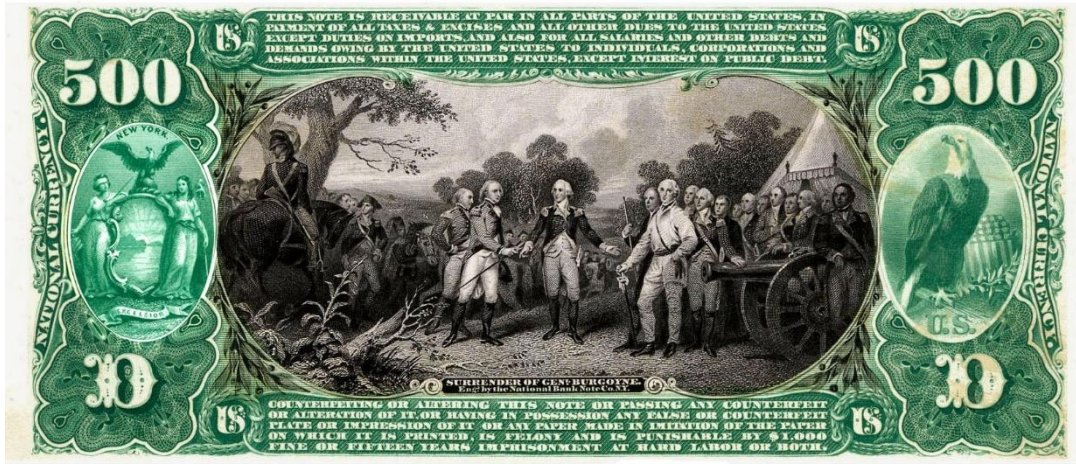


## Chapter P24

by  
Peter Huntoon

# National Banks that Did Not Issue



**Figure 1. Unfortunately, I can't show you the face because the entire printing of Original Series notes for The National City Bank of New York (1461) was returned to the Treasury unissued because the bankers never put any of their notes into circulation.**

### Purpose and Scope

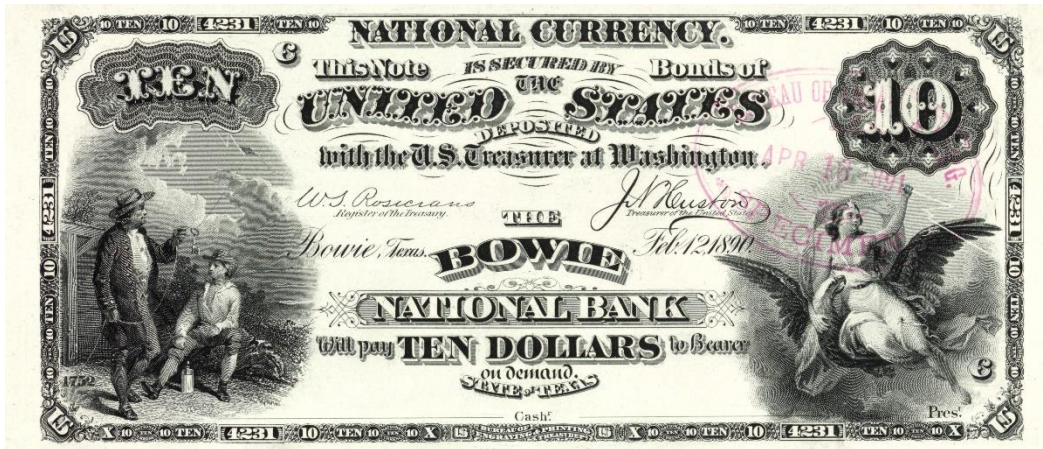
The purpose of this article is to examine the national banks that did not issue notes for part of or the entirety of their corporate lives during the note issuing era. A classification scheme for them will be provided along with descriptions of how these situations occurred.

The note-issuing era for this topic can be divided into two parts, those before and after passage of the Federal Reserve Act of 1913. A provision in the Federal Reserve Act repealed a major tenant of the National Bank Act; specifically, the requirement that all national bankers buy bonds to secure national bank note circulations for their banks. From 1914 forward, slightly less half of all national banks organized never issued national bank notes. Therefore, that period is of little interest because to be a non-issuer became routine. However, the non-issuers before 1914 comprise a small but most interesting group that deserves attention.

### Introduction

This title of the original National Bank Act passed February 25, 1863 sets the stage for this article; specifically, "An Act to provide a National currency, secured by a Pledge of United States Stocks, and to provide for the Circulation and Redemption thereof." Notice the emphasis on the creation of the new class of currency, not the national banking system that was being launched to get the job done. Section 15 of that act specified that the officers of every national bank had to deposit bonds with the U.S. Treasurer to secure a circulation of their notes.

Decades later, after national currency came under fire as being inelastic; that is, unable to expand and contract to provide liquidity needed to accommodate cyclic seasonal demands and economic shocks, Congress and Treasury officials sought a means to replace it. The solution came in the form of the Federal Reserve Act of December 23, 1913. This act was entitled "An Act To provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes." One direct means to target the continued use of national bank notes was Section 17 of the Federal Reserve Act. It



**Figure 2. The bank was chartered February 12, 1890, bonds were deposited, a plate was made, notes were printed, but none reached the bank before it was liquidated March 27, 1890.**

repealed the requirement that national bankers had to deposit bonds to secure circulations. Henceforth, that privilege was optional at the discretion of the bankers.

Beginning January 16, 1914 with the chartering of The First National Bank of Sparkill, New York, charter 10477, the officers in many new banks didn't bother with national bank note circulations. Liberty National Bank and Trust Company of Louisville, Kentucky, charter 14320, was the last bank organized that issued so there were 3,844 banks in the optional group. Of those, 1,735 never took out circulation, representing 45 percent of the eligible pool.

This examination will focus on the banks chartered before passage of the Federal Reserve Act when the expectation was that bankers would engage in the note-issuing business. Our interest will therefore focus on banks that were charters inclusive of 1863 and 1913, up through charter 10471.

You may well ask why is the topic of non-issuers of interest to national bank note collectors? Foremost, it is important to know which banks didn't issue so that you don't waste time chasing after notes that don't exist. Non-issuing intervals abbreviated the use of series of notes that banks used or, in the extreme, entirely eliminated eligible series altogether.

### **Classification**

The first cut at classifying the non-issuers during the period before the Federal Reserve Act is to separate out the banks that never issued any notes at all in contrast to those that didn't issue for part of their existence. There are 31 never-issuers that are listed on Table 1. Those that issued but had a no-issue period of three years or more are listed on Table 2. There are 30 of the latter.

#### **Never Issued**

A few of the banks listed on Table 1 were assigned charter numbers but never completed the process of organizing. Recognized examples are charters 195, 463, 1586 and 2537 The final step in organizing was to deposit bonds to secure circulation. This was the step that was missed by these four. It didn't take long before the Comptrollers of the Currency adopted a policy not to assign charter numbers before the required bonds were deposited.

The majority of entries on Table 1 represent banks that successfully organized after making their requisite bond deposits but for some reason liquidated in short order. They are readily identified by the brief lapse between their dates of charter and liquidation or receivership. Common explanations for the short lives include that they were quickly bought out by a competitor, reorganized under a less restrictive state charter, or found to be unprofitable. Some of the bankers in this sizable group had time to subscribe for circulation, plates were made, and, in a few instances, notes were printed. The listed banks in this pool were liquidated before receiving any such notes, thus making it to this list.

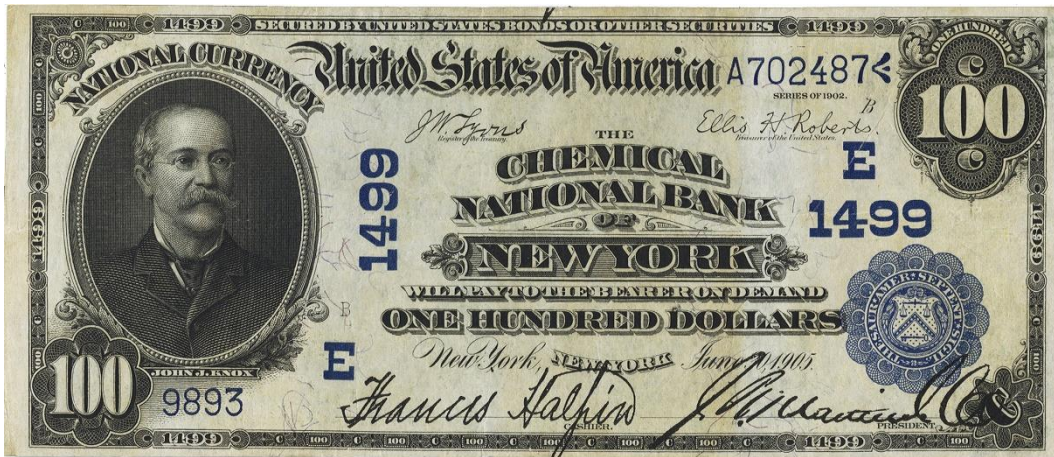
**Table 1. Banks that were chartered before the Federal Reserve Act of 1913 that did not receive national bank notes from the Comptroller of the Currency.**

Charter State	Town	Bank	Charter Date	Available Useful Information	Fate
195 IA	Ottumwa	The Second National Bank of	Jan 13, 1864	did not complete organization	liquidated
232 MI	Lansing	The First National Bank of	Feb 4, 1864		liquidated
463 OH	Canton	The Second National Bank of	Jun 21, 1864	did not complete organization	liquidated
1124 PA	Meadville	The National Bank of Crawford County	May 8, 1865	did not take out circulation	liquidated
1435 PA	Pittston	The Pittston National Bank	Jul 13, 1865	consolidated with FNB of Pittston (478)	Apr 19, 1867
1439 MA	Adams	The Berkshire National Bank	Jul 14, 1865	consolidated with FNB of Adams (462)	Sep 16, 1865
1586 GA	Savannah	The National Bank of	Oct 14, 1865	did not complete organization	liquidated
1654 PA	Kittanning	The Kittanning National Bank	Jul 2, 1866	consolidated with FNB of Kittanning (69)	liquidated
1679 NE	Omaha	The Central National Bank of	Apr 25, 1868		Apr 29, 1867
2194 FL	Jacksonville	The Amblor National Bank of	Oct 12, 1874		liquidated
2537 VT	Rutland	The Clement National Bank of	Jun 23, 1881	1875 5-5-5 plate made; did not complete organization	Dec 7, 1874
2855 MI	Midland City	The First National Bank of	Jan 10, 1883	Clement NB of Rutland (2950) organized in its place	liquidated
3036 IL	Chicago	The Corn Exchange National Bank of	Aug 22, 1883	82BB 10-10-10-20 plate made; liquidated Feb 5, 1883	Feb 5, 1883
3305 MD	Chestertown	The Chestertown National Bank	Feb 18, 1885	succeeded by Corn Exchange Bank	Nov 10, 1883
4065 TX	Vernon	The Vernon National Bank	Jul 2, 1889	succeeded by Chestertown Bank	liquidated
4231 TX	Bowie	The Bowie National Bank	Feb 12, 1890	82BB 10-10-10-20 plate made; sheets 1-500 printed	Aug 17, 1889
5468 KY	Somerset	The Somerset National Banking Company	Jun 29, 1900	82BB 10-10-10-20 plate made; sheets 1-250 printed	liquidated
5531 PA	Littletown	The First National Bank of	Aug 8, 1900		receivership
6147 OH	Youngstown	The Old National Bank of	Mar 7, 1902	succeeded FNB of Youngstown (2693)	liquidated
7085 OKT	Tulsa	The Tulsa National Bank	Jan 4, 1904	02RS 10-10-10-20 plate made	liquidated
7129 TX	Jefferson	The Rogers National Bank of	Feb 10, 1904	open for remainder of note-issuing era; never took out circulation	Mar 27, 1902
7149 TX	Kyle	The Kyle National Bank	Feb 24, 1904		liquidated
7263 PA	Washington	The Old National Bank of	May 19, 1904		liquidated
7394 TX	Lampasas	The City National Bank of	Sep 9, 1904	02RS 10-10-10-20 plate made	Feb 1, 1905
8070 TX	Galveston	The Seawall National Bank of	Jan 29, 1906		liquidated
8272 MD	Kitzmillerville	The Blaine National Bank of	Jun 20, 1906	02RS 10-10-10-20 plate made; sheets 1-200 printed	Jul 2, 1906
8361 OK	Comanche	The Citizens National Bank of	Sep 12, 1906		liquidated
8363 MO	Salisbury	The First National Bank of	Sep 13, 1906	consolidated with Farmers & Merchants NB of Salisbury (8359)	Sep 25, 1906
8549 CA	Hermon	The Highland National Bank of	Feb 18, 1907	02PB 10-10-10-20 plate made	liquidated
8887 WI	Marion	The German-American National Bank of	Sep 24, 1907		liquidated

**Table 2. Banks that were chartered before the Federal Reserve Act of 1913 that had circulations but didn't issue for periods of more than three years sometime during their corporate lives.**

Ch #	Location	Bank	Range	1860s	1870s	1880s	1890s	1900s	1910s	1920s
87	NY	New York	The Third National Bank of							
642	IL	Chicago	The Merchants National Bank of							
656	PA	Philadelphia	The Western National Bank of							
891	NY	New York	The National Park Bank of							
908	OH	Mount Vernon	The First National Bank of							
1069	DC	Washington	The National Metropolitan Bank of							
1075	NY	New York	The National Mechanics Banking Association of							
1250	NY	New York	The Mechanics National Bank of							
1278	NY	New York	The Union National Bank of the City of							
1296	TN	Nashville	The Third National Bank of							
1370	NY	New York	The Merchants National Bank of							
1394	NY	New York	The American Exchange Bank							
1461	NY	New York	The National City Bank of							
1497	NY	New York	The Fulton National Bank of the City of							
1499	NY	New York	The Chemical National Bank of							
1603	TN	Clarksville	The First National Bank of							
1644	TX	Houston	The First National Bank of							
1670	NY	Illion	The Illion National Bank							
1741	CA	San Francisco	The First National Bank of							
1810	IA	Charles City	The First National Bank of							
2048	IL	Chicago	The Home National Bank of							
2059	UT	Salt Lake City	The Deseret National Bank of							
2566	MT	Butte	The First National Bank of							
2670	IL	Chicago	The First National Bank of							
3425	DC	Washington	The National Bank of							
3882	IL	Chicago	The Prairie State National Bank of							
4365	NJ	Englewood	The Citizens' National Bank of							
4496	MD	Cockeysville	The National Bank of							
5046	DC	Washington	The Riggs National Bank of							
5116	IN	Indianapolis	The Fletcher National Bank of							
6371	NY	Irvington	The Irvington National Bank							





**Figure 3. This venerable New York bank was chartered in 1865 but the officers never took out circulation for 40 years so no Original/1875 or 1882 series notes were printed for it. Heritage Auction archives photo.**

The most interesting of the non-issuers were those whose officers exploited a loophole in national banking law. Although they were required to deposit bonds to secure circulation, there was nothing in the law that explicitly required them to either subscribe for circulation or to put notes into circulation if they received them. Of course, the expectation was that national bankers would engage in the note-issuing business because it allowed them to earn interest twice on their bond investment. Specifically, they would earn interest from the bonds as well as interest from loaning the notes they received that were secured by those bonds.

A few bankers were content simply to earn the bond interest and never subscribed for circulation. The two most flagrant examples of this were the managers of The Chestertown National Bank, Maryland (3305) and The Rogers National Bank of Jefferson, Texas (7129). Those bankers never subscribed for circulation. The Chestertown bank operated from 1885 to 1904 and the Jefferson bank from 1904 through the end of the note-issuing era in 1935.

#### **Issued But with a Period of Non-Issue**

There was nothing in national banking law that required bankers to take out circulation. Also, there was nothing in the law that required them to maintain circulation once they obtained it. For any number of reasons, but usually that it was only marginally profitable during the 1880-1890 period, bankers declined to take it out upon receiving their charter or retired it entirely later during their existence. See the bar graph on Figure 2.

Generally, an interval of non-issue not associated with the startup of the banks listed on Table 2 is a case where the bankers deposited lawful money to retire their entire circulation. In the ensuing period, all of their notes were being actively redeemed from circulation. When the period of no circulation was prolonged, it could have a major adverse impact on the numbers of notes of that vintage that were circulated.

In the extreme, a non-issue period wiped out the entire Series of 1882 issue during the initial 20-year life of The National Bank of Washington, DC (3425) and the Series of 1882 issue of The First National Bank of Houston (1644) during its first 20-year extension of corporate life. By coincidence, the non-issue range for both banks was 1886 to 1906. Without doubt, the case of The Chemical National Bank of New York, NY (1499) set the record. The officers of that bank declined circulation from their inception in 1865 until 1905, a period of 40 years, thus relinquishing their eligibility to issue Original/1875 and 1882 series notes.

This type of manipulation of the system ran counter to the intent of national banking law. Beginning in 1886 and continuing through 1892, the Comptrollers published an annual listing of banks that “did not originally take circulating notes for issue, and others eventually deposited lawful money and surrendered

their circulation.” Clearly, but unstated, these listings were intended to alert Congress that the lack of circulation was unusual if not aberrant should Congress wish to do something about it.

### **Mavericks that Don’t Fit the Mold**

There is yet a third group of banks that I found to be the most interesting and exotic of the non-issuers. Their claim to fame is that when they were organized the bankers did deposit bonds, ordered circulation, received it, and then never circulated a single note. So far, I have identified three such banks: The Fulton National Bank of the City of New York, NY (1497), The Kidder National Gold Bank of Boston, MA (1699) and The First National Bank of Paia, Territory of Hawaii (10451).

These three did not make it to either Tables 1 or 2 because they don’t fit those profiles.

Bankers were obligated to pay a circulation tax on their notes. However, no tax was due if they didn’t circulate them. The Fulton and Kidder bankers were attuned to this fact so paid no circulation taxes. The Hawaii bankers mistakenly declared their notes as being in circulation so inadvertently paid the tax.

All the notes from these three banks were returned to the Treasury for redemption and destruction after being held for lengthy periods at the banks or if held to liquidated,

The Paia scenario was particular difficult to identify. Non-issuing banks are easy to find because their officers reported no circulation in the annual reports of the Comptroller of the Currency for the affected years. However, in the case of the Paia bank, the officers did report circulation for every year the bank operated so the fact that they didn’t circulate their notes rendered the bank invisible from the perspective of the annual reports. The thing that drew attention to it was its status as one of only four banks in the territory to receive notes. With none reported, it was necessary to dig out the National Currency and Bond Ledger page for the bank to determine why and the story was recorded there.

The importance of the Paia case is that this situation may have occurred elsewhere so more such non-issuers may await discovery.

A fourth bank, The National City Bank of New York, NY (1461), received a major complement of Original Series notes, but never put any in circulation. However, that bank went on to issue later series. A fifth bank, The First National Bank of Houston, TX (1644), may be a repeat of the National City situation in that none of its Series of 1882 notes from its first 20-year extension reached circulation. Circulation taxes were not paid for the unissued series held by these two banks and those notes were returned in their entirety for redemption by the Treasury. For convenience, both the National City and Houston banks are nominally listed on Table 2 although they aren’t perfect fits.

The following are the case histories for the maverick non-issuers.

#### **The Fulton National Bank of the City of New York**

Van Belkum’s compilation reveals that The Fulton National Bank of the City of New York, NY, charter 1497, received the following Original Series sheets having a face value of \$180,000

1-1-1-2	1-6000
5-5-5-5	1-5000
10-10-10-10	1-1250.

The bank was chartered July 31, 1865 and liquidated December 20 1887 after being consolidated with The Market National Bank of New York. Its corporate life was extended for a second 20 years in 1885 before the merger so it was eligible to issued Series of 1882 notes, but the officers elected not to so none were printed.

There is a ringer associated with the Van Belkum data for the bank. The sheet totals are too round, not uneven as expected after 20 years of replacements being sent for worn notes redeemed from circulation. Instead, they look like initial printings received from the printers.

This is exactly what they are. The National Currency and Bond Ledgers reveal that the bankers deposited \$200,000 worth of 6 percent bonds to secure their circulation on July 21, 1865. At the time. they received notes representing 90 percent of the face value of their bonds, which was \$180,000 in this case. Sheets totaling that value were sent to the bank from the various plate combinations ordered by the bankers as soon as they were received from the printers between November 24, 1865 and June 19, 1866.

A look at the circulations reported in the Annual Reports of the Comptroller of the Currency reveals that the bankers never reported any circulation during the life of their bank.



Figure 4. The Kidder National Gold Bank of Boston was the only national gold bank to order \$1000 notes. After receiving them along with \$50s, \$100s and \$500s, the bankers never put any of their notes into circulation. All were returned to the Treasury before the bank was liquidated. This illustration is a mockup using bank signatures from a bond and a proof of the title block.

The last entry in the National Currency and Bond Ledgers shows that all the notes delivered to the bank were redeemed on January 11, 1871, thus liquidating the liability of the bank for them. They had been returned to the Treasury unused for ultimate destruction.

Originally, the Treasury paid for plates and the printing of the sheets. Thus, the Fulton bankers were out nothing in that regard. Furthermore, they avoided paying the circulation tax on their notes by not circulating them. In contrast, under the terms of the Act of July 12, 1882—the Act that authorized a first 20-year extension of corporate life to banks—bankers were held responsible for the cost of their new plates. Had the Fulton bankers taken out Series of 1882 notes upon extending, they would have incurred at least that cost. They didn't.

This is a case where the Treasury got nothing for providing the bank with national bank notes and the intent that the bank would contribute to the money supply was thwarted.

#### **The Kidder National Gold Bank of Boston**

The Kidder National Gold Bank, charter 1699, holds the distinction of being the only national gold bank organized outside of California. It was established as an appendage to the investment banking firm of Kidder, Peabody & Company ostensibly to facilitate the import trade through Boston Harbor wherein customs taxes were payable in gold. The bank was chartered August 15, 1870 and liquidated November 8, 1872.

\$50,000 in gold bonds was deposited with the U.S. Treasurer to secure the circulation for the bank on August 15, 1870. This was followed on November 5, 1870 by an additional \$100,000 bond deposit.

The first printing of sheets for the bank consisted of 50 sheets of Original Series 50-100s. These were received by the Comptroller's office on March 9, 1871 and sent to the bank March 11th. They carried bank sheet serials 1-50 and Treasury serials 273699-273748.

Seventy-five sheets of Original Series 500-1000s were received by the Comptroller April 5, 1871 and sent to the bank three days later. They bore bank sheet serials 1-75 and Treasury serials K2343-K2417. The \$1000s were the only national gold bank notes of that denomination ever ordered for any gold bank.

The high denomination shipment boosted the Kidder holding to a total of \$120,000, which represented 80 percent of the bank's securing bonds. Eighty percent was the legal maximum value that could be received by gold banks against their securing bonds. These two shipments accounted for all the notes ever printed for the bank.

None of the notes were issued and all were returned to the U.S. Treasury on December 4, 1871. The bonds for the bank were sold December 9th and 19th in \$140,000 and \$10,000 installments, and the bank eventually liquidated November 8, 1872.

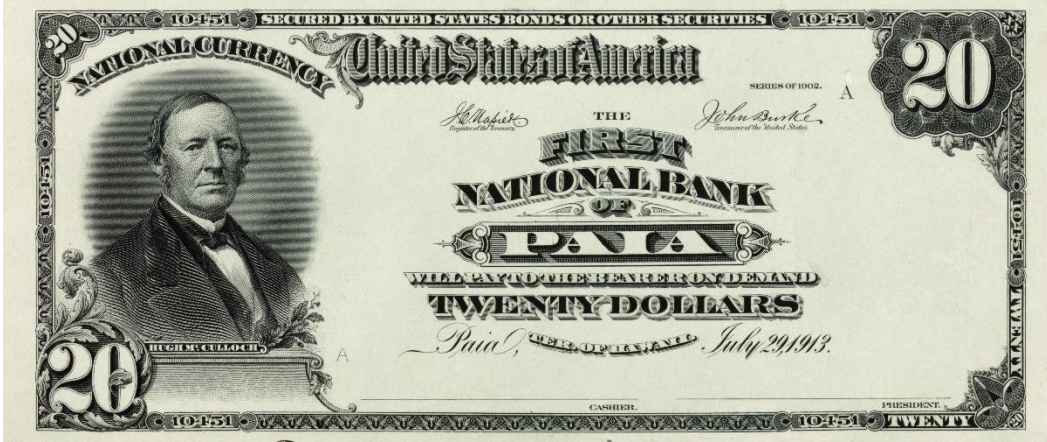


Figure 5. The officers of this Paia bank received 200 sheets of 10-10-10-20 Series of 1902 date back notes but never put them in circulation.

### The First National Bank of Paia, Territory of Hawaii

The First National Bank of Paia, charter 10451, was the last of a chain of three national banks organized on Maui by the Castle & Cooke Company conglomerate. The bank was chartered September 26, 1913 and liquidated May 1, 1917 when it was folded into Bank of Maui, Ltd., along with the with the other two.

The other banks in the chain were The First National Bank of Wailuku and The Lahaina National Bank. Oddly, of the three, the organizers never circulated any of the notes received by their Paia bank. Although no Paia notes reached circulation, the bankers reported them as a \$10,000 circulation in the annual reports of the Comptroller of the Currency so apparently paid the circulation tax on them.

A 10-10-10-20 Series of 1902 date back plate was made for the bank that was certified for use on October 10, 1913. Two printings were made from it, the first with sheets 1-450 delivered from the Bureau of Engraving and Printing to the Comptroller on October 30, 1913, the second with sheets 451-550 on October 29, 1914. One shipment was sent to the bank consisting of sheets 1-200 having a face value of \$10,000 on October 30, 1913. A lawful money deposit of \$10,000 was logged in June 4, 1917 to liquidate the bank's liability for their notes. The bankers had returned their sheets.

### The National City Bank of New York, NY

The Van Belkum data list the following numbers of Original Series notes as having been sent to The National City Bank of New York, charter 1461.

5-5-5-5	1-3400
10-10-10-20	1-500
50-100	1-600
500-1000	1-100.

As with the Original Series totals received by The Fulton National Bank, these totals are too round. They are print totals, not issuance totals.

The bank was chartered July 17, 1865 and lasted beyond the end of the note-issuing era in 1935. The circulation data in the Comptroller reports reveal that the bankers claimed no circulation until 1893, a period that spans the first 28 years of the life of the bank. This is well into its first 20-year extension. The implication is that no Original Series notes at all entered circulation.

The National Currency and Bond Ledgers reveal that this is true. The bankers received \$333,000 worth of Original Series sheets after depositing \$370,000 worth of securing bonds on July 14, 1865. The sheets were sent to the bank inclusive of October 30-December 29, 1865 as fast as they became available from the printers. However, the bankers made the decision to avoid the note-issuing business so less than two years later on May 21, 1867 the ledgers reveal that they deposited lawful money to retire the banks liability for the notes. The had redeemed all their sheets.





**Figure 6. The entire Series of 1882 was skipped because the officers of the bank didn't subscribe for circulation during the first 20-year corporate extension of the bank, which ranged from 1886 to 1906.**

The bankers purchased \$144,000 worth of 6% bonds on July 5, 1893 and this time actually put the \$129,600 they received for them into circulation. By then the corporate life of the bank had been extended so they received Series of 1882 brown backs then.

Of particular interest is that among the Original Series sheets that were returned to the Treasury, there were 100 of the fabled 500-1000 combination.

#### **The First National Bank of Houston, Texas**

The issuances of The First National Bank of Houston, Texas, charter 1644, represent a case where notes were printed but not circulated during the entire first 20-year extension of corporate life for the bank. This involved the years 1886-1906. The bankers maintained the required bond deposit, in this case \$25,000 but did not draw circulation from it at least through until 1893. A Series of 1882 50-100 plate was made for the bank after a lengthy delay, which was certified for use August 25, 1893. A printing of 167 sheets was delivered from it to the Comptroller's office September 9, 1893 bearing sheet serials A501092-A501258, 1-167 having a face value of \$25,050.

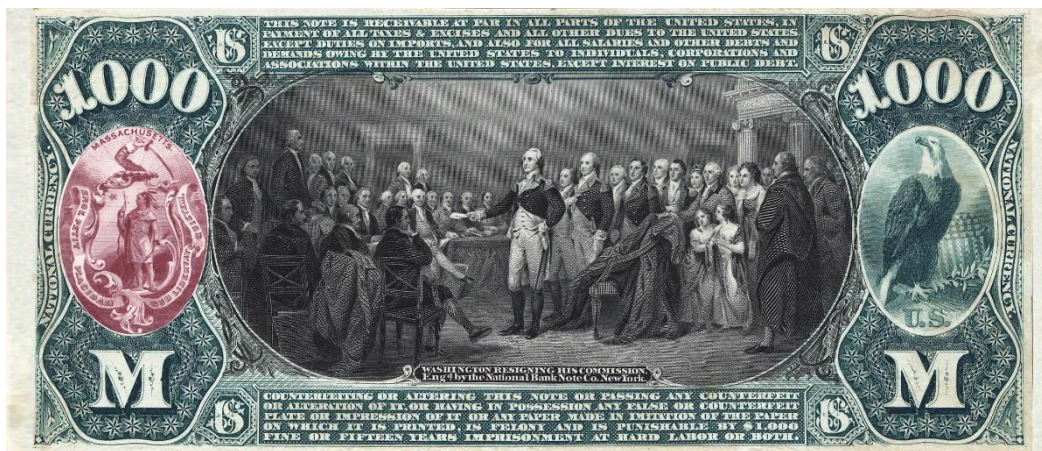
It is evident that if the bankers received the notes, they didn't circulate them because they reported no circulation until their second 20-year extension in 1906. This is a curious situation because they engaged in the note-issuing business both before and after the extension. There was no turnover in management in 1886 that could have caused an abrupt change in the business strategy for the bank.

Apparently, the Houston bankers simply didn't find the note-issuing business to be sufficiently profitable to engage in it then. This was a reality facing all national bankers during the 1880s and 1890s. Retirement of circulation reached such proportions that Section 9 of the Act of July 12, 1882 restricted the aggregate amount of such lawful money deposits that could be made to reduce or eliminate circulations to \$3 million per month.

Whatever the cause, there were no Series of 1882 brown back notes issued from the Houston bank. The lost notes were gorgeous \$50s and \$100s.

#### **Summary**

Prior to enactment of the Federal Reserve Act in 1913, national banking law required bankers to deposit bonds to secure national bank note issues. The expectation was that they would do so because it would allow them to earn interest twice on their bond investment; first, as interest from their bonds and second, interest on the currency that they received that they could loan. However, bankers found two loopholes in the law that allowed them to circumvent issuing their notes. Most importantly, nothing in national banking law required them to actually take out circulation. Secondly, if they did take out circulation, nothing in national banking law required them to put the notes in circulation or prevent them from retiring the circulation by depositing lawful money with the Treasury to redeem it.



**Figure 7. Back of The Kidder National Gold Bank \$1000 notes, a loss to posterity when the bankers returned all of their notes to the Treasury after not pressing any of them into circulation.**

It is evident that some bankers were simply content to earn the interest from the bonds and avoid the currency-issuing business.

The result was that a few bankers didn't issue national bank notes for either prolonged periods of time or, in the extreme, during the entire life of their banks. In the cases of prolonged abstinence, entire series of notes that the bank was eligible to issue were skipped.

#### **Sources of Data**

Bureau of Engraving and Printing, 1875-1929, Certified proofs lifted from national bank note printing plates: National Numismatic Collection, Smithsonian Institution, Washington, DC.

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Society of Paper Money Collectors, National bank & national bank note summary data:

<https://www.spmc.org/nb-nbn-summary-data>

United States Statutes, Government Printing Office, Washington, DC.

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