

**THE BANKER'S
COMMON-PLACE
BOOK**

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The Banker's common-place book by I. Smith Homans

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I. SMITH HOMANS

**THE BANKER'S
COMMON-PLACE
BOOK**

E. Homans, Isaac Smith,

THE

BANKER'S

COMMON-PLACE BOOK:

CONTAINING

- I.—A TREATISE ON BANKING. BY A. B. JOHNSON, ESQ., OF UTICA, N. Y.
II.—TEN MINUTES' ADVICE ON KEEPING A BANKER, BY J. W. GILBERT, ESQ.
III.—HINTS ON THE FOREIGN LAW OF BILLS OF EXCHANGE.
IV.—REMARKS ON BILLS OF EXCHANGE. BY JOHN HANSAY M'CALLISTER, ESQ.
V.—FORMS OF BILLS OF EXCHANGE, IN EIGHT EUROPEAN LANGUAGES.
VI.—FORMS OF NOTICE OF PROTEST, WITH REMARKS.
VII.—SYNOPSIS OF THE BANK LAWS OF MASSACHUSETTS.
VIII.—DECISIONS ON BANKING. BY THE SUPREME JUDICIAL COURT OF MASSACHUSETTS.
IX.—SUGGESTIONS TO YOUNG CASHIERS ON THE DUTIES OF THEIR PROFESSION. PRIZE ESSAY.
X.—ON THE DUTIES AND MISDOINGS OF BANK DIRECTORS. BY A. B. JOHNSON.
XI.—A NUMISMATIC DICTIONARY; OR, AN ACCOUNT OF COINS OF ALL COUNTRIES.

"While a banker adheres with regularity to known forms of business and settled principles, Providence is a guarantee for his success; but when he deviates from these, Providence is almost equally a guarantee of disaster, both personal and official."

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PREFACE.

THE following treatise on Banking, written by, perhaps, the oldest practical banker in America, was published originally in the June number of the Bankers' Magazine, for 1849. It was extensively noticed by the daily press in many parts of our Union, and its information on the subject of banking was deemed so useful to every class of persons, that several of the papers in the State of New York recommended that a copy of the treatise should be placed in every school district library in the State. No doubt the procurement of bank loans would be facilitated by a knowledge that bank loans are not properly accorded as personal favors, or distributed by the caprice of bankers, (though such erroneous opinions are not uncommon,) but depend on principles which the treatise discloses, and which can be conformed to by persons who desire to become borrowers.

The Bankers' Magazine, of London, quoted largely from the work, and with much commendation; and bankers everywhere who have seen it seem to unite in its praise. The first edition is now out of print, except as it exists in the third volume of the Bankers' Magazine, bound up with the other matter of the volume, and some copies of which are still for sale by the editor and at several of his agencies in different cities. But as inquiries for the treatise are numerous, from different places, and an order for a copy of the work has just been received from Paris, the editor has republished it, carefully revised by the author, and accompanied it with several other articles from other sources; but making, in the whole, a volume that cannot fail of being useful to bankers, and to readers of every kind who desire a knowledge of what has heretofore been deemed the occult science of Banking.

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A TREATISE ON BANKING.

BY A. B. JOHNSON.

PART FIRST.—THE BANK.

Of Discount or Interest.—Banking consists, principally, in lending money at the legal rate of interest, and, sometimes, under. The loans are called discounts because the interest is paid in advance and deducted from the amount of the note. But if a bank were to deduct seven dollars from a hundred dollar note payable a year after date, the bank would receive seven dollars for a loan of only ninety-three dollars. To avoid such a result, which is, probably, an excess, beyond the legal rate of seven per cent. interest, the bank deducts from the note as much less than seven dollars, as will prevent any illegal excess of interest. The bank pays ninety-three dollars and forty-six cents for the note, because that sum, if placed on interest for a year, will become a hundred dollars; just the amount of the note. Formerly all the banks of our state would have deducted seven dollars from the note; and such a mode of computation has been adjudged in England to be legal, and has been twice thus adjudged by our Supreme Court. But several years ago, in a case before the Court of Errors, the then Chancellor stated, incidentally, that he deemed such a computation usurious. Since then, all the banks in the state, except some, or all, in the city of New York, have, from timidity or caution, adopted the modified calculation, as above exemplified, even when calculating interest on notes that are to mature in two or three months. If, however, the original mode of calculating is defensible at law, (some eminent lawyers insist it is defensible,) the legality ought to be established by adjudication or legislation, for the benefit of the banks who refrain from that mode of computing discount, and for the safety of such as hazard the computation.

Difference among Banks as to the Allowable Rate of Discount.—All the safety fund banks of our state are restricted, in the computation of interest, to six per cent. the year on notes and drafts that will become