

FIRST ANNUAL REPORT

OF THE

# SUPERINTENDENT OF BANKS

OF THE

STATE OF CALIFORNIA

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1910

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Showing the Financial Condition of State Banks at the Close of Business  
June 30, 1909, and June 30, 1910



SACRAMENTO

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## LETTER OF TRANSMITTAL.

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SAN FRANCISCO, CAL., October 31, 1910.

*His Excellency, JAMES N. GILLET, Governor, State of California, Sacramento, California.*

SIR: I herewith submit the first annual report of the Superintendent of Banks of the State of California, pursuant to Section 140 of the "Bank Act" enacted by the thirty-eighth session of the legislature, and effective July 1, 1909.

### EFFICIENCY OF ACT.

After something over a year's experience in administering the "Bank Act," I can not too strongly commend it for its adequacy and effectiveness. It is the most complete, well balanced, and up-to-date banking law at present of any of the states in the Union, and if thoroughly and efficiently administered no depositor should ever be in danger of losing his deposit, or really having the same in jeopardy, through the failure of any bank in the State of California, under its jurisdiction.

### ADMINISTRATION.

Upon receiving the appointment of Superintendent from you on July 1, 1909, I immediately proceeded with the organization of the State Banking Department. I employed as examiners only men with banking experience, and endeavored at the same time to secure men of business ability and experience.

The department is now equipped with the most up-to-date, complete, and practical set of blanks and forms for all purposes, filing systems, etc., so that henceforth complete records can and will be kept of all banks under its jurisdiction.

I have had the satisfactory moral support of conservative bankers, even though at first some of them believed the act too drastic and far-reaching in its effects. I am pleased to say, however, that with a better acquaintance with the law, and a realization on their part that there must be regulation and supervision, and that the prerogatives of those of sound judgment and proper intentions must be limited and restricted to the extent of the possibilities for dangerous or dishonest actions on the part of the unprincipled who might engage in the business, they have generally come to believe that it serves its purpose well. With frequent and capable examinations it limits the possibility of those of unsound judgment, of overconfidence, or improper motives, going to the point where they can impair the integrity or the solvency of their institutions before a remedy can be applied.

### CO-OPERATION WITH COMPTROLLER OF THE CURRENCY.

This department has worked at all times in harmony with the Comptroller of the Currency at Washington, and I am under obligations to Hon. Lawrence O. Murray for detailing, when I was outlining my work, his chief deputy, Mr. W. J. Fowler, to give us the benefit of his valuable experience in the Comptroller's office at Washington.

### COST OF ADMINISTRATION.

I believe that the work of the department can be efficiently and properly performed at about the approximate cost of the first year of administration. While it is true that employees worked much overtime and many nights during the year, and that much labor has been entailed that will not have to be duplicated, it is also true that there are some details of the work that should be gone into more thoroughly and enlarged upon for the general good.

I take this means of commending those who have been employed in the department for their efficiency, zeal, and general disposition to work hard to accomplish results.

### SCOPE OF WORK.

I have endeavored to get away from the stereotyped method of examination of banks, and the formal proving of book figures. In other words, I have endeavored to get at the real condition and status of their assets; to learn and know the facts at all times. As one means to this end, I found it necessary to establish a credit system, and all loans above a certain figure are listed and aggregated in this office, and vital information pertaining to the proper administration of the department is constantly gathered. All bank balances are reconciled in this office, and all details of the work are so carried out and brought to a focus that a real photograph and absolute knowledge of conditions can be had.

The character of the men administering the affairs of banks is noted, and I have insisted upon directors holding frequent meetings, and familiarizing themselves thoroughly with the affairs of their banks. In addition to making their yearly examination, provided by law, we have them acknowledge over their own signatures the receipt of, and familiarizing themselves with, all documents intended for their perusal relating to matters which, from the examination, it is found desirable to call to their particular attention. It is not my policy to waste time writing letters to good banks on trivial matters, but it was found necessary at first to call attention to many matters of detail more or less at variance with the provisions of the law.

### CONDITION OF BANKS.

I am pleased to state that the banks of the State to-day are generally in splendid condition. A few are working out problems left them by former managements, but all banks are solvent. Fifty-one banks have

been required to make good impairment of capital stock, doubtful assets have been written off, excessive loans reduced, and overdrafts and investments in stocks largely eliminated. These readjustments, together with various consolidations, have served to materially strengthen the banking situation. Deposits have increased, and there is generally greater confidence and a better feeling of security than existed before the enactment of the present law.

The total individual deposits on October 1, 1910, the date of the last called report of condition, were \$459,675,436.70. Deducting the deposits withdrawn on account of nationalization of banks, this sum represents a gain over the deposits reported on July 1, 1909, of \$56,300,000.

#### NUMBER OF BANKS.

When I assumed office on July 1, 1909, there were in existence four hundred and eighty-six (486) State banks. Thirty-five (35) new banks, and eighteen (18) branches of banks already in existence have been authorized to transact a banking business. The provisions of the law, however, with respect to making departmental banking legal, have facilitated the consolidation and amalgamation of banks, so that, together with liquidations, voluntary and otherwise, the number of State banks to-day is four hundred and ninety-six (496).

Twelve banks changed from the State to the National system, a smaller number than during the previous year, and some of this number had planned for such change before the new law went into effect.

#### CLOSED BANKS.

I have found it necessary to close thirteen (13) banks, including two branches, because of impairment or absence of capital, and mismanagement. The first of these, the State Savings and Commercial Bank, and the Union State Bank, of San Francisco, were closed on July 17, 1909. I have in my possession money with which to pay a substantial dividend to depositors of these banks, but a series of suits brought against me, in which the constitutionality of the "Bank Act" is involved, has delayed the distribution of the money. The act has been sustained on every count, both in the Federal and State courts, on all points that have been tried.

#### LIQUIDATION OF CLOSED BANKS.

I have appointed one general superintendent, with supervision over all banks in liquidation, who has rented rooms in the building where I have my offices. The expenses of his department are pro-rated among the different banks, and great economy is thus effected.

In the case of two banks taken possession of, and several other banks where such action would have been necessary, I was able to make arrangements with other banks to liquidate or purchase their assets, so that no funds were withheld from depositors, and the business of the banks went on as usual.

The Japanese banks now in liquidation, and which I took charge of soon after my assumption of the duties of this office, are in very bad condition. The fact that the records were kept in Japanese made it extremely hard for us to arrive at a correct knowledge of their position.

Their affairs show that they were simply looted. Criminal prosecutions, as yet, have not been commenced, because most of the transactions were effected before the present law went into effect, and also because of our inability on account of incomplete records (in Japanese) of fastening specific acts upon individuals.

All banks are now compelled to keep all records in English.

In realizing upon the assets of the above mentioned banks, which it was necessary to liquidate, I have found it necessary to file fifteen (15) suits, eight (8) petitions for sale of property, and fifteen (15) claims in bankruptcy proceedings. It will be necessary to file many other suits before the liquidation proceedings are complete. There have been filed against me, in my official capacity, nineteen (19) suits for various reasons.

I believe that when final statements are rendered they will show conclusively the effectiveness and economy of the method prescribed by the "Bank Act" for the liquidation of banks.

#### AMENDMENTS TO THE LAW.

I have but few amendments to suggest in pursuance of the requirements of the law relative to my annual report, and they relate to minor matters only. The same are appended and made a part of this report.

#### STATEMENTS OF CONDITION.

A statement of the condition of all banks as shown by the called report of June 30, 1910, compared with the report of condition as of June 30, 1909, as well as other statements and schedules, are submitted and appended hereto as a part of this report. They include in addition to the above:

- (1) List of new banks.
- (2) Miscellaneous changes in banks.
- (3) Statements with reference to banks in liquidation.
- (4) Names and compensation of employees.
- (5) Statement of receipts and expenditures.

In conclusion, I have to say that I am much pleased and satisfied with the progress made and the work accomplished during the time I have been in office. The results achieved have been good, and the tendencies all along the line are in the right direction.

Trusting that my administration has been satisfactory to yourself and the people of the State, I am,

Very sincerely yours,

ALDEN ANDERSON,  
Superintendent of Banks.