bank has on hand, of its earnings, almost \$76,000, which they intimate should have been divided among the stockholders. But they do not mention another fact, equally important, that the bank sunk \$100,000 in the canal, and that these very earnings were reserved to

make good to the stockholders and the public that heavy loss, and that in consequence of it no dividends were paid for a period of nearly three years. It is remarkable that, while the State commissioners have blamed some of the banks for not reserving their earnings, to make good previous losses, the committee on the City Bank, should blame its directors for not dividing their earnings, and for not leaving their losses unprovided for. Notwithstanding the large calculations in the report, as to the profits of the bank, it is a fact, demonstrable by figures, that the stockholders have received but 4½ per cent. on their money invested, reckoning the whole time since their instalments were paid; and if the whole capital were now divided up, surplus earnings and all, and not a dollar should be lost by bad debts in winding up its concerns, they could not receive back the money they originally paid, by more than twenty thousand dollars.

The committee have done the bank the justice to say that its resources and ability have never been questioned; a statement which, in times like the present, is not without its value. Though its credit may have been impaired by the attacks that have been made upon it, and the charges which have been preferred against it, it has even stronger evidence of its solidity than the certificate of the committee. That evidence is within the reach of every citizen who has a bill issued under its charter, if he will present it at the counter of the banking-house. It is believed to be the only institution north of the Potomac that has been able to face the hurricane which is now sweeping over the land; the only one that now continues to meet its promises, dollar for dollar, in "the constitutional currency of the country."

The short time that has elapsed since the report was published, and a copy could be procured, has made it necessary that this reply should be hastily drawn up, and that its contents, however voluminous they ought to be, to do justice to the subject, should be compressed to the narrowest limits. There are topics not here noticed, which might be replied to, but it is feared that more time has already been trespassed upon than may appear reasonable. As to all parts of the report, therefore, not already commented upon, so far as the same may impute misconduct to the bank, or dishonor to its dealings, the honorable General Assembly will please to consider them as not admitted, because not particularly replied to, but, on the contrary, as denied; and that the undersigned believe such imputations to be undeserved.

It remains only, in conclusion, respectfully to request the General Assembly to receive the answer now presented, and that it be disposed of and made public, in the same manner as the report to which it responds, or that it be in such other way disposed of as to your honors may seem right and proper. All which is respectfully submitted.

HERVEY SANFORD,
JOHN BABCOCK,

Agents appointed by Board of Directors of City Bank of New Haven.

F 5.

To the honorable Senate :

There has been presented for my approbation a bill for "An act to repeal an act entitled an act to incorporate the City Bank of New Haven." This bill is herewith returned, with the following, as the reasons of my dissent to the same: There is no provision in the charter of this bank making it repealable at the pleasure of the Legislature. This clause is usually inserted in charters, and its omission in this instance certainly means something. Had this clause been inserted, it might have had a material effect in preventing the subscription to the stock of the company from being taken up, as the bonus which was given as the consideration of the charter was very large, amounting to one fifth part of the whole capital stock of the company. If the charter of the company has been violated, and the violation is such as works a forfeiture, and the Legislature should be of opinion that the public interest requires that the penalty should be inflicted, it is proper that the charter should be in some way annulled. I am of the opinion that the judicial tribunals of this State are the proper forums for ascertaining the facts which work the forfeiture, and for pronouncing the judgment of the law upon those facts; and that, so far as respects this case, (whatever the fact may be where the charter contains a clause making it revocable by the Legislature,) the General Assembly cannot with propriety interfere. It would be a blending of judicial and legislative powers in the same department of the Government, which, by the constitution of this State, must be kept distinct. Even should the General Assembly be considered as having jurisdiction in this case, I am of the opinion that the proceedings have not been regular. No specific charges have been exhibited against the bank, nor have they ever been notified to appear and answer. The forms of law usually regarded in judicial proceedings, and which are supposed to be of great value as safeguards of the liberty and property of the citizens of the State, have not been observed. I am also of the opinion that the punishment which will be inflicted in this case does not partake of the proper ingredient of punishment: it does not fall on the guilty, but most heavily on the innocent. Here, however, I find myself somewhat at a loss, as the offences for which the punishment is to be inflicted are nowhere specifically stated; but, so far as they can be conjectured, this appears to be their character: The president of the company is claimed to be the chief offender; some of the directors, or perhaps all of them, may also be included, but the stockholders it is not pretended have been guilty of any offence. If the acts of the president and directors which are complained of are reprehensible, I am of the opinion that the proper and regular course would have been to have prohibited them by some public act, which at the same time prescribed the punishment. In fine, I can see no sufficient reasons for the passage of this act, but in my mind it is obnoxious to strong legal and constitutional objections. For these reasons I do not approve the bill, and therefore return it to the Senate, the House in which it is understood to have originated.

I deem it proper that the relation in which I stand to this bank should be fully understood. I own no stock in this bank in my own right, nor

am I interested in it in any way, excepting as trustee. In this capacity there is stock standing in my name, the property of a widow and orphan children.

EXECUTIVE OFFICE,

HENRY W. EDWARDS.

Hartford, June 10, 1837.

TO THE PUBLIC.

The New York banks have suspended specie payments. The question now arises, Shall the Hartford banks suspend also? If they continue to pay specie, two consequences must follow:—1st. The banks must refuse all further accommodation and discounts, at whatever sacrifice to individuals, who have looked to the banks for aid. 2d. The greater part of the large quantity of specie now in the banks will be demanded, and carried into other States.

The undersigned pledge their characters that the banks to which they respectively belong are safe and sound beyond contingency. In further proof of this, they annex an extract from the report just made to the General Assembly, founded on a recent and most careful scrutiny by their committee.

With extreme reluctance, the banks have decided on a temporary suspension of specie payments; and when the critical situation of even the sound portion of the business community is considered, and also the sweeping ruin which must fall on them, if the banks take the strict measures indispensable to go through with specie payments, they ask for the confidence and support of the entire public to bear with them for a time in a measure which is not adopted without deep regret. Each bank in Hartford will receive the bills of all the other banks in Hartford, in deposit, and in payment of notes. These banks have more than four dollars due to them for every dollar of their bills in circulation.

- | | | |
|--------------------|---|--|
| JOSEPH TRUMBULL, | } | Committee for Hartford Bank. |
| DAVID WATKINSON, | | |
| CALVIN DAY, | | |
| CHARLES SIGOURNEY, | } | Committee for Phoenix Bank. |
| S. TUDOR, | | |
| THOMAS DAY, | | |
| DENISON MORGAN, | } | Committee of the Connecticut River Banking Co. |
| ALFRED SMITH, | | |
| WM. H. IMLAY, | | |
| DANIEL BUCK, | } | Committee of the Farmers and Mechanics' Bank. |
| S. B. GRANT, | | |
| A. H. POMROY, | | |
| JESSE SAVAGE, | } | Committee of the Exchange Bank. |
| ALBERT DAY, | | |
| RODERICK TERRY, | | |
| WM. W. ELLSWORTH, | } | Committee of the Exchange Bank. |
| S. W. GOODRIDGE, | | |

Hartford, May 11, 1837.

Extract from the report of the Committee of the General Assembly, presented May 9, 1837.

"It may, however, be proper for us to state in the outset, before entering into any details, that the soundness and solvency of all the banks examined by us is, in our judgment, unquestionable. We believe that the public may place entire confidence in their ability to meet all their engagements; and inasmuch as the present is a time of suspicion and distrust in pecuniary concerns, we feel bound to express ourselves fully on this point."

JEREMIAH BROWN, }
 SETH P. BEERS, } Committee.
 WILLIAM FIELD, }

An Act to suspend the operation of the act entitled "An act to prohibit the circulation of small bills," passed 1835.

Be it enacted by the Senate and House of Representatives in General Assembly convened, That the act passed May session, 1835, entitled "An act to prohibit the circulation of small bills," be, and the same is hereby, suspended until the first day of July, one thousand eight hundred and thirty-eight; during which time a refusal on the part of any bank in this State to pay in specie, on demand, its notes or bills of a less denomination than three dollars, shall work a forfeiture of the charter of the bank so offending.

Sec. 2. From and after the first day of July, 1838, no bank, or corporation having banking powers, in this State, shall issue, or in any manner put in circulation, any bills or notes, or other evidences of debt, of a less denomination than five dollars; and any such corporation violating the provisions of this section, shall be subject to the penalties, restraints, forfeitures, and provisions, of the fourth section of the act named in the first section of this bill.

Sec. 3. It shall not be lawful for any person to pay, give, or offer in payment, or in any way circulate, or attempt to circulate, as money, at any time after said first day of July, 1838, within this State, any bill, note, or other evidence of debt, purporting to be issued by any body corporate, of a denomination less than five dollars.

Sec. 4. Any person offending against the provisions of the third section of this act shall forfeit, for every offence, five times the nominal value of any such bill, note, or other evidence of debt; to be recovered, with costs of suit, in the name and for the use of any person who shall sue for the same, and prosecute such suit to judgment in any court having cognizance thereof.

Sec. 5. Nothing in this act shall be so construed as to ratify or confirm the charter of any bank which may have forfeited the same by the refusal to pay specie, or for any other cause.

STILLMAN K. WIGHTMAN,
 Speaker of the House of Representatives.

EBENEZER STODDARD,
 President of the Senate.

Approved June 10, 1837.

HENRY W. EDWARDS.

By his Excellency HENRY W. EDWARDS, Governor of the State of Connecticut.

A PROCLAMATION.

Whereas, at a General Assembly of the State of Connecticut, holden at Hartford, in said State, on the first Wednesday of May, in the year of our Lord one thousand eight hundred and thirty-seven, resolutions were passed in the words following:

Resolved, That the Quinebaug Bank shall issue none of its notes or bills as a currency, until an examination of its affairs shall have been made, and satisfactory evidence furnished that its issues may be resumed without endangering the interests of the public, as hereinafter provided.

Resolved, That the Treasurer of this State, the Comptroller of Public Accounts, and the Commissioner of the School Fund, be, and they hereby are, constituted and appointed a committee to examine into the state and condition of the Quinebaug Bank, at the expense of the same, with full powers to send for persons and papers, and to examine, under oath, all persons having any knowledge of or concerning the affairs of said bank; which said oath either of said committee are hereby empowered to administer; to inspect and examine all the books and papers of said bank, which may be necessary, in their opinion, to a full investigation of the affairs of said bank; and to exercise and do all acts requisite and necessary for a full and perfect discharge of their said duties; and to report to the Governor of this State, at the earliest convenient opportunity, the condition of said bank, its mode of doing business, whether the same is conducted according to the provisions of its charter, and whether the further continuance of the same is consistent with the welfare of the public. And if, upon said report, the Governor of this State shall be satisfied that the charter of the Quinebaug Bank may be safely continued, he may issue his proclamation, authorizing them to resume their business in accordance with the provisions of their charter and the laws of this State, in the same manner, and to the same extent, as if this resolve had not been passed:

And whereas said committee, in compliance with the requirements of said resolutions, have made their report in the words following:

To his Excellency Henry W. Edwards, Governor of the State of Connecticut:

The undersigned having been appointed, at the late session of the Legislature, a committee to examine into the state and condition of the Quinebaug Bank, and to report to the Executive its condition, mode of doing business, whether it is conducted according to its charter, and whether the further continuance of the same is consistent with the welfare of the public, beg leave respectfully to report:

That, immediately after the close of the session, we gave notice to the bank at what time we should commence the investigation; and accordingly, on the 21st, 22d, and 23d days of this month, attended at the banking-house in Norwich, where we were received by the cashier and a committee of three directors, selected by their board to attend during the investigation. The president having resigned since our visi-

tation in January last, a successor has been recently appointed, who was, and still is, absent from the State. The committee of directors and the cashier readily answered all our inquiries, furnished all the statements which we required, and submitted to us, for inspection and examination, all the books and papers of the bank which we deemed necessary to enable us to execute the duties of our trust.

This institution was chartered in 1832, with a capital of \$500,000, the whole of which has been paid in. As some modification of the charter became necessary, and was made by the Legislature in May, 1833, the bank did not commence its operations till June, 1833. In conformity to the requirements of the charter, the bank has subscribed \$100,000 to the stock of the Boston, Norwich, and New London Railroad Company, and has paid such instalments as have been required by the company, amounting in the whole to \$15,000. Further advancements, not exceeding the balance of the subscription, have been made by the bank to the company, carrying interest until the further instalments shall be required. In addition to the liability of the railroad company, the principal part of the advancements are secured by pledges of bank stock.

In relation to "its condition," the following statement exhibits the liabilities of the bank, and its resources and means to meet them, at three different periods, viz: on the 1st October, 1836, on the 25th March, 1837, and on the 15th of the present month.

| | On the 1st Oct. 1836. | On the 25th March, 1837. | On the 15th June, 1837. |
|-----------------------------------|--------------------------|-----------------------------|----------------------------|
| LIABILITIES. | | | |
| Capital paid in, | \$500,000 00 | \$500,000 00 | \$500,000 00 |
| Bills in circulation, | 179,403 00 | 100,980 00 | 42,290 00 |
| Balances due to other banks, | 24,825 88 | 18,783 90 | 23,166 36 |
| Deposits, | 127,614 73 | 93,271 99 | 51,641 05 |
| Dividends unpaid, | 101 50 | 469 00 | 4,006 00 |
| Surplus and earnings on hand, | 16,755 82 | 17,020 59 | 6,114 60 |
| Dollars, | 848,700 93 | 730,525 48 | 627,218 01 |
| RESOURCES. | | | |
| Real estate, | 5,889 86 | 8,403 14 | 10,427 96 |
| Personal estate, | 2,000 00 | 2,000 00 | 2,000 00 |
| Bills of other banks, | 27,764 00 | 11,210 54 | 3,443 00 |
| Balances due from other banks, | 38,004 88 | 27,412 64 | 9,257 31 |
| Coin in the bank, | 25,291 59 | 11,010 72 | 8,236 72 |
| Railroad stock, | 15,000 00 | 15,000 00 | 15,000 00 |
| Drafts and checks on other banks, | 9,305 90 | | 15,131 49 |
| Loans, | 725,444 70 | 654,231 73 | 563,685 35 |
| Other property not before named, | | 1,256 71 | 36 18 |
| Dollars, | 848,700 93 | 730,525 48 | 627,218 01 |

The situation of the bank had not materially varied between the 15th and 22d.

It is now evident that, at the time of our visitation, on the 25th of January last, the officers were largely indebted to the bank; but the amount has since been considerably reduced, and the balance apparently well secured. On comparing the present state of the other debts due to the

bank, with their situation in January last, the security appears to be greatly improved. There does not appear to be any debt due to the bank from any person residing west of New York.

The amount of paper which has become due and remains unpaid, does not exceed \$12,000; and this appears to be secure, except about \$4,000, which will probably never be paid in full. This is stated to be the only bad debt which the bank has made, since it commenced operations.

From the whole of our examination, we are of opinion that the debts due to the bank are generally well secured; that the soundness and solvency of the bank is unquestionable; and that the public may place entire confidence in its ability to meet all its engagements.

As to its mode of doing business, it appears to have been transacted according to the usual course of banking in this State.

In relation to the point, "whether the bank has been conducted according to its charter," we have discerned no act contrary thereto, but believe it has been conducted agreeable to its provisions.

This bank having been established, principally, to aid a great work of internal improvement through the eastern section of the State, the public are deeply interested in receiving the assistance which the further continuance and prosperity of the bank will enable it to furnish. It therefore seems to us that "the continuance of its charter is consistent with the public welfare." All which is respectfully submitted.

JEREMIAH BROWN,
SETH P. BEERS,
WM. FIELD, } *Committee.*

HARTFORD, June 27, 1837.

And whereas I am satisfied that the charter of the Quinebaug Bank may be safely continued. Therefore, in compliance with said resolutions, I do issue this my proclamation, hereby authorizing said Quinebaug Bank to resume their business in accordance with the provisions of their charter and the laws of this State, in the same manner and to the same extent as if said resolutions of the General Assembly had not been passed. Given under my hand, and seal of said State, this 5th day of July, in the year of our Lord one thousand eight hundred and thirty-seven, and of the independence of the United States the sixty-second.

HENRY W. EDWARDS,
ROYAL R. HINMAN, *Secretary.*

By the Governor,

State of Connecticut, ss.

SECRETARY'S OFFICE, Hartford, July 6, 1837.

I hereby certify that the foregoing is a true copy of the resolutions of the General Assembly, passed at its session in May last, and of the report of the committee appointed by said Legislature to investigate the affairs of the Quinebaug Bank, and also of the proclamation of the Governor in reference to said bank.

In testimony whereof, I have hereunto set my hand, and affixed the seal of said State.

[L. s.]

ROYAL R. HINMAN, *Secretary.*

D D—Continued

| Date. | Number of banks. | Number of branches. | Loans and discounts. | Stocks. | Real estate. | Other investments. | Due by other banks. |
|-------------------|------------------|---------------------|----------------------|-----------|--------------|--------------------|---------------------|
| January 1, 1830 - | *10 | - | \$4,195,690 | - | - | - | - |
| March 3, 1834 - | 28 | 3 | 8,307,824 | \$365,000 | \$169,466 | \$13,652 | \$702,979 |
| March 7, 1836 - | 31 | 3 | 11,736,163 | 383,700 | 191,056 | 130,454 | 582,703 |
| October 1, 1836 - | 31 | 3 | 13,361,928 | 410,542 | 179,603 | 17,664 | 502,486 |
| March 25, 1837 - | 31 | 3 | 13,246,945 | 416,016 | 175,883 | 56,019 | 941,314 |

* Incomplete. Returns wanted from 3 banks.

D D—Continued

| | | | | | | | |
|---------------------|-----|---|------------|-----------|-----------|-----------|------------|
| January 1819 - | 33 | - | - | - | - | - | - |
| January 1, 1830 - | *30 | - | 20,370,693 | - | - | - | - |
| January 1, 1834 - | 78 | - | 57,689,704 | 395,309 | 1,530,701 | - | 9,560,018 |
| January 1, 1835 - | †84 | 2 | 61,968,094 | 551,568 | 1,594,937 | 27,813 | 12,241,905 |
| January 1, 1836 - | 86 | 2 | 72,826,111 | 803,159 | 1,811,925 | 442,696 | 15,991,168 |
| January 1, 1837 - | 98 | 2 | 79,313,188 | 1,794,152 | 2,263,857 | 1,123,225 | 18,832,254 |
| June 1, 1837 - | †94 | 2 | 74,053,657 | 53,581 | 2,120,551 | 3,915,631 | 13,679,040 |
| July 1, 1837 - | †94 | 2 | 71,835,551 | 53,581 | 2,130,180 | 4,111,151 | 14,304,955 |
| August 1, 1837 - | †94 | 2 | 70,317,142 | 53,581 | 2,185,612 | 4,436,580 | 17,297,245 |
| September 1, 1837 - | †94 | 2 | 68,357,697 | 53,581 | 2,194,738 | 4,550,254 | 17,509,608 |
| October 1, 1837 - | †94 | 2 | 67,374,720 | 53,581 | 2,222,901 | 4,494,030 | 17,271,457 |
| November 1, 1837 - | †94 | 2 | 65,311,159 | 105,799 | 2,260,904 | 5,572,896 | 17,556,398 |
| December 1, 1837 - | †94 | 2 | 63,253,979 | 532,376 | 2,280,227 | 6,097,500 | 17,797,852 |

* Not complete. † Exclusive of Fulton Bank and Delaware and Hudson Canal Company.
 ‡ All in the State, except the Delaware and Hudson Canal Company, the Dry Dock Bank, the Brooklyn Bank, the Sackett's Harbor Bank, and the Lockport Bank.

CONNECTICUT.

| Notes of other banks. | Specie funds. | Specie. | Circulation. | Deposites. | Due other banks. | Other liabilities. | Capital. |
|-----------------------|---------------|-----------|--------------|------------|------------------|--------------------|-------------|
| \$37,724 | \$1,119,417 | \$337,788 | \$1,503,460 | \$452,444 | - | - | \$3,692,577 |
| 63,094 | 1,770,118 | 118,640 | 2,407,496 | 1,167,964 | - | - | 6,851,909 |
| 339,579 | 282,064 | 426,290 | 4,034,681 | 1,869,369 | \$488,793 | \$153,124 | 8,519,368 |
| 296,725 | - | 415,386 | 3,998,325 | 1,484,966 | 457,650 | 93,145 | 8,665,697 |
| - | - | - | - | - | 639,824 | 288,130 | 8,744,697 |

NEW YORK.

| | | | | | | | |
|------------|-----------|-----------|------------|------------|------------|------------|------------|
| - | - | 2,000,000 | 12,500,000 | - | - | - | 20,488,933 |
| - | - | 1,560,291 | 7,959,280 | 10,354,500 | - | - | 15,637,353 |
| 6,868,734 | - | 2,657,503 | 17,820,402 | 19,119,338 | 10,690,265 | - | 27,755,264 |
| 6,805,045 | 670,363 | 7,160,949 | 16,199,505 | 20,088,685 | 16,551,841 | 4,886,845 | 30,481,460 |
| 10,237,574 | 1,277,886 | 6,224,646 | 21,127,927 | 29,532,616 | 19,783,482 | 4,068,891 | 31,281,461 |
| 12,487,610 | 3,268,648 | 6,557,020 | 24,193,000 | 30,883,179 | 20,462,823 | 7,078,167 | 37,101,460 |
| 5,413,877 | 1,492,768 | 3,033,209 | 15,422,127 | 23,440,374 | 12,019,034 | 9,489,862 | 36,401,460 |
| 5,888,127 | 1,459,623 | 3,018,173 | 15,278,300 | 22,072,094 | 14,186,056 | 8,878,227 | 36,401,460 |
| 6,323,062 | 1,356,203 | 2,972,570 | 15,471,667 | 20,463,992 | 15,990,813 | 9,154,806 | 36,401,460 |
| 5,115,376 | 1,158,609 | 2,937,581 | 14,100,516 | 19,508,295 | 15,875,624 | 10,123,189 | 36,401,460 |
| 5,980,366 | 1,390,509 | 3,103,950 | 15,531,288 | 20,250,039 | 13,763,006 | 9,939,264 | 36,401,460 |
| 5,957,629 | 1,040,966 | 3,292,034 | 15,468,565 | 18,729,039 | 14,018,002 | 9,845,847 | 36,401,460 |
| 5,990,771 | 1,170,187 | 3,722,083 | 14,154,119 | 18,287,588 | 14,169,811 | 10,606,226 | 36,401,460 |