

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

DOCUMENTS

PRINTED BY ORDER OF

THE LEGISLATURE,

OF THE

STATE OF MAINE,

DURING ITS SESSION

A. D. 1834.

FOURTEENTH LEGISLATURE.

NO. 10.

SENATE.

The Commissioners appointed by the Governor and Council to “examine the doings and transactions of the several incorporated Banks in this State and generally to ascertain the state and condition of the same, ” attended to that service between the 3d of October and the 26th of November, and submit the following

REPORT.

In our last Report we had occasion to remark on the excessive accommodations which had been extended by the South Berwick Bank to its Directors. Assurances were given that they should, with all practicable diligence, be reduced within the limits allowed by law. On our examination this year we found that their assurances had been fulfilled, and that the Directors’ liabilities had not been allowed to exceed the legal limits of one third of its Capital.

We had also occasion to speak of the irregular manner in which the Belfast Bank conducted its

business, and particularly of the loose and inaccurate manner in which their books were kept. In our recent visit to that Bank we found that these irregularities had been corrected. A regular set of books have been opened and correctly kept, and the business of the Bank is transacted with system and regularity. It is due to the Directors to say that the irregularities and want of system into which they were betrayed in the outset of their business, was entirely to be ascribed to their want of familiarity with banking operations; and that there never has existed any grounds for calling in question the entire safety of the Bank, nor for raising a doubt as to the fairness and integrity of the Directors.

The Thomaston Bank, by reserving a portion of its profits, has been gradually recovering from the heavy loss it sustained by robbery a few years ago. The balance remaining against the Bank at the last dividend was \$2,623 28; so that if it continues for a short time longer to do as prosperous a business as it has heretofore done, its Capital will soon be restored.

In the Bank of Portland we found the liabilities of the Directors far exceeding the sum allowed by law. The Capital of this Bank is \$200,000; and the amount to which the Directors may be liable is limited to \$66,666; but the actual amount at the time of our visit was \$92,668 65, exceeding the limits of the law by nearly Twenty Six Thousand Dollars. The apology which the Directors made

for exceeding so much the liberty which the law allowed, was that their aggregate liabilities had accumulated to so large a sum before they were aware of the amount to which they had risen, and that in the extreme pressure of the money market at that time it was out of their power instantaneously to reduce them. They gave us however assurances that they should be reduced within the limits of the law at as early a day as was practicable. The Cashier has since informed us in a note under the date of the 19th of December, that the liabilities of the Directors on that day were reduced to \$65,136 10.

The loan of the Maine Bank we found exceeding by a small sum the amount which the Bank can legally have due to it. The Capital of the Bank is \$105,000, and it is authorized to have due double the amount of its Capital. Its loan at the time of our examination was \$212,996 11. The excess therefore was a little short of Three Thousand Dollars. In examining the books of the Bank we found that in the course of the last year, twice before, its loan had been above the limits fixed by law. But in each case the excess was small and of short duration.

By the Act of March 31, 1831, regulating Banks and Banking, Section 26, it is provided that no Bank shall issue any note or bill of the denomination of One Hundred Dollars or less except such as are printed from Perkins' Stereotype Plate.

But this bill does not require the Bank to use bills which are impressed on the back with the check plate, as was formerly required with respect to all bills of the denomination of Five and Ten Dollars. Under the authority of this law, the new Banks have generally provided themselves with bills without the check back. By a subsequent law, passed at the last session of the Legislature, it is enacted that after the first day of October 1833, no bills of the denomination of Five Dollars and over impressed from Perkins' Stereotype Plate, shall be issued by any Bank unless they also bear on the back of them the impression of Perkins' Stereotype Check Plate. The period at which we commenced our examination was after this law had gone into operation. We found that the Banks had uniformly agreed in considering the law as prohibiting the emission of any new bills without the check back after that time, but not as prohibiting them from reissuing and continuing to use those which they had on hand. Without undertaking ourselves to decide whether the construction which the Banks put on the law be correct or not, we have thought it our duty to report the fact, that the Legislature may take such order thereon as to them may seem fit. It is to be regretted that the Legislature, by the Act of 1831, allowed the use of the stereotype bills of the denomination of Five Dollars and over without the check back. Although the stereotype bill was formerly considered as safer against counterfeiting than

any other in use, yet it has recently been imitated with so much exactness, that it requires the most practised eye to distinguish the counterfeits from the true bills. We understand that the plates from which these counterfeits were printed have been discovered and are now in the hands of the officers of justice, so that no more are to be expected from this plate. But the fact that they have been so successfully imitated must necessarily impair to a great extent the confidence which has heretofore been felt in these bills. But we are not aware that any attempt has ever been made to counterfeit the check back, and notwithstanding the successful imitation of the stereotype plate, we are inclined to think that this bill, when united with the check back, is as safe as any that is in use. It is not however unlikely, when it is considered how many Banks in New England use this bill, that attempts may be made to counterfeit the back as well as the face of the bill.

By the Act of March 4, 1833, the Banks are permitted to issue bills printed from such other plates than Perkins' of finer engraving, superior workmanship, and greater security against counterfeits, as may be from time to time approved by the Bank Commissioners. Under this Act the Directors of the Skowhegan Bank applied to us for authority to use a different bill from the common stereotype bill, That which they exhibited to us has a neatly engraved vignette at the top of the bill, with the de-

nomination engraved in small letters below, in the style of the common stereotype bill, with the back printed from the Congreve patent check, instead of Perkins' check. This bill we approved, considering it to offer at least as great security against counterfeits as the common stereotype plate.

Several of the Banks have adopted the Congreve check back instead of Perkins'. But the bills which have been issued with this check were made and put into circulation before the late law went into operation. If under that law the Banks may continue to use bills which had been previously issued without the check back, we see no objection to their continuing to use those which have the Congreve check. But we do not understand that, as the law now stands, this check can be used as a substitute for Perkins', though from its being in so extensive use, it might be inferred that this had in public opinion the preference over the old check, we are not satisfied that it, on the whole, is entitled to a preference. The engraving is finer and more delicate, and while the bills are new and bright perhaps it may be fully as great a security as that of Perkins'. But after a bill has been considerably used, and especially after it has been wet, the colours run into each other, the fine lines become blurred and indistinct, and the whole bill assumes a dingy appearance, while in the old check, though the figures are executed with little delicacy, they are plain, and preserve their distinctness until the bill is worn out.

We are inclined to prefer the old check, at least until there shall be one attempt to counterfeit it.

The law requiring a check back as an additional security against counterfeiting is now confined to bills of the denomination of Five Dollars and over that sum, leaving bills of the denomination of One, Two and Three Dollars with no other safeguard than the face of the bill. The accuracy with which the stereotype plate has been imitated by the counterfeiters has gone far to shake public confidence in that style of engraving, and we would suggest whether it would not be expedient to require in all future emissions of small bills by the Banks, the additional security of the Congreve check. That this check is an additional security of importance, we have no doubt. The objection to Perkins' check for the small bills is that this will require a thicker and heavier paper than the Banks ordinarily use for bills of this denomination. But this does not apply to the Congreve check, which may be used on paper as thin and light as any that is suitable for a Bank bill.

We found the Banks in a prosperous condition and doing a profitable and healthy business, and, with the exceptions which we have mentioned, governing themselves in the transaction of their business by the regulations which have been prescribed by the Legislature, as well for the interest of the Banks themselves, as for the safety of the public. The aggregate amount of their loans was \$4,047,203 90,

which was generally well secured by two or more respectable names. The amount of bills in circulation was \$1,462,138 00, and the aggregate of specie in their vaults was \$95,488 07. The amount of specie is certainly small, smaller than we could have wished. But they had in cash deposited in other Banks out of the State, and principally in Boston Banks, the sum of \$477,943 88. This is a fund as much applicable to the redemption of their bills as specie in their vaults. In point of fact, the Banks in this State are seldom called on to redeem their bills at their counters except in small sums of a few hundred dollars at a time. The specie which they have on hand, beyond what is necessary to meet these occasional demands, lies in their vaults as a dead and unproductive Capital. The bills of our Banks are taken out of circulation and paid for in Boston, and it is there that they require funds for their redemption. A deposit in a Bank in Boston is therefore to them, to all purposes, the same as specie. The Exchange Bank of Portland, for instance, redeemed in Boston during the months of September, October and November, \$52,000, while its average circulation during these three months was only \$43,600. The experience of other Banks would probably give similar results, and we may therefore safely calculate that a sum equal to the whole circulation of all our Banks is taken up and paid for in Boston as often as once in three months. This being the case, the safety of the Banks ought

not to be questioned on account of the small amount of the precious metals they keep on hand. In our Report last year it was observed that one of the Commissioners would visit the Bank at Calais, as we thought it unnecessary to subject the State to the expense of so long a journey by both Commissioners to examine a single Bank. In the month of June one of the Commissioners accordingly proceeded to Calais and minutely examined the doings of that Bank. He found the state of the Bank perfectly satisfactory; that the business of the Bank had been conducted by the Directors with a scrupulous regard to the provisions of the law, and as far as he could judge, the loan was well secured by satisfactory and responsible names.

(Signed)

ASHUR WARE,
ABIEL WOOD,

December 31, 1833.

	Capital Stock.	Liabilities of Directors.
South Berwick Bank,	\$50,000	\$14,324 04
Manufacturers' Bank,	100,000	25,859 86
York Bank,	50,000	5,699 33
Exchange Bank,	100,000	30,742 78
Merchants Bank,	150,000	3,898 07
Manufacturers' & Traders' Bank,	150,000	43,071
Maine Bank,	105,000	31,457
Casco Bank,	200,000	40,917 11
Canal Bank, paid in	*392,000	120,382 49
Bank of Portland,	200,000	92,668 65 Nov. 22. } 65,136 10 Dec. 19. }
Union Bank,	50,000	9,162 02
Lincoln Bank,	100,000	33,172 56
Commercial Bank, Bath,	50,000	16,738 01
Thomaston Bank,	50,000	1,693
Waldo Bank, Belfast,	50,000	13,891 59
Commercial Bank, Bangor,	100,000	25,110 30
Kenduskeag Bank,	100,000	19,311
Mercantile Bank,	100,000	33,268 67
Ticonic Bank,	50,000	13,966
Freeman's Bank, paid in	†25,000	6,400
Augusta Bank,	110,000	31,396 67
Citizens' Bank,	60,000	19,962 43
Central Bank,	85,000	7,783 49
Northern Bank, paid in	†25,000	3,655 17
Franklin Bank,	50,000	14,519
Gardiner Bank,	100,000	32,776 33
Calais Bank,	50,000	14,309 62
Skowhegan Bank, paid in	†25,000	
Capital of Banks unpaid at the time of examination, probably now paid in. }	83,000	

Whole amount of Bank Capital, \$2,760,000

* \$8,000 not paid in.

† Half paid in.

STATE OF MAINE.

IN SENATE, January 22, 1884.

Ordered, that four hundred copies of the foregoing Report be printed for the use of the Legislature.

(Extract from the Journal.)

Attest, WILLIAM TRAFTON, *Secretary.*

I. BERRY & CO., PRINTERS TO THE STATE.
