

## HOUSE...No. 212.

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### Commonwealth of Massachusetts.

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HOUSE OF REPRESENTATIVES, April 6, 1855.

The Committee on Banks and Banking, to whom was referred the Petition of Franklin Ripley, Edwin Maynard, of Greenfield, Eli Thayer, Isaac Davis, A. H. Bullock, J. S. C. Knowlton, Geo. W. Richardson and others, of Worcester, for the establishment of an institution or agency by the country banks for the mutual redemption of their bills, have considered the same, and

#### REPORT

the accompanying Bill, incorporating a bank under the name of the Bank of Mutual Redemption, to be located in the city of Boston.

While the Committee are of opinion that at the present time it would be unwise to increase the number of banks in this Commonwealth, yet there are various reasons that have led the Committee to regard the application in the present case with favor, and to make it an exception to the general rule.

The banks of New England have for many years been noted for their stability and safety, and the confidence felt in them

has been equally as great at a distance as at home, so much so that for years their bills have been sought for as a medium of circulation in the Middle and Western States in preference to those of their own local banks. Without doubt, this public confidence has arisen in a great degree from the custom of nearly all the New England banks to redeem at par their circulation in the city of Boston; and whenever any bank, however solvent, has ceased to make provision for the redemption of its bills in Boston, its credit has been impaired, and its bills have become less valuable as a circulating medium.

As is well known, the Suffolk Bank in Boston is the institution through which this system of redemption has been carried on; and the Committee do not intend to find fault with the mode in which the business has been transacted by this institution.

But the power possessed by such an institution over the country banks, and through them over the community in which the banks are located, is apparent. The Suffolk Bank can, by refusing to receive the bills of any bank, at once cast distrust upon said bank, especially affect its credit at a distance from where it is located, creating a panic leading to the immediate presentation of its bills, and of course preventing further discounts, and usually leading to a temporary suspension of its legitimate business. All this may be done when the bank is perfectly sound, by its omitting to comply with the rules or wishes of the Suffolk Bank.

It seems, therefore, highly proper that an institution should be chartered, where the interests of the banks located out of the city of Boston should be entitled to some representation; and this power, instead of being invested in the individual directors of one bank, should to a certain extent be so divided that all parts of the State and all banks may, if they wish, be represented. It also seems proper that this business should be transacted at as small cost as possible; and the fact that the dividends of the Suffolk Bank have for many years averaged higher than the other Boston banks, and that the stock of said bank has always commanded a premium, is satisfactory evidence that this monopoly has been to them a source of great profit, which extra profit in fairness should be divided among the

stockholders of other banks, and will be saved to them by the organization of such an institution as proposed.

It will be seen that the proposed act does not render it obligatory upon any bank to become a stockholder in this bank, and does not necessarily interfere with the present arrangements of any institution, but leaves it optional with all banks to act as their stockholders may deem most for their own interest.

It appears to us that the spirit of the age calls for this progressive movement, and that the chartering of this institution will meet not only with the approbation of all interested, but will be highly satisfactory to the whole public.

For the Committee,

HARRISON BLISS.

Commonwealth of Massachusetts.

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In the Year One Thousand Eight Hundred and Fifty-  
Five.

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AN ACT

To incorporate the Bank of Mutual Redemption.

*Be it enacted by the Senate and House of Representatives  
in General Court assembled, and by the authority of the  
same, as follows :—*

1 SECT. 1. Andrew T. Hall, Benjamin E. Bates,  
2 George W. Thayer, Pliny E. Kingman, George F.  
3 Williams, Wesley P. Balch, Jr., of Boston ; Alexan-  
4 der DeWitt, of Oxford ; Franklin Ripley, of Green-  
5 field ; Ezekiel R. Colt, of Pittsfield ; John A. Butrick,  
6 of Lowell ; Life Baldwin, of Brighton ; Francis H.  
7 Dewey, Eli Thayer, of Worcester ; Roger S. Moore,  
8 of Springfield ; Ebenezer Torrey, of Fitchburg ; J.  
9 B. Congdon, of New Bedford, their associates, are  
10 hereby made a corporation by the name of the Bank

11 of Mutual Redemption, to be located in the city of  
12 Boston, with all the powers and privileges, and sub-  
13 ject to all the restrictions and liabilities, set forth in  
14 the laws of this Commonwealth relating to banks  
15 and banking, except as herein otherwise provided, and  
16 to continue for the term of twenty years from the  
17 passage of this act.

1     SECT. 2. Subscriptions to the capital stock of said  
2 bank may be made by any bank in this Common-  
3 wealth, in pursuance of a vote of the stockholders  
4 thereof, at a meeting duly called for that purpose; and  
5 subscriptions to said capital stock may be made by  
6 any bank established by law in the States of Maine,  
7 New Hampshire, Vermont, Connecticut, and Rhode  
8 Island: *provided* that no bank shall be authorized to  
9 subscribe to said capital stock to an amount exceed-  
10 ing five per cent. of the capital of said bank actually  
11 paid in, nor exceeding the sum of twenty thousand  
12 dollars.

1     SECT. 3. The directors shall consist of not less than  
2 nine, nor more than thirteen persons; and any stock-  
3 holder in said bank shall be eligible as a director;  
4 and any stockholder in any bank which shall be a  
5 stockholder of the capital stock of the bank hereby  
6 established, shall also be eligible to an election as a  
7 director therein: *provided* that such person shall be  
8 nominated for such office by a vote of the majority  
9 of the directors of the bank of which he is a stock-  
10 holder; and such vote shall be certified by the cash-  
11 ier of said bank; and no person shall be ineligible to  
12 the office of director in the bank hereby established  
13 by reason of being a director in any other bank.

1 SECT. 4. The capital stock of said bank shall not  
2 exceed three millions of dollars, to be divided into  
3 shares of one hundred dollars each, to be paid in such  
4 instalments and at such times as the stockholders may  
5 direct; and whenever the sum of one million of dollars  
6 shall have been subscribed thereto, a meeting of the  
7 subscribers may be called by a majority of the per-  
8 sons mentioned in the act of incorporation, by a writ-  
9 ten notice to each bank or person so subscribing.

1 SECT. 5. Said bank shall not be authorized to  
2 issue bills of less denomination than ten dollars,  
3 and its circulation shall in no case exceed one-half  
4 of the amount of its capital stock.