BANKING TO CHANGE

Federal Reserve Rules Are to Alter Methods.

SOME REGULATIONS CITED

Pinancial Statements From Borrow er to Be Required and One-Name Paper to Pass-Portland Men Indorse Plan.

With the enforcement of the regulations issued by the Federal reserve bank at San Francisco, covering the rediscounting of commercial paper and defining what commercial paper is acceptable to the regional bank, which came effective July 15, it is conceded there will come a gradual change in many accepted banking and business practices. The new rules will produce radical differences in the pres-ent relations of banker and borrower.

ant relations of banker and borrower. There are several different classes of borrowers. The national, the state banks, and the trust companies are organized to accommodate each one according to his needs. The kinds of borrowers range from the man who wants a little money with which to paint his house or meet his taxes to the corporation or railroad which desires to borrow millions of dollars on long time and to assure the payment long time and to assure the payment of which it executes a mortgage or deed of trust covering all of its property of every description. The new regulations of the Federal reserve bank, however, have to do only with borrowing which is done on a strictly commercial basis, or as the law puts cultural purposes.

The Federal reserve bank is seeking to bring together the different forms of notes and securities which originate from definite transactions in these three lines of activity, and which by the very nature of the transaction, in the very nature of the transaction. due course, contemplates a turnover of goods for money. Whenever this exchange occurs, it is expected that the money which has been borrowed shall be paid back to the lender and the slate wiped clean. Thus the next similar transaction is made possible. It is contemplated under the law that in the case of industrial and com-mercial transactions these processes of borrowing and liquidation shall be of horrowing and liquidation shall be completed in not more than 50 days, and in the case of agricultural operations, within six months. To the originating bank it is to mean that it will constantly be occupied in the process of loaning and being paid off loans, and that its daily transactions will include a constant ebb and flow of so-called liquid obligations which shall directly reflect the business activity of the community. When business is good there will be much of this class of borrowing; when business is dull, the state of the times will be reflected in the business of this nature

one by the bank.
For the Federal reserve banks it will mean that the principal part of their business will be to issue their bank notes in direct response to the business

manufacture and distribution."

Practically every city bank requires a financial statement from its borrowing customers. There is, however, no uniformity in the method of gathering and recording the information desired, or requiring that complete information be furnished. Except in a few of the larger banks, is there any regularity in the periods for which this information is asked. An approximate standardization in these respects will undoubtedly be one of the results of the regulations referred to.

The regional bank recommends that each bank keep on file a financial statement from each of its borrowing customers. The Federal bank offers to furnish a form of blank, which it believes will best meet the end sought by the new law. It also offers to assist any bank in installing a proper system of credit files.

And in every form, are the kan water and the better the important factors that make an exact knowledge of the financial condition of a borrowing factors that make an exact knowledge of the financial condition of a borrowing factors that make an exact knowledge of the financial condition of a borrowing factors that make an exact knowledge of the financial condition of a borrowing factors that make an exact knowledge of the financial condition of a borrower necessary. The governing factor for the financial condition of a borrowing that the greater the demand such that the greater the important factors that make an exact knowledge of the financial condition of a borrower necessary. The governing factor is that with the growth of business that it with the great time to come.

The deriscounting privilege for members the demand at the present time. Nor does it seem as it would be a factor of importance in the immediate future. But the banks understand that there is no telling when the demand may arise—it may be over night—and the better the times the demand will be.

PAYROLL AT MINES LARGER

Complete to all business the tor come to the commission will have commission will have commission will have commission wi

system of credit files.

counting notes becomes more common with the banks which are members of the Federal reserve system. In the first place, as the rediscounting bank has to indorse every note of its cus-tomers which it deposits with the regional reserve bank, it is absolutely necessary that it be in possession of cules mine, the mammoth lead producer accurate and up-to-date information of the world, in May, the payroll of the concerning the financial affairs of its borrowers. It will not be sufficient stant increase. Many new prospects to depend on the estimates made by the bank's customers or their verbal statements. It must have this infor-mation, if it is to make, will full as-surance, the statement that the notes offered by its customers are the re-sult of or the proceeds of which are to be used for commercial, industrial or agricultural purposes.

For the present the regional bank ill not be sweeping or autocratic in a demands along this line. It has ecided that the bank need not furdecided that the bank need not furnish a statement with notes for rediscount from those who borrow less than \$5000 at any one time or more than 10 per cent of their capital. Neither will it be necessary to furnish statements where the notes have the signature of both purchaser and seller, or are backed by warehouse receipts. However, when the Federal reserve bank decided that it is necessary to do so, it will call for the financial statement of any concern whose paper is deposited with it.

The Federal reserve bank draws a

The Federal reserve bank draws a distinction between a note that is both "good" and, also "eligible" for rediscount. It may be good without being eligible, the latter being dependent upon its conforming to the requirements of payment as outlined above. It is good, so far as ultimate payment is concerned, if it is backed by character and assets sufficient to redeem it, but the assets may be of such nature that they are not readily converted into cash. This would deny its eligibility.

There will be, according to the rules, no hard and fast decisions against the renewal of notes, when necessary. The Federal reserve bank draws a

The renewal of notes, when necessary. The renewal of a note will not bring it under the classification of ineligibility for rediscount. The Federal Reserve Board will, however, be on the watch that this same note is not renewed until the obligation takes the newed until the obligation takes the form of a permanent or capital investment loan. This is the point it will be most particular about. And the member banks will follow very closely the desires of the regional bank, as their own standing will be affected by the class of notes they offer.

There will also be gradually brought about a change of the kind of notes accepted by the banks. Nowadays a borrower, when his credit is deemed unquestionably good, goes to the bank, gots what he thinks he needs, and no particular questions are asked of him. This practice will doubtless always continue. But in so far as his strictly

continue. But in so far as his strictly business transactions are concerned there will be a change. The banks will hereafter more definitely inquire into the purpose for which the money is to be used. There will be a tendency to differentiate between the money borrowed for financing an immediate shipment, purchase or manufacture of goods, from the money to be used in plant extension or betterment or for purely personal needs. In the first instance, the debt can be arranged to extinguish itself automatically. It can be definitely stated whence the money is coming with which to pay the loan. The financial standing of the concern will be maintained in so far as it compiles with its stated arfar as it compiles with its stated arrangements. But in the case of loans to be paid out of the more or less uncertain future profits of the concern, covering a long period of time, the bank can arrange for the borrower to

WEEKLY STATEMENT OF FED-ERAL RESERVE BANK AT SAN FRANCISCO.

SAN FRANCISCO, July 31,— (Special.)—The Federal Reserve Bank of San Francisco reports conditions at the close of business July 20, 1915, as follows:

Gold coin and gold certificates, in own vaults. \$ 8,434,000
In gold settlement fund 1,250,000
In gold redemption fund
Legal tender notes, silver, etc. 12,000

Total reserves..... \$ 9,818,000 ommercial paper, re-discounts 1,771,000 Bank acceptances
United States bonds
Municipal warrants ...
Federal reserve notes
held All other resources.

Total resources \$16,321,000 Capital paid in\$ 3,923,060 Deposits, net 12,398,666 Total Habilities \$16,321,000 Memorandum.
Federal reserve received from Federal reserve

2,040,000 hands of bank......
Net Federal reserve
notes outstanding ...
Gold deposited with Fed-\$69,000 eral reserve agent to retire Federal reserve Not asset account Federal reserve notes....

provide security for that part of the money advanced or otherwise take care of the transaction in the manner most advantageous to both concerned. At the same time, it will keep as large as possible a part of the loanable funds of the banks in an acceptable form

of the banks in an acceptable form for rediscounts.

The present general practice of making one-name paper—that is, the giving of notes signed by a single individual, which is the common practice in the United States today—will largely be superseded by giving notes based on definite transactions in commerce that shall bear the signature of both buyer and seller.

mean that the principal part of their business will be to issue their bank note such their bank note currency of the country shall reflect they serve and that the bank note currency of the country shall reflect the general demands of business. Bankers, with few meaning of business. Bankers, with few possible basis for the national currency.

Banks will continue to do business along most lines as they have done in the past. There is no effort to interfere in transactions which have heretofore been legal and sound from their largest customers, and in other cases the statements will have been shelpful. But should the bank as established, it must certify to the fact that the money thus advanced by it has been "used, or is to be used, in producing, purchasing, currying, or marketing goods in one or more of the stage of the process of producion, many and the keenness of the stage of the process of the process of producion, and the constitution.

The commission extends a general proportion of the fact that the money thus advanced by it has been "used, or is to be used, in producing, purchasing, currying, or marketing goods in one or more of the stage of the process of producion, and the constitution of the producing, purchasing, currying, or a financial statement from its become and distribution."

The Commission extends a general reflection to the forting of the process of producion, and in every form, are the important factors that make an exact knowledge of the interest in the problems with which considered that the money thus advanced by it has been "used, or is to be used, in large volume of business in the certain of the constitution of the problems o

The changes in credit methods will ome about as the practice of redis-

and Employes Increase.

month to the smelters. Mine accidents are fewer this year than ever before, according to a semi-official report being prepared by representatives of the large producing companies.

The net earnings of the Coeur d'Alene mining district for 1915 have been estimated at \$7,000,000.

State of California highway 5 per cent bonds. This is the first big purchase of bonds made by the Lumbermen's institution in the California field, ai-though it is understood its agents ex-pect to be active in that territory in the future.

Federal Body to Conduct Conferences in Portland.

ALL INTERESTED INVITED

Commission Is Divided Into Three Departments and Three Boards. General Study of Conditions Is to Be Made.

An important event in the commercial and financial lite of Portland will be the hearings in Portland, beginning Saturday, August 14, of the Federal Trade Commission, which, as its name implies, is charged with the duty of studying trade conditions throughout the country.

The Commission is composed of Jo-The Commission is composed of Joseph E. Davies, Wisconsin, chairman; Edward N. Hurley, Illinois, vice-chairman; Will H. Parry, Washington state; William J. Harris, Georgia, and George Rublee, New Hampshire.

The organization has been divided into three departments, each with its chief and each with clearly defined functions and responsibilities. These departments are, first, the administrative of which the secretary to the Com-

tive, of which the secretary to the Com-mission is the chief; the economic, of which the chief economist is the head, and the legal, of which the chief coun-sel is in charge.

Three Boards Formed, Too. Three Boards Formed, Tos.

In addition to these three departments there are three boards of review—the economic board, the law board and the joint board of review. The first two boards, obviously, are concerned with the economic and law departments, respectively, but the joint board of review is a co-ordinating body, composed of representatives of the economic and law boards, and has to do with matters involving mixed. to do with matters involving mixed questions of law and fact.

The secretary is the chief administrative officer and is provided for the provided for the chief administrative officer and is provided for the chief administrative of the

trative officer and is provided for in the Federal Trade Commission act. He will have the custody of the journal and seal of the Commission and will be in general charge of the administrative machinery of the office. No permanent secretary has been appointed by the Commission. Frank D. Jones, who has been acting secretary since the Commission was organized, will be continued in charge of the secretary's office. tinued in charge of the secretary's office emporarily.

The division of economic investiga-

The division of economic investiga-tion will complete the various unfin-lahed investigations which were being conducted by the bureau of corpora-tions when it was absorbed by the Federal Trade Commission. It will have charge of all economic investigations with respect to specific corporations, branches of industry or particular eco-nomic questions which are made by the Commission pursuant to the direction. Commission pursuant to the direction of the President or Congress, applications of the Attorney-General with respect to the manner in which decrees are carried out, or with respect to recemmendations for the readjustment of the business of a corporation alleged to be violating the anti-trust act.

SEATTLE SAYS PORTLAND HAS BEST

Railroads May Remove Option of Travel

Complaint has been made recently to the Interstate Commerce Commission by the transportation bureau of the new Seattle Chamber of Commerce that the excursion rates of the Great North-ern and other transcontinental carriers from Seattle to Portland to Eastern

WALLACE, Idaho, Aug. 1.—(Special.)

—Despite the closing down of the Hercules mine, the mammoth lead producer of the world, in May, the payroll of the Coeur d'Aienes is showing a constant increase. Many new prospects have been reopened and nearly 500 men employed since July 1.

Five prospects joined the ranks of smaller producers last week, each shipping from 150 to 300 tons of ore permonth to the smelters. Mine accidents are fewer this year than ever before, pronounced this year, however, because of the California fairs, when Seattle people, returning from Eastern trips, are likely to stop in California.

The situation is this: A person living in Portland can buy a round-trip Summer tourist ticket to Chicago and return for \$72.50. If he wants to travel

return for \$72.50. If he wants to travel one way through California he pays \$17.50 additional.

A person living in Seattle pays the same round-trip rate to Chicago and the same \$17.50 additional to travel one

Lumbermen's Trust Buys Bonds.

The Lumbermen's Trust Company of Portland recently purchased from Santa Clara County, California, \$100,000 and that is where the alleged discrimination company in the same \$17.50 additional to travel one way through California, but the return trip will take him only to Portland. Then he must pay an additional \$5.50 to get back to Seattle. That is where the Portland man has the best of it, and that is where the alleged discrimination companion.

nation comes in.

The situation arises from the fact that the Northern Pacific, before the North Bank road was built, was required to route its Portland passengers through Seattle to carry them East. Now that the North Bank route is in

SUCCESS OF NEW BRITISH WAR LOAN AS SHOWN BY LARGE SUBSCRIPTIONS. The feature of the success of Great Britain's recent war loan was

the number of large single investments made, particularly by some of the great joint stock banks, as shown in the following table:

Lloyds Bank London County and Westminster Bank

Hongkong and Shanghai Banking Corporation.....

National Bank of India.
Chartered Bank of India, Australia and China.....

Lord Michelham
London County Council
North British and Mercantile Insurance Company.....

Imperial Tobacco Company......London Underground Rallways.....

Other large subscribers were:

use the Northern Pacific still offers the option of traveling through Seattle. The Great Northern and the O.-W. R. N. Company offer the same privileges. There is an arbitrary rate of \$5.60 on the haul between Portland and Section 1.

on the haul between Portland and Seattle the same as there is an arbitrary
rate of \$17.50 between San Francisco
and Portland. The railroads infer that
if Seattle persists in its protests it will
remove Portland's option of traveling
through Seattle without paying the
\$5.60 arbitrary. Thus, the alleged discrimination will be removed, but Seattle will be deprived of whatever benefit
accrues from Portland travelers journeying through that city. duce Much Activity.

CUT DOUBTFUL FOR TIME

LONG CREDIT PROPOSED Bankers Say South American Trade Requires New Method.

That American manufacturers will have to extend liberal credits if they intend to compete successfully with the Germans in the South American trade, is the conclusion reached by inrestigators for the National City Bank

"Whether or not the long credits that have been a feature of the South American trade in the past will ever be considerably shortened, so that they may meet the convenience of United States manufacturers is a question that will take time for an answer and appears to be more and more doubtful," says the National City Bank's current report on this subject.

Portland territory to points in the East and Middle West at greatly reduced railroad rates and this situation, it is believed, will do much to stimulate the market.

Many heavy shipments of salmon began to move on the day that the new rate was put in, but for a time it was current report on this subject.

pears to be more and more doubtful," says the National City Bank's current report on this subject.

"Europe has used credit along with price in competition heretofore, and it is almost a fair proof of real necessity of long credits in South American trade that the merchants who bought have paid the cost of the long credits without an attempt to change the system. For the long credits have increased the real price of mcrchandise. The German experters, who have been credited with using credit most successfully in extending their trade, have always charged a stiff interest rate—as a matter of fant, the privilege that merchants in this country obtain from wholesalers, jobbers and manufacturers, of a certain period of credit at the end of which they pay only the net price or even take a discount (for "cash 30 days," say), is not anywhere so freely and extensively accorded in trade in South America."

les Conditions Here.

An interesting visitor among Port-land bankers recently was Dorr E. Felt, multi-millionaire manufacturer and financier of Chicago, and a close friend of President Wilson. He has friend of President Wilson. He has been one of the President's advisers, it is understood, in the formation of the Federal Trades Commission.

the Federal Trades Commission.

He is president of the Felt & Tarrant Manufacturing Company, of Chicago, manufacturers of the Comptometer adding and calculating machine and president of the Northwest Side Commercial Association, of Chicago.

Mr. Felt invented his first adding machine while employed as a planer operator in a Chicago machine shop in the early '80s. With the growth of his business and wealth he has become a world traveler and student and

a world traveler and student and gained the knowledge of industrial and international problems which gives him a high standing in the financial world and which led President Wilson to call him into consultation several times on pending legislative plans affecting the

meeting will be an address by William J. Burns, head of the detective agency that bears his name, on "Modern Meth-ods of Protecting Banks." Mr. Burns' agency has the contract for safeguard-ing the banks connected with the na-tional association. It is presumed that he will visit Portland on his trip to the

SUNDAY SCHOOLS TO MEET

Clarke County Association to Convene at La Center This Month.

LA CENTER, Wash., Aug. 1 .- (Special.)—The Clarke County Sunday School Association will hold its annual convention at La Center August 17 and 18. It will be a mass meeting, as all Sunday school scholars and workers present will be allowed to vote. A splendid programme has been arranged and the following Sunday school specialists will take part: W. C. Moore, general secretary of the Western Washington Sunday School Association; Miss Olive Clark, elementary superintendent, Oregon Sunday School Association; S. H. Matthews, educational superintendent, Congregational Church of Pacific Northwest. will be allowed to vote. Northwest.

The officers of the association are: President, W. Furman; secretary, Miss Ruth Whipple; vice-president, R. F. Moesley; treasurer, C. E. Abel.

MOVE WATCHED BANK'S

Portland Non-Nationals Interested in Broadway Trust's Test.

Portland bankers have been much interested in the recent decision of the Broadway Trust Company of New York to enter the Federal reserve system. This company is the first of the larger This company is the first of the larger trust companies of the country to enter the system. Its example, therefore, is being watched closely, as its experience as a member may induce other large banks other than National banks to affiliate.

The Broadway Trust Company has offices in the Woolworth building, and five branches in various parts of the city. It has a capital of \$1,500,000 and deposits of about \$20,000,000.

Reduced Railroad Rates In-

Protest of Jackson, Miss., Men Causes Suspension, but Chamber of Commerce Intervenes and Order Is Quickly Vacated.

Canned salmon is going out of the Portland territory to points in the East and Middle West at greatly reduced railroad rates and this situation, it is

feared among the packers that they would be required to pay the old rates. This was due to the protest filed against the new rate by the Commercial Club at Jackson, Miss., which alleged violation of the fourth section of the Interstate Commerce code governing the long and short haul situation.

As a matter of fact, the Commission actually suspended all the rates when the protest was filed, but when the transportation bureau of the Portland Chamber of Commerce learned of this it got busy.

Telegram Is Dispatched.
The following telegram was sent to

The following telegram was sent to the secretary of the Commission at Washington, D. C.: "Columbia River packers and ship-pers have been withholding shipments several weeks for these reduced rates and will be seriously injured by suspen-sion. Some shipments already moving. Suspension will unquestionably injure. Suspension will unquestionably injuri-ously affect larger volume of business and greater number of shippers than will be affected if rates become efwill be affected if rates become effective. We urgently request Commission to permit entire tariff to become effective, carriers to rectify fourth section violations, or permit rates to go in to points not so affected."

Within a few hours after this mes-sage was received in Washington, the following reply was received in Port-

land:
"Your wire received: Commission will vacate today suspension order referred vacate today suspension order referred to so far as it involves rates to groupe D to J inclusive and will vacate as to group C as soon as those rates are properly aligned, which we will permit on short notice, "(Signed) McGINTY, Secretary." This permitted the packers to con-tinue their shipments as they had started them, and as a result they have added largely to their sales in the

added largely to their sales in the eastern territory.

The Chamber of Commerce was in-formed a few days ago that the new rates will be permitted to go into effect permanently in those districts where no violation of the fourth section is charged and that new adjustments will be made in that territory where viola-tions are found.

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A default in the conditions of th trust deed securing these bonds has been created which seems to eliminate the sinking fund provided for the re-demption of the bonds. Unless comdemption of the bonds. Unless com-bined prompt action is taken the bonds will be worthless. I advise all holders to communicate with me immediately, giving amount and numbers of bonds, so that arrangements may be made to organize a bondholders' projective com-mittee.before it is too late to save the principal of our investment.

Frederic Burnham

ORTGAGE LOANS JOHN CRONAN SOE SPALDING BUILDING

THE BANK OF CALIFORNIA NATIONAL ASSOCIATION

of San Francisco. Founded 1864

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We Would Appreciate

an opportunity to prove the many ways in which your banking interests could be better served by us. A Commercial and Savings Department under Government Supervision.

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STEAMSHIP ELDER

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Los Angeles...\$20.35

San Diego.....\$22.00

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ESPAGNE Aug. 7, 3 P. M. ROCHAMBEAU ... Aug. 14, 3 P. M. FOR INFORMATION APPLY C. W. Stinger, 80 6th st.; A. D. Chariton, 255 Morrison st.; E. M. Taylor, C. M. & St. P. Ry.; Dorsey B. Smith. 116 3d st.; A. C. Sheldon, 100 3d st.; H. Dickson, 348 Washington st.; North Bank Road, 5th and Stark sts.; F. S. McFarland, 3d and Washington sts.; E. B. Duffy, 124 3d st., Portland.

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