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UBCHEA ARCHIVES
COLLEGE FILES
RG 11

Yenching
Corres
Tsaï, Stephen (see also :
"under" Galt, Howard)
1931-1933

0586

學大京燕
YENCHING UNIVERSITY
Peiping China

TRANSFER

Office of the Treasurer

YENCHING

October 15, 1931
T31-156

ack 11/12/31

Mr. B. A. Garside,
Yenching University,
150 Fifth Avenue,
New York City, N. Y.,
U. S. A.

Dear Mr. Garside:

INDEXED

We are in receipt of your letter of G31-9-9-1 relative to the Campus Improvement Fund of G\$5,000.- which you gave to President Stuart. We have taken note of your Finance Executive Committee Action No. 2937 which voted "to authorize President Stuart to handle this fund as he might deem wisest". Following the spirit of this action, we have suggested to President Stuart, if he "deems wisest", to use this fund to finance uncollected pledges of Chinese friends in the building fund for Lakefront Unit B.

As you know the pledges amounted to about \$50,000.- local currency, half of which was paid in. We were assured that the balance would be paid up in the near future until recent turn of events occurred in this country, first flood and then the Japanese atrocity.

In these days of national crisis the first duty of any conscientious Chinese is to answer the calls of his country which consist of life saving in the flooded areas and national defense against unwarranted foreign aggression. Obligations to other forms of charitable or educational institutions become comparatively unimportant. It is therefore not at all surprising that Yenching, still foreign in the minds of many Chinese, finds it difficult to hold its friends to their commitments. It is not the fault of any one person. Yet we must find some means to meet the situation. Hence we suggested to President Stuart to use the G\$5,000.-, already in his hands, for this purpose and he agreed to it. He also agreed that he would turn in to the University treasury any contributions which he might, in the future, receive from Chinese donors, for the campus improvement

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Garside, B. A., (T31-156)

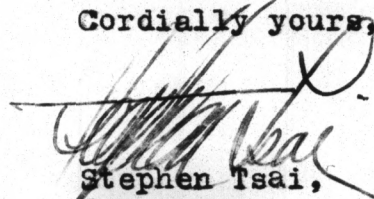
2

until the full G\$5,000.- is restored. We have confidence in President Stuart's ability as promoter to repay this account as soon as local conditions return to normalcy.

In requesting your approval of this arrangement, we are fully aware that the procedure is not in line with our financial policy. But we hope you will appreciate the local situation and accept it as inevitable in view of these very trying and abnormal times.

The money was exchanged into local currency by President Stuart at the rate of 4.30:1 which realized \$21,500.- local currency. This should be recorded as the local currency equivalent.

Cordially yours,



Stephen Tsai,
Treasurer.

ST:h

0588

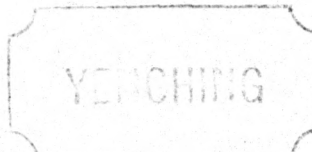
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UNIVERSITIES
NOV 9 - 1931
JOINT OFFICE

0589

學大京燕
YENCHING UNIVERSITY
Peiping China

TRANSFER

Office of the Treasurer



October 20, 1931.
T31-158

ack 11/23/31

Mr. B. A. Garside,
Yenching University,
150 Fifth Avenue,
New York City, N. Y.,
U. S. A.

INDEXED

Dear Mr. Garside:

I am writing to supplement my letter T31-156 with a brief historical account of the case. In the winter of 1929 when the erection of Unit B. Dormitory from funds contributed by Chinese donors was considered, Dr. Galt did not feel he could let the contract until adequate funds had been received. The estimated cost of the building was LC\$40,000.00 while the contribution actually received at that time was only \$18,213.13. Dr. Stuart was then preparing to go to America to raise an endowment fund for the College of Natural Sciences and was anxious to have the construction started in the spring. Before he left he handed to the treasury a cheque for \$19,376.27 which, as we discovered recently, was an advance to him by a Chinese bank against pledges. This, together with the \$18,213.13 already on hand, made the total of \$37,589.40 which has been appearing in the construction accounts under the caption "Unit B Appropriation". Since this \$19,376.27 was advanced by a bank, it had to be repaid sometime. It is for this repayment that the G\$5,000.00 Campus Improvement Fund has been used.

A few words of further explanation of the Unit B accounts is perhaps desirable. If you will turn to the first page of September balance sheet you will find the following:

Unit B Dormitory-----	\$42,622.34
" Basement-----	4,266.44
" Furniture-----	1,584.37
	<u>\$48,473.15</u>
Appropriation (G\$15,722.29)	37,589.40
Deficit-----	<u>\$10,883.75</u>

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The second item "Basement, \$4,266.44" is put there as a convenience. Financially it should not be charged against the original estimate of \$40,000.00. What has transpired is this: Unit B, according to the architectural drawings, should be erected on top of the hill alongside of the lake. No basement was called for in the specifications. In laying the foundation of the building, the engineer found it necessary to remove the entire hill and start the foundation from the ground level. Hence the basement. Last spring I proposed to the University authorities to fix the basement into regular dormitory rooms to accommodate students who had been housed in rented quarters outside of the campus. The financial loss in these rented quarters amounted to about \$1,500.00 per year. I, therefore, pointed it out to the authorities that it was good economy to fix the basement from current funds and discontinue the rented quarters. The authorities accepted my proposal. The remodeling of the basement cost \$4,266.44 which is to be met from current budget. You may be interested to know that the first and second floors of Unit B accommodate eighteen students each while the basement accommodates thirty-one.

Mr. Murphy was on the grounds last June. He felt it would be easy to restore the hill so that the original architectural plan could be realized without affecting the usefulness of the basement. I trust that the University will authorize this as soon as funds are available.

With this \$4,266.44 taken care of, the correct accounts for the building should be as follows:

Unit B Dormitory-----	\$42,622.34
Unit B Furniture-----	1,584.37
Total cost-----	\$44,206.71
Less contribution received-----	18,213.13
Balance-----	\$25,993.58
Less uncollected pledges	
financed-----	19,376.27*
Net deficit-----	\$ 6,617.31

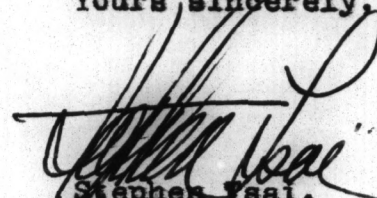
(Note:- *The amount used to finance uncollected pledges is G\$5,000.00 @4.30 or LC\$21,500.00. The difference between \$21,500.00 and \$19,376.27 has been used for payment of interest and promotion expenses.)

Garside, B. A. (T31-158)

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This together with my former letter, I hope,
will make things clear to you for your consideration.

Yours sincerely,


Stephen Tsai,
Treasurer.

ST:h

0592

(1931-1932) P. A. A. (1931-1932)

This document with my former letter, I hope, will make things clear to you for your consideration.

Yours sincerely,

RECEIVED
UNIVERSITIES

NOV 17 1931

JOINT OFFICE

0593

學大京燕
YENCHING UNIVERSITY
Peiping China

ack
Apply
TRANSFER

Office of the Treasurer

YENCHING

October 27, 1931.
T31-160

ack 12-22-31

Mr. B. A. Garside,
150 Fifth Avenue,
New York City, N. Y.,
U. S. A.

Dear Mr. Garside:

INDEXED

You have undoubtedly been informed that Mr. Vernon Nash and family are now in Shanghai where Mr. Nash is doing publicity work for The National Flood Relief Commission. He is being loaned to the Commission by the University at the request of Mr. T. V. Soong upon the suggestion of Mr. Lobenstine.

His sudden departure from the University necessitated the Department of Journalism to seek outside help to carry on his teaching load. The cost of such help was estimated at about LC\$1,000.00 for the period between September and December, the time the Nash family had originally set to leave for America. The suggestion was made to apply to the Famine Fund Committee to appropriate this sum to Yenching from surplus. As shown in the enclosed copy of a letter from Mr. Rawlinson of the Famine Fund Committee, our request is granted. Will you please apply for payment at the National Trust Company, Washington and transmit it to us.

Cordially yours,

Stephen Tsai
Stephen Tsai,
Treasurer.

ST:h

0594

學大英

YENCHING UNIVERSITY

Field No. 1919

QUESTIONS TO ASK

NOV 24 1931

JOINT OFFICE

0595

C O P Y

THE CHINESE RECORDER

TRANSFER

October 21st, 1931

Dr. J. Leighton Stuart,
Yenching University,
Peiping North China.

Dear Dr. Stuart,

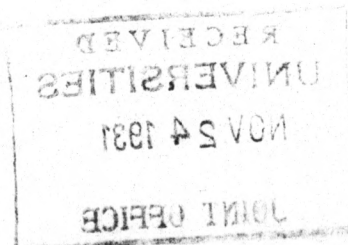
The China Famine Fund Committee met yesterday and considered your request for a special appropriation of \$1,000 (local currency) as part payment of salary of Mr. Vernon Nash while absent from his duties and engaged in famine work.

There was some question as to whether this matter fell within the strict interpretation of the terms of our trust; however, after some discussion it was decided to grant your request.

I am accordingly writing the Trustee in New York to that effect.

Yours sincerely,

(signed) Frank Rawlinson



0596

C O P Y

THE CHINESE RECORDER

TRANSFER

October 21st, 1931

Dr. J. Leighton Stuart,
Yenching University,
Beiping North China.

Dear Dr. Stuart,

The China Famine Fund Committee met yesterday and considered your request for a special appropriation of \$1,000 (local currency) as part payment of salary of Mr. Vernon Nash while absent from his duties and engaged in famine work.

There was some question as to whether this matter fell within the strict interpretation of the terms of our trust; however, after some discussion it was decided to grant your request.

I am accordingly writing the Trustee in New York to that effect.

Yours sincerely,

(signed) Frank Rawlinson



7550

YENCHING

TRANSFER

October 29, 1931.

INDEXED

Copy - Accounting Office

ack 12/12/31

Dr. J. Leighton Stuart,
Mr. Stephen Tsai, ✓
Yenching University,
Peiping, China

My dear Dr. Stuart and Mr. Tsai:

Mr. Franklin Warner forward to our office Dr. Stuart's letter of September 28th, in which request is made for Mr. Warner to make an additional contribution of approximately G \$1,332. to meet the apparent net deficit of approximately L.C. \$5,929.48 outstanding on the Warner Gymnasium account, in accordance with the tabulation dated September 20, 1931 which is attached to Dr. Stuart's letter.

Mr. Warner states that it would be quite impossible for him, at the present time to make any further contribution toward the Gymnasium. However, an analysis of our Gymnasium accounts as they now stand on our New York books seem to indicate that with the completion of Mr. Warner's pledge this fall, funds in hand are now sufficient to complete the construction and equipment of this building. My letter to Mr. Warner, a copy of which is attached to Dr. Stuart's copy of this letter gives the details of our calculations.

At the time Dr. Stuart wrote Mr. Warner the field had not had time to receive word of Mr. Warner's completion of his pledge toward the Gymnasium through the execution of a note for G \$23,000 which he gave to the Board of Trustees about two months ago, backed with collateral consisting of 1,000 shares of the Capital Stock of the Franklin Insurance Company.

On our plant accounts we show the receipt of G \$69,000 to the credit of the Warner Gymnasium. As a matter of fact we have received only G \$46,000 in cash, as we are holding a note for \$23,000, and it seems likely that it will be a long time before the actual cash for this note is in hand. Mr. Warner instructed us to sell the Insurance stock whenever it reaches 35 on the market, but the stock to-day is quoted at approximately 17, and it may easily be years before such a sale could be consummated. It is important to keep this cash position in mind when we study our Gymnasium accounts, since all expenditures above G \$46,000 must be borrowed, either from other funds or from actual loans negotiated at a bank. To date we have spent G \$58,565.38 on account of the Gymnasium and its equipment.

We have authorized the field to draw on us for the amount required to purchase foreign equipment up to a maximum of G \$5,000. However, if we correctly interpret Dr. Stuart's letter, and its attached summary of the

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Dr. J. Leighton Stuart
Mr. Stephen Tsai

October 29, 1931.

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Gymnasium accounts, the field has planned to spend only approximately G \$2,500 for western equipment, so we hope it will not be necessary for you to utilize the entire G \$5,000. authorized for equipment.

We note that the outstanding deficit on the construction of the building, together with orders already placed and estimates of work still to be done, amounts to approximately L.C. \$17,179.48. If we understand this analysis correctly, this figure represents the final amount needed by the field to clear the Gymnasium accounts, and to have these accounts ready for transfer to our completed buildings section. On the basis of this understanding, we give the following authorization:-

Authorization #3149 - You are authorized to draw at three days for the amount required, not in excess of L.C.\$18,000 to clear deficits now standing on the Warner Gymnasium construction accounts, and to meet outstanding bills and the expenses of work still to be done, as set forth in the analysis attached to Dr. Stuart's letter to Mr. Franklin Warner, under date of September 28, 1931.

If, as we hope, this building can now be transferred to the completed buildings section, will you please send us as promptly as you can the final figures for the cost of the building, together with your suggestions as to the disposition of any small balance remaining in this account? Heretofore, we have usually applied such small balances to the reduction of the large deficit heat, light, water and sewerage system accounts.

Very cordially yours,

BAG:PC
Enc.

0599

*Sent with Mr.
Foster's letter 7/18/33*

COPY

April 5, 1933.

Mr. C. R. Bennett,
Manager of the National City Bank,
Peiping.

My dear Mr. Bennett:

Your letter of March 28 (CHB/H) was duly received and noted. With regard to the check No. 109430, on the Harvard-Yenching Institute account you say:

"The check as credited through clearing to the Kinchong Banking Corporation seems to be quite regular. We can find no signs of alteration."

With regard to "signs of alteration" and grounds for suspicion pertaining to this check we would point out the following:

1. The special yellow paper on which the check is printed now presents a lighter shade, when compared with other cancelled checks from the same check-book, as if it had been subjected to some process for the obliteration of the original writing.
2. The large amount (L.C. \$25,000) which the check calls for, especially taken in connection with the fact that the check was a "bearer" check. Most payments on the Harvard-Yenching account have been for relatively small amounts, rarely in excess of \$1,000. The largest item which we find here recently debited to that account was for \$8,094.12. And we consider it very strange that a check for the unusually large amount of L.C. \$25,000, left in the form payable to bearer, should not have aroused the suspicions of responsible persons in your bank.
3. The name of the payee, and the stamped endorsement of the same. So far as we can learn there is not, and has not been a commercial firm in Peiping with the name "Racine & Co." Presumably this point could have been verified in your bank by consulting a "Hong List". Furthermore, the Chinese characters (仁記洋行 Jen Chi Yang Hong) representing the Chinese name of the alleged firm constitute the "hong name" of the firm of William Forbes & Co., well-known for a long period in North China, the Peiping branch of the same now being continued under the English name of A. C. Henning & Co. If the check under consideration came under the inspection of Chinese members of

0600

Bennett, C. R., April 5, 1933

2

your Bank's staff, we would suppose that the association of the Chinese name "Jen Chi Yang Hong" with the name "Racine & Co." would have at once aroused suspicion. Furthermore we consider it extremely improbable that a reputable foreign firm would have used a mere rubber stamp endorsement for a large check.

Regarding this point if it be stated that the primary concern of your bank was with the endorsement of the Kinchong bank, this may be granted, but we have to add that the stamped endorsement of Racine & Co. on the back of the check stands out so much clearer and plainer than the Kinchong bank's endorsement, that it should not have escaped attention.

4. The date of the check, if noted in connection with the serial number. All of the checks from No.109430 on, from that check-book, were issued during December, and bore December dates. The fact that this one check came in some months later, with the date February 17, was a ground for suspicion.

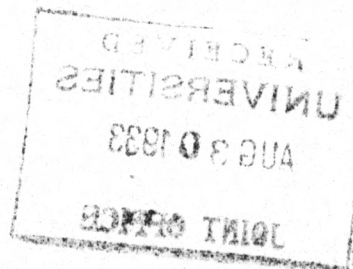
In view of the above considerations we are not prepared to concur with the statements from your letter, quoted above, and feel obliged to repeat our protest against your bank's debiting our account with L.C.\$25,000. as per check No.109430 which you now hold, and which we maintain is an altered check.

Yours sincerely,

Howard S. Galt,
Acting Treasurer.

Mary Cookingham,
Associate Treasurer.

HSG/H



0601

Bennett, C. R., April 5, 1933

2

Your Bank's staff, we would suppose that the association of the Chinese name "Jen Chi Yang Hong" with the name "Racine & Co." would have at once aroused suspicion. Furthermore we consider it extremely improbable that a reputable foreign firm would have used a mere rubber stamp endorsement for a large check.

Regarding this point it is stated that the primary concern of your bank was with the endorsement of the Kinchen bank. This may be granted, but we have to add that the stamped endorsement of Racine & Co. on the back of the check stands out so much clearer and plainer than the Kinchen bank's endorsement, that it should not have escaped attention.

A. The date of the check, if noted in connection with the serial number. All of the checks from No. 100430 on, from that date February 17, was a ground for suspicion. The fact that this one check came in some months later, with the check-book, were issued during December, and bore December dates.

In view of the above considerations we are not prepared to concur with the statement from your letter, quoted above, and feel obliged to repeat our protest against your bank's debiting our account with I.C.\$25,000. as per check No. 100430 which you now hold, and which we maintain is an altered check.

Yours sincerely,

Howard G. Galt,
Acting Treasurer.

Mary Cookingham,
Associate Treasurer.

HAG:H



2060

YENCHING

Yenching University

May 10, 1933

(933-5-10-1)

Dr. Howard S. Galt
Yenching University
Peiping, China

TRANSMITTED

My dear Dr. Galt:

Let me acknowledge receipt of your letter of March 25th.

Model for Chicago Exposition. We were all keenly disappointed when the Chinese government abandoned its plan to participate in the Chicago exposition. For a time our Associated Boards considered the possibility of preparing a suitable exhibit of Christian higher education in China in which Yenching would have had a prominent part, but because of our plans to make the Yenching exhibit a part of the Chinese government exhibit, we dropped the other proposal for a separate exhibit of Christian higher education in China. It is now too late to revive the proposal. I have talked the matter over at some length with Mr. Hedrick, Mr. McBrier, and Dr. Stuart. So far as we can see, there is no satisfactory plan by which this Yenching model could now be exhibited advantageously at the Chicago exposition. I find this a matter of very serious regret, particularly as I see from the photographs Miss Cummings sent how attractive the model is. Mr. Hedrick has been considering the desirability of having the model shipped to New York for possible future uses, but wishes to study the matter a little further, and to make more exact estimates as to the costs involved, before reaching a decision. We will, therefore, write further on the subject later.

Situation in Peiping. We are interested in the information you give regarding the general situation in North China, though of course things move so rapidly that information in letters is a bit out of date by the time they can reach us. We have been watching the press dispatches during recent weeks with great anxiety, and the news of the last few days has been particularly discouraging. We have all been hoping that the threatened Japanese invasion would hold off long enough to permit Yenching to finish up the spring semester in peace. Just at the moment this seems somewhat unlikely.

Dr. Stuart's Activities. In spite of all the obstacles he has had to encounter, Dr. Stuart's visit to America has been of great value in many ways. As usual, we have been driving him far too hard, but he seems to stand the pace quite well. Just at this time we are having another wave of mild optimism, brought on by evidences of increased activity in many lines of busi-

0603

Dr. Howard S. Galt

-2-

May 10, 1933

ness, and by the results attained by President Roosevelt in his first two months in office. But it will be many months at best before there can be any marked improvement in conditions, and there are still some people who are saying that "1933 will be remembered as the year before the depression."

Very cordially yours,

BAG:RC

0604

學大京燕
YENCHING UNIVERSITY
PEIPING, CHINA.

OFFICE OF THE PRESIDENT

YENCHING

TELEGRAPH ADDRESS
"YENTA"

May 20, 1933

Act 6/24/33

Mr. B. A. Garside
150 Fifth Avenue
New York, N.Y.

TRANSFER

My dear Mr. Garside:

It seems time to send you another report on the general situation. Some time ago I wrote to President Stuart, and I suppose he shared the letter with those in the New York office. We have received radiograms over the Amateur League Connection from time to time from President Stuart and Mr. Gee expressing anxiety or sympathy and asking for information. We have replied from time to time over the same amateur system giving reassuring items which we trust have reached you in the New York office.

In general there have been several times during the last few months when anxiety was tense and we were almost ready to call into operation the emergency organization which we established in March. Thus far, however, there has been no occasion to suspend University work and to set the machinery of that organization in motion. Two or three of the sub-committees, however, have done some preliminary work in plans for supplies and housing in case the University campus should suddenly become a refugee centre.

One radiogram inquiry came just after our annual Alumni Home-Coming Day on April 29. In reply we sent a word or two regarding the success of that day. In the University Bulletin of the present week, which has just come to the office, there is a fuller report on that day which states that 340 Alumni came back to the University, and that in addition there were approximately 2500 visitors to the campus. That particular date followed quite closely, I remember, one of the periods of tension due to the Japanese advance toward the Luan River line. The success of that day shows that despite the general atmosphere of anxiety people are going on about their regular activities very much as usual.

The students' Anti-Japanese Committee which carried on such vigorous operations during January, February, and March

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has been less active recently. In fact the student body as a whole has maintained a very calm attitude, very much in contrast to the sudden flare-up which followed the news from Shannaikwan in the first of January. About a week ago another period of tense anxiety was upon us. The Japanese advance west of the Luan River, the heavy fighting this side of Kupeikow to the north of us, and the flight over Peking on Thursday and Friday of last week of Japanese aeroplanes, all tended to create a period of considerable anxiety over the weekend. On Monday evening our Acting Chancellor, Professor C. W. Luh, called an informal meeting of the Chinese full professors, and counselled with them on the general situation. We were very glad that an opportunity for this discussion was given, and quite full reports of the same were given to me the next day, and were presented at the meeting of the Faculty Executive Committee on Tuesday afternoon. One of the recommendations brought to the F E C from that informal group was that some steps be taken to give special academic consideration to individual students, who, because of their own fears, or because of the anxious letters ~~for~~ parents from distant points, felt that they should withdraw from the University. The F E C considered this recommendation favorably and agreed to suspend the operation of our general absence rule for the rest of the semester, offering special facilities later for review and examinations for individual students who decided they should withdraw. This plan involves individual interviews by such students with the deans concerned, and excuses granted in the usual way. Announcement of this plan was made at the general assembly last Wednesday morning. So far as I have learned during these subsequent days very few students have taken advantage of the opportunity to withdraw.

Two days ago we received from representatives of the Senior Class a letter asking for special treatment for the seniors in case an emergency should prevent their completing the work in the usual way. I may remark that including undergraduate students and graduate students there are over 200 again, ^{who are} expecting to receive degrees at the end of the semester. We have placed their request on the agenda of the next meeting of the F E C, but unless the situation changes again for the worse, it seems probable that no special action need be taken.

The coming of General Huang Fu to Peking to head up the committee in charge of civil affairs has been a very interesting event the last few days, and is generally interpreted as a basis for steps to ease the military situation somewhat. The battle-line

fronts have also been much more quiet during the last few days and the tension of last week end has been much relaxed.

However, yesterday morning a Japanese aeroplane circled over Peking and was fired at by Chinese anti-air craft guns. Later, the plane came high overhead above the University campus, circled off to the west over the military camp and then returned apparently to the Japanese lines to the northeast. No pamphlets were dropped and nobody knows what the significance of that flight was.

Last evening it was reported to me that a fragment of one of the regiments which has had very severe fighting and very heavy losses near the Kupeikow region had returned to this district and was being billeted in the houses of the people in Haitien, immediately adjacent to the University on the south. It was reported that the number of troops concerned was not very large, that they were quite well-behaved, and were being billeted in the houses of the people rather than in the barracks two miles west of us, as a measure of safety. Word about this affair circulated rapidly in the community last evening, and I do not know how many telephone calls I had during the evening inquiring what it was all about. This morning I have heard further details of the matter. One statement being that the housing of the troops here is very temporary and that they will be withdrawn in two or three days. They seem to be well-behaved and no untoward incidents have occurred so far as I know.

Just before sitting down to write this letter Mr. Ch'uan, of our business office, reported that at the moment some fifteen Japanese aeroplanes are in flight over the city of Peiping. No confirmation of this report has come, and at the present moment I do not know how much truth there is in it, or what the significance may be.

In general we are all getting rather toughened to sensational reports, and it takes a good deal to get a "rise" out of this community now. We are taking all possible precautionary measures and trust that when events actually happen, if they do, we will have enough wisdom to know how to meet them.

I should add that last Tuesday morning I called upon the American minister in Peking to see what information was available. He reported to me the circumstances connected with the advice

given to American women and children to evacuate T'unghsien. I presume report of that was cabled to the American press and perhaps gave you some anxiety there as it did us. Mr. Johnson stated that his advice to the T'unghsien community was based on reports from foreign news correspondents of a statement made by General Nakamura, Japanese commandant in Tientsin, to the effect that the military authorities expected to occupy T'unghsien as being a considerable Chinese military centre.

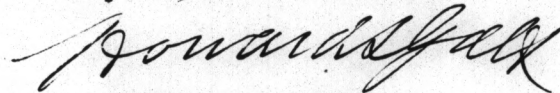
The North China American School at T'ungchow was immediately disbanded and pupils were sent to their homes. Our mission station, I think, has not as yet followed the minister's advice, as the situation has become easier during the past few days.

I do not know where President Stuart may be at the present moment, but before he left he told us his sailing date was May 27 from Seattle. I suppose, therefore, that he has probably started on his westward journey.

We have as yet had no reports from the annual meeting of the Trustees which we suppose was held in April. We expect that in a week or so we should have such word. We have had no word about the plans of the Nash family, and many inquiries are being made regarding them. We suppose that something regarding their plans may be expected along with the report of the Trustees' meeting.

This brings the general situation up to date. If other important events follow we shall try to keep you informed.

Very sincerely yours,



Howard S. Galt
Acting President

HSG C

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RECEIVED
UNIVERSITIES
JUN 16 1932
JOINT OFFICE

YENCHING

May 24, 1933.

G55-5-24-1

ack - C/30/33

Dr. Howard S. Galt
Yenching University
Peiping, China

TRANSFER

My dear Dr. Galt:

Let me acknowledge receipt of your letter of April 20th. This brings the very pleasant news that Mr. Ts'ai has returned to his position as Treasurer. I know how all of you at the University rejoiced at this decision on his part. Here in the New York Office we will be very happy to resume our pleasant relationships with him. I am at this time sending him a personal note.

At a meeting of the Executive and Finance Committees this week, we will ask for a new resolution addressed to the Central Hanover Bank and Trust Company, which will bring our list of financial officers on the field up-to-date. Along with a copy of that resolution, we will send the bank your notification dated April 20th.

Mr. Evans has already written to report the beginning of our negotiations with the National City Bank with regard to the altered check for \$25,000. We are still pressing the matter, though no final decision has as yet been reached. Mr. Rounds, of our Yenching Board of Trustees, is a Lieutenant Governor of the Federal Reserve Bank, and is taking an active interest in the matter, though he feels that it would not be advisable for him to enter into negotiations directly. Through Mr. McBrier and others we have also consulted with a number of leaders in the banking world to secure their judgment both as to the merits of the case, and as to the proper method of procedure. The general opinion seems to be that the University has a pretty fair case, though it is premature to express too great optimism.

The news dispatches indicate that the situation in Peiping has reached a crisis. There still seems some uncertainty whether the Japanese will really occupy the city or will remain to the northward. We are hoping that Tokio is sincere in its statements that the Japanese are willing to sign a truce and to withdraw northward, though we fear that this is simply another meaningless gesture, which will be nullified within the next day or so on some trumped-up pretext to advance southward. We do hope, however, that when this letter reaches you the situation in North China will be somewhat more stable and peaceful than it now is.

Very cordially yours,

BAG:PW

0610

YENCHING

Yenching University

INDEXED

June 16, 1933

ack by Mr. Tsai 7/18/33

Dr. Howard S. Galt
Yenching University
Peiping, China

TRANSFER

My dear Doctor Galt:

Undoubtedly you have been wondering at our silence regarding the raised check. There are several causes for this delay. One was that the National City Bank had received only photostatic copies of the check, and while they were willing to talk with us, they could see no point in consuming time in discussion with so little evidence available. They agreed, however, to have a conference and a time for meeting was agreed upon. Before that date arrived, the representative of the bank called me and stated that the original had been received and that before having any conference, they preferred to submit it to an expert for judgment.

We are enclosing a copy of the report of this examiner. By appointment, yesterday Mr. Garside and myself had a conference with Mr. George King of the National City Bank, 55 Wall Street. You will note that the report is decidedly favorable to our side; but in the last two lines, the examiner tries to square himself with the bank.

We had a very friendly visit with Mr. King, divulging no information, but pressing him for an expression as to the attitude of the bank. Before doing this he called attention to the fact, which has been obvious to all of us, that from every appearance there were inside accomplices. The fact that the check had not been properly endorsed by the payee; that apparently there was no recollection of what happened to the check; that the amount involved very nearly corresponded to the bank balance --- these all indicated that those who did the work possessed inside information.

Another point referred to was the fact that this check remained unpaid from December 10 to March 8, and that no effort was made to locate same although Thompson & Company, according to Mr. King, audited and checked the monthly bank balances. We disputed this idea with the statement that checks in the Orient are not cashed as quickly as here in America. There was reference to collusion between the manipulators of the check and some one in the Morrison Street branch of the Kinoheng Bank. There was also reference to the possible implication of the representative of the Racine Company, formerly located at Tientsin, but who cannot be located at present.

The National City Bank does not feel that it is responsible for the error as the whole thing was perpetrated and carried out before the check was received and charged on the account. However, they do not arbitrarily disclaim any

0611

Yenching University

June 16, 1933

Dr. Howard S. Galt
Yenching University
Peiping, China

My dear Doctor Galt:

Undoubtedly you have been wondering at our silence regarding the raised check. There are several causes for this delay. One was that the National City Bank had received only photostatic copies of the check, and while they were willing to talk with us, they could see no point in consuming time in discussion with so little evidence available. They agreed, however, to have a conference and a time for meeting was agreed upon. Before that date arrived, the representative of the bank called me and stated that the original had been received and that before having any conference, they preferred to submit it to an expert for judgment.

We are enclosing a copy of the report of this examiner. By appointment, yesterday Mr. Garfield and myself had a conference with Mr. George King of the National City Bank, 55 Wall Street. You will note that the report is decidedly favorable to our side; but in the last two lines, the examiner tries to square himself with the bank.

We had a very friendly visit with Mr. King divulging no information, but pressing him for an expression as to the attitude of the bank. Before doing this he called attention to the fact which has been obvious to all of us that from every appearance there were inside accomplices even if the actual work on the check was by people who had this information. The fact that the check had not been properly endorsed by the payee when apparently there was no recollection of what happened to it when the amount involved very nearly corresponded to the bank balance, pointed to individuals who possessed inside information.

Another point referred to was the fact that this check remained unpaid from December 10 to March 8, and that no effort was made to locate same although Thompson & Company, according to Mr. King, monthly audited and checked the bank balances. We combated this idea with the statement that checks in the Orient are not cashed as quickly as here in America. There was reference to collusion between the manipulators of the check and some one in the Morrison Street branch of the Kinchong Bank. There was also reference to the possible implication of the representative of the Racine Company, formerly located at Tien Tsin but who cannot be located at present.

The National City Bank does not feel that it is responsible for the error as the whole thing was perpetrated and carried out before the check was received and charged on the account. However, they do not arbitrarily disclaim any

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Dr. Howard S. Galt

-2-

June 16, 1938

interest; but on the other hand, evidence a very keen desire to reach an adjustment as soon as possible. However, their attorneys in Peiping are anxious to press the search still further and quite frankly we could hardly ask them to make a settlement in the face of so meager evidence. It is our judgment that it will take some time before the adjustment is made, if at all. The steps they have outlined as the course of procedure are as follows:-

First, continue the search for further evidence in order to piece out the missing links in the story.

Secondly, return the check and, if possible, collect the disputed amount from the Kinchong Bank.

Obviously, this prohibits subjecting the check to a fuming process referred to in Mr. Goodspeed's letter, and we most heartily agreed that it would be inadvisable to take any steps which apparently would destroy the present status of the check.

A question has been raised in the office since the receipt of the last two payments for annuity funds when we noted that you have a perforation machine for protecting the amounts on checks. Did you have this at the time this check was drawn, and if so why was it not used on the check?

The bank is not insured for amounts under \$25,000 and the contention is that the cost would be prohibitive. As a consequence, the amount involved in this case would be a direct loss to the bank, if it is not made good by the Kinchong Bank.

The attitude here and that of members of our Finance Committee is to work in harmony with the National City Bank without divulging any information which would in any way incriminate or involve the University. By that I mean giving any information which, if the case came to trial, could be used against us. On the other hand, it is the judgment of more than one that the "job" can be explained by someone in close touch with the Yenching office. To that end it would seem that we should work in harmony as largely as possible with the National City Bank officials.

Probably the next you will hear of this situation will be an approach from the bank officials on the field or attorneys for that organization. We have agreed to having them proceed along the lines as indicated above and will have nothing more to report until they give us further information.

Very cordially yours,

CAE:RC

Assistant Treasurer

0613

學大京燕
YENCHING UNIVERSITY
Peiping China

Office of the Treasurer

YENCHING

July 28, 1933.
T33-7-28-6

ack 9/1 #3

Mr. C. A. Evans,
150 Fifth Avenue,
New York, N. Y.,
U. S. A.

INDEXED

TRANSFER

My dear Mr. Evans:

16
Your letter to Dr. Galt dated June 6 just came to this office from Dr. Galt who is spending the summer at Fenchow, Shansi. The arrival of this letter clears up a mystery which has been perplexing us ever since the National City Bank heard from their head office concerning the raised check some two weeks ago. We knew from our conversation with both the Kinchong Bank representative and Mr. Bennett of National City Bank that a report of the expert examiner had come. We wondered why we did not hear from you on this matter at the same time. Mr. Bennett promised to send us a copy of his report but failed to do so. Aside from our natural anxiety to get direct information about the case from you the auditors were also eager to know the status of the case in order to know how to treat the amount involved in the audited statement. This prompted us to send you by our amateur radio station the following message on the 26th:

"Would like to know status of forged check in order to close books."

Upon receiving your letter of June 16th from Dr. Galt yesterday we again radioed you last night the following:

"Letter concerning forged check received."

We have no guarantee that these radiograms will reach you. We wish, however, to confirm the sending of them here.

We are naturally happy over the report of the expert examiner which is decidedly favorable to us. But we are at the same time disappointed in not having the matter settled definitely.

Your letter raised several points which we wish to comment on:

0614

In the third paragraph you stated "from every appearance there were inside accomplices; (a) the check had not been properly indorsed by the payee; (b) no recollection of what happened to the check; (c) the amount nearly corresponded to the bank balance."

Our reply to point (a) concerning indorsement is the check was indorsed but the endorsement was erased by the same process as that used on the face of the check. Technically speaking, the check was made payable to H. C. Wang or bearer. It was, therefore, not an order check and the payee was not required to endorse.

As to point (b), Mr. H. C. Wang handles petty cash payments in the office, he probably handed the check out to some one was \$6.08 cash. Since he pays a very large number of small bills every day, he naturally can not remember every transaction.

The bank balance is known to the bank employees just as well as to our staff in this office. The office of our auditors are also familiar with our bank balances. Furthermore, the Harvard-Yenching Institute office that receives our H.Y.I. trial balances also possess this information. So there are at least four offices that have this inside information.

We have had a perforation machine (one which punches holes but gives no color on the perforation) in the office but we only used it on checks that were typewritten. The H.Y.I. checks which were written by hand were not perforated. Since the case in question occurred, we have bought a new check protector and are using it on all checks issued. The perforation of the new machine was what you noted on the annuity checks.

The National City Bank and Kinchong Bank are having negotiations regarding the case. We understand they are trying to arrange a conference between their respective attorneys. In the meanwhile, the N. C. B. has not restored the \$25,000 to our account. Mr. Bennett said that you and his people in New York had agreed to let the debit stand for the present. Your letter did not mention this specifically although we infer from your letter that we should not press the matter too vigorously. They have also debited the Kinchong Bank this amount. The N. C. B. is apparently protecting itself with a 100% safety margin.

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Mr. C. A. Evans (T33-7-28-6)

3

Since the National City Bank feels so strongly that there were inside accomplices, it seems only logical that the bank should take steps to look their own staff over as well as ours. It might be well for an examination of hand-writings in the N. C. B. to be made also. Perhaps this will be done in the course of time.

For the present, we have to wait and hope for a speedy settlement. We will report to you any new development here locally as the case proceeds.

Sincerely yours,



Stephen Tsai.

ST:H

P.S. - I am enclosing a copy of the letter we sent to the National City Bank. It brings out some other points which you may be interested to know in connection with the case.

06 16

RECEIVED
UNIVERSITIES
AUG 30 1933
JOINT OFFICE

06 17

學大京燕
YENCHING UNIVERSITY
Peiping China

Office of the Treasurer

YENCHING

INDEXED

August 3, 1933.
G33-8-3-77

ack 9/11 BAS #1

Mr. B. A. Garside,
Yenching University,
150 Fifth Avenue,
New York City,
U. S. A.

TRANSFER

My dear Mr. Garside:

Thank you for your letter of May 24, G-33-5-24-2. I have discussed the matter of budget-making with President Stuart and he feels that estimates of income for our budget for 1934-35 sent by cable at the end of December will enable us to prepare our budget in ample time for your April meeting.

See memo 4/3

In your letter you ask whether or not a special book-plate was placed in each book purchased from Sailer funds for the Sociology Department. I am enclosing herewith a copy of the book-plate which is used. Mr. Leonard Hsu reports that detailed information about the Josephine Sailer Memorial Fund Alcove has already been sent to Mr. Gamble together with some photographs. In case you desire copies of this report for your office, please let me know and I shall be glad to see that information is sent direct to you.

May I also acknowledge receipt of your letter of June 26, G-33-6-26-1? This letter requires no further comment.

Sincerely yours,

Mary Cookingham

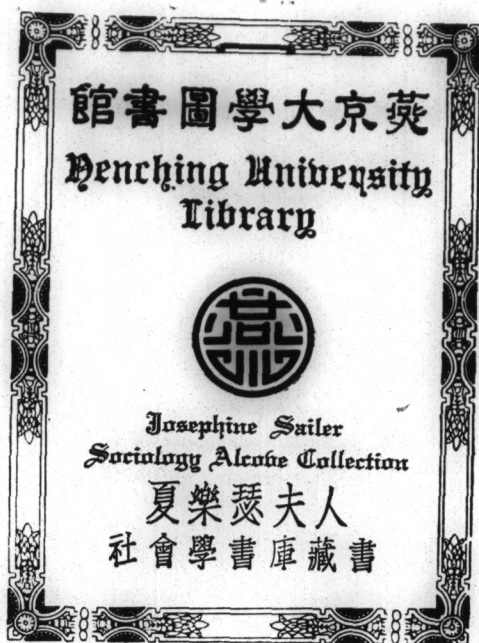
Mary Cookingham,
Associate Treasurer.

Encl.
MC:H

0618

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UNIVERSITIES
SEP 1 1933
JOINT OFFICE

06 19



0620

YENCHING

學大京燕

YENCHING UNIVERSITY

Peiping China

Office of the Treasurer

INDEXED

August 11, 1933.
T33-8-11-10

Mr. B. A. Garside,
Yenching University,
150 Fifth Avenue,
New York City,
U. S. A.

My dear Mr. Garside:

This acknowledges receipt of your letters G33-7-5-1 & 2 and G33-7-6-1 which came in the same mail a few days ago.

We are interested to know that you have reached a definite settlement in your negotiations affecting the Wheeler Memorial Chapel Fund. The interest which accrued during 1932-33 on the principal fund LC\$89,642.49 is \$2,546.63. Following your instruction we are transferring the sum of LC\$2,139.17 (being 84% of \$2,546.63) from the Fund to our current budget account as being received from you. At the rate of 350:1, being the current quotation, this \$2,139.17 has been converted into U.S.\$611.19 which we have credited to the Trustees' appropriation. Kindly take note of this and make the necessary adjustments in your books. We will add the remaining 16% of the interest to the principal of the fund.

Your second letter of July 5 deals with the action of the Princeton-Yenching Foundation to apply the 1931-32 surplus LC\$11,166.50 as U.S.\$3,190.43 toward the Foundation's contribution to the University for the current year. We have accordingly made the necessary corrections in our books to bring our accounts in line with this action. It is needless for us to say that we are disappointed in this action of the Foundation but we understand that it was not taken without having weighed the matter carefully.

0621

RECEIVED
UNIVERSITY
SEP 1 1933
JOINT OFFICE

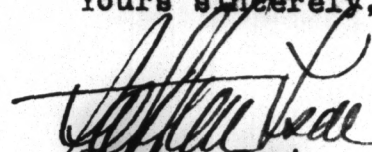
0622

Garside, Mr. B. A. (T33-8-11-10)

2

Your letter of July 6 giving us authorization No.3327 for U.S.\$666.66 for printing the Shang Hsueh She by Professor Ku Chieh Kang requires no further comment. We will notify you again when we draw on you on this authorization.

Yours sincerely,



Stephen Tsai,
Treasurer.

ST:H

0623

RECEIVED
UNIVERSITIES
SEP 1 1933
JOINT OFFICE

0624

學大京燕
YENCHING UNIVERSITY
Peiping China

Office of the Treasurer

INDEXED

August 28, 1933.
T33-8-28-14

ack 10/3

Mr. B. A. Garside,
Yenching University,
150 Fifth Avenue,
New York City,
U. S. A.

YENCHING

TRANSFER

My dear Mr. Garside:

This is to advise you that we have today drawn on you U.S.\$2020.21, being the equivalent of L.C.\$7000.00 at the rate of 3465, authorized by you per authorization No.3320 for the Harvard Yenching Institute account due September 1st. We are drawing this draft, TL343, a few days earlier in order to keep the balance of our account at the National City Bank above \$25,000.00. As we wrote you before, the National City Bank has arbitrarily debited our account the amount of the disputed check inspite of our repeated protests. We wish to state again that we are constantly embarrassed by the Bank's action, because we can not always keep such a big balance in our account. Mr. Bennett, manager of the Bank here, maintains that you have agreed with the head office of the National City Bank in New York to have the Bank debit us the amount of the disputed check pending final settlement of the case. We have heard nothing of this kind from you. Will you please verify if this is true?

We also enclose herewith two copies of our orders Nos.226 & 227 for your reference.

Yours sincerely,

Stephen Tsai
Stephen Tsai,
Treasurer.

Encls.-2
ST:H

0625

SECRET
U.S. GOVERNMENT
PRINTING OFFICE

SEP 30 1933

RECEIVED
UNIVERSITIES
SEP 30 1933
JOINT OFFICE

0626

YENCHING

September 1, 1953.
ESS-9-1-1.

INDEXED

ack - 10/1/53

Mr. Stephen Tsai
Yenching University
Peiping, China

TRANSFER

My dear Mr. Tsai:

I am enclosing a copy of a letter received from Mr. King, Assistant Cashier of the National City Bank, which refers to the raised check under adjustment with the bank, and after considerable investigation they decided to extend credit for the amount involved. They have stated that this in ^{no} way is the admission of their liability, but an accommodation to the University.

Very cordially yours,

CAE:FW
Enc.

0627

C
O
P
Y

The National City Bank of New York City
New York

August 17, 1933

In replying please quote initials GAK

Yenching University
150 Fifth Avenue
New York, N. Y.

Attention Mr. Evans

Gentlemen:

As you understand from our previous discussions, the question of determining responsibility for whatever loss may be involved in connection with the check No. 109430 of your Peiping organization alleged to have been raised from Mex. \$6.08 to Mex. \$25,000. is being held in abeyance during further investigations in the field. We informed you today of a cablegram from our Peiping branch asking our permission to allow the Yenching University an overdraft of Mex. \$25,000. pending settlement of this question.

We are agreeable to accommodating your Peiping organization in this manner, and on the basis of your opinion that your officials in Peiping have the necessary authority to engage the University on an overdraft indebtedness, we are cabling our approval.

We sincerely hope this matter may be straightened out to our mutual satisfaction as soon as possible.

Very truly yours,

(Signed)

G. A. King, Jr.

Assistant Cashier

0628

YENCHING

INDEXED

October 3, 1935.
G55-10-3-1

Mr. Stephen Tsai
Yenching University
Peiping, China

TRANSFER

My dear Mr. Tsai:

Let me acknowledge receipt of your letter #T35-8-28-14.

We note that you are drawing draft T1345 in the amount of U.S.\$2,020.21 on the Harvard-Yenching Institute Account. We are placing the copies of orders #226 and 227 in our files for reference.

I am sorry that you were still having difficulties over the state of your account in the National City Bank because of the forged check. I hope, however, that the situation was somewhat relieved within a few days after you wrote. Mr. Evans has already written you several times reporting our negotiations with the National City Bank, and also sending you a copy of the letter sent us by Mr. G. A. King under date of August 17th.

We do not know where Mr. Bennett gained the impression that we "agreed with the head office of the National City Bank in New York to have the bank debit Yenching the amount of the disputed check pending final settlement of the case." Both Mr. Evans and I were quite careful in all our preliminary negotiations to avoid making any commitments or agreements of any kind. This particular matter was not mentioned by either ourselves or the representatives of the bank.

I presume that from the technical standpoint, the Peiping Branch of the National City Bank will wish to let this charge of \$25,000 against your account stand as it now is until the matter has been finally cleared. For them to credit you with this \$25,000 might seem to give away their case entirely. From the University's standpoint, however, we will continue to maintain that this charge should not have been made. It seems to me that the bank has taken the only course we could expect them to pursue at this stage of the negotiations in allowing the University to have an "overdraft" of \$25,000 in this account. This does not commit either the bank or the University to what the final decision will be.

I presume that the bank will not ask any interest on this overdraft, for if the University were to pay such interest it might be

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Mr. Stephen Tsai

-2-

October 3, 1953.

interpreted as an admission on our part that we were using money belonging to the bank, whereas our contention is that this \$25,000 belongs to us. We hope that this very difficult matter will soon be adjusted to our satisfaction.

Very cordially yours,

BAG:PW

0630

學大京燕
YENCHING UNIVERSITY
Peiping China

Office of the Treasurer

November 9, 1933.
T33-11-9-23

INDEXED

Mr. B. A. Garside,
Yenching University
150 Fifth Avenue,
New York City,
U. S. A.

TRANSFER

Dear Mr. Garside:

Your letter G33-10-3-1 deals with the raised check and our relations with the National City Bank. Mr. Beddow, our auditor who has just returned from England, advises us to take the initiative in starting legal proceedings. He feels that a big institution like the National City Bank is apt to take a waiting attitude. Unless we take the initiative in getting after the case we may weaken our position. We have therefore despatched to you the following telegram:

"Wire at once fullest information at hand concerning raised check. Propose seek best legal advice here. Wire if you approve or disapprove. Treasurers."

In looking over our correspondence with your office, I fear that we have neglected to report to you one episode of the case we learned from the National City Bank here. In August the attorneys for the two banks had a conference and agreed to send the check in question back to New York for a second examination in order to ascertain explicitly whether or not the check was raised. We had hoped that, as a result of the second examination by the experts, concrete evidence of the alteration could be established and the case would be settled in our favor. Last week when we inquired at the National City Bank, we were told that the check had returned to Peiping again without a definite decision on the matter of alteration. The prospect of having a settlement is no better than before. We fear that you may not be aware of the fact that the check has been sent to America for a second time and returned. So we are sending you by our Amateur Radio Station today the following radiogram supplementing our cable this morning:

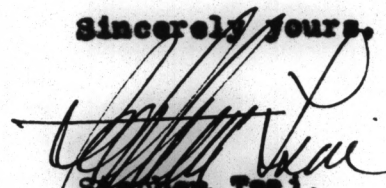
"Supplementing cable sent November 8 surprised to learn from bank check returned to Peiping without report of expert's second examination. Urge you secure explicit decision on evidence of alteration. Fear delay endangers our case. Tsai."

While we do not wish to press the matter too vigorously with the National City Bank lest it might strain our relationship,

0631

we feel that they have not been very frank and straightforward with us and that we should seek best legal advice to protect ourselves. We understand that the case is to be dealt with according to American laws in the American Consulate in Shanghai ^{since} the Tientsin Consulate only handles matters less than \$500. We will, therefore, have to procure an attorney in Shanghai. We are not anxious to have a lawsuit, as you know, but with legal advice we hope we can have the case settled in our favor without going to court. On the other hand, we are quite ready to spend some money for court fees ^{if necessary} since the amount involved is so large. In any case, we will not take an action which you do not approve. We hope in a day or two we will hear from you in reply to our cable request today.

Sincerely yours,


Stephen Teal,
Treasurer.

ST:H

P.S.-Before this letter was mailed we received the following cable from you in reply to ours of yesterday.

"Deferred for the present employ attorney pending result of conference during next week National City Bank, N.Y.. Will telegraph later."

We will wait for the outcome of your conference with the bank next week and your instructions. We hope by that time the radiogram via our amateur station will have reached you.

S.T.

0633

Garfield, W. A. B. A. (133-11-8-32)

we feel that they have not been very frank and straightforward with us and that we should seek legal advice to protect ourselves. We understand that the case is to be dealt with according to American law in the American Consulate in Shanghai and the American Consulate only handles matters less than \$500. We will therefore have to procure an attorney in Shanghai. We are not anxious to have a lawsuit, as you know, but with legal advice we hope we can have the case settled in our favor without going to court. On the other hand, we are quite ready to spend some money for court fees since the amount involved is so large. In any case, we will not take an action which you do not approve. We hope in a day or two we will hear from you in reply to our cable request today.

Sincerely yours,

Stephen T. Treadwell

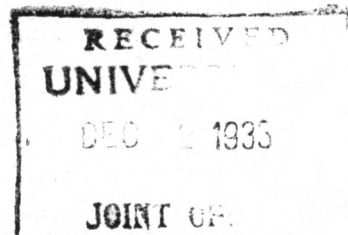
STH

P.S.-Before this letter was mailed we received the following cable from you in reply to ours of yesterday.

"Deferred for the present employ attorney pending result of conference during next week National City Bank, N.Y.. Will telegraph later."

We will wait for the outcome of your conference with the bank next week and your instructions. We hope by that time the telegram via our nearest station will have reached you.

S.T.



4690

YENCHING

Yenching University

INDEXED

November 10, 1933
E-33-11-10-1

Mr. Stephen Tsai
Yenching University
Peiping, China

TRANSFER

My dear Mr. Tsai:

Your cable requesting fullest and latest information regarding the raised check came to hand, and we replied as per the enclosed copy of cable sent on November 8th.

The situation at this end is as follows:-

The National City Bank has information that the Chinese institution refuses to accept the charge for \$25,000 L.C., and is threatening to sue the National City Bank to recover payment which they advanced, although up to the 8th papers had not been served on the bank. A cable was received by the New York Bank on last Tuesday, stating that Yenching University was pressing for payment of the \$25,000 L.C., and referring to a letter written on October 13th, which had not been received in New York as yet. The bank is very willing to have a conference as soon as this letter is received, and has promised to inform us immediately upon its receipt. We therefore cabled to withhold action pending a conference with the National City Bank.

Later on we will give you further information.

Most cordially yours,

Assistant Treasurer

CAE:HV
Enc.

0635

YENCHING

Yenching University

INDEXED

November 25, 1933
E-33-11-25-1

Mr. Stephen Tsai
Yenching University
Peiping, China

My dear Mr. Tsai:

We have before us your letters #20, 21, the first one dated October 16th. This refers to items which require no further comments at this time.

In response to your request as contained in the letter dated October 26th, #21, we have deposited \$3,000 in your account at the Central Hanover Bank and Trust Company and charged same to Account #31. Meantime, you will receive a letter covering authorizations for the balance of the year.

Yesterday the National City Bank submitted a document for the consideration of the Finance Committee wherein authorization is given to the bank to advance \$L.C. 25,000 with the understanding that the University will reimburse the bank if the case is decided against the University. There are elements in the situation which make it extremely doubtful as to the wisdom of signing any papers of this nature; but the matter will have to be given consideration at a meeting of the Finance Committee to be called at an early date.

Very cordially yours,

CAE:RC

0636

YENCHING

INDEXED

December 4, 1933

ack. 1/15/34

TRANSMITTED

Mr. Stephen Tsai
Dr. H. P. Lair
Miss Elsie M. Priest
Mr. R. W. McClure
Mr. W. B. Albertson

Ladies and Gentlemen:

I attach hereto a copy of a memorandum prepared by Dr. A. L. Warnshuis after a series of conferences with banking organizations here in New York on the subject of exchange. For the past year, there has been a very active discussion here in New York as to the relative merits of buying foreign currencies here in New York or leaving purchases to the field treasurers in the various Universities. It is a very difficult and complex subject, with much to be said on both sides.

As yet, the matter has not come up in any formal way before the governing Boards of any of our China Colleges. I am, however, passing along these notes to you in an entirely informal and unofficial way, so as to get your own reactions. While our Boards of Trustees would, for the most part, prefer to handle their local currency remittances through purchases here in New York because of the greater simplification of their accounts which this would permit, we have left such purchases largely in the hands of various field treasurers with the thought that as a general rule they can not only obtain funds more quickly and more easily by that method, but also can, on the average, obtain more advantageous rates than could be secured here in New York. These notes prepared by Dr. Warnshuis would indicate that much is to be said in favor of making these purchases here.

What is your own judgment in the matter? We are all united in the same desire to secure the largest possible amount in local currency for the funds we have available and to get these funds into your hands in whatever way will be most helpful to the efficient operation of our University finances.

It is likely during the coming winter these matters will be actively discussed by at least some of our China Colleges Boards, and I would like very much to have the views of our Field Treasurers ready to present if such discussions do take place.

Very cordially yours,

BAG:MP

0637

Some Notes Regarding Foreign Exchange

After several conversations with banking experts, the following notes are offered as a basis on which future discussion may proceed:

1. Is it better to buy foreign exchange in New York or in Asia where the money is to be used.

The comparison of the rate of exchange obtained on a draft sold abroad on a given day with the rate prevailing on the same day in New York which might have been obtained if the exchange had been purchased here is not conclusive proof of any advantage either way. This is due to the fact of the twelve hours difference in time. The rate obtained, for example, in Shanghai on November 15 may be the opening, or closing rate, or between the two. The market in New York on November 15 opens a few hours after the Shanghai market has closed. Its opening rate may be the same as Shanghai's closing rate, or it may be higher or lower, and in the course of the day it may change. Even if comparison is made between the average rate of the day in the two markets on November 15, there is still an actual difference of twelve hours. The same is true if the comparison is with the New York average rate on November 14. We live in a day of telegraphic communication, and if comparisons were made at approximately the same moment the basic rates would also be approximately the same in any two markets. There may be slight differences at times due to trade balances or other special circumstances, but these are exceptions to the general rule.

The only real difference between two markets consists in the bankers' commissions. It is stated that in New York these commissions are considerably less than those charged regularly by the banks in the Far East or elsewhere in Asia and Africa. If this is true, then, with basic rates identical, the advantage to the buyer of foreign exchange in New York is manifest.

2. Is it advantageous to contract for options on exchange? If so, for what periods?

If the buyer can be sure that the value of the dollar in foreign exchange will decrease, then of course it is advantageous to obtain an option on future remittances. The rate of exchange of an option is equivalent to the market rate at the time the contract is made plus an interest charge for the period of the contract. The banker, of course, buys at once as much exchange as he sells, and his profits are only his commission plus the interest on the money he advances for the purchase of the exchange that he contracts to sell. In other words, if the buyer is sure that he is in a falling market in terms of the value of the dollar abroad, then he benefits by contracting at the market rate for an option to remit the total amount that he knows he will have to send abroad within a given period, provided the depreciation of the dollar's value exceeds the interest charged in making the contract. Of course, if the tendency of the market is for an increasing value of the dollar, then it is unprofitable to buy a future option. So the decision to buy or not to buy an option depends upon the certainty of the buyer's knowledge of the trend of the market. There are occasions when such certainty is possible, but there is no general rule that can be applied, and the practice must vary according to the changing circumstances governing the money exchange market.

As for periods of time, it is very seldom that the trend of the market can be foreseen for longer periods than thirty or sixty or at most ninety days in advance. So, when options are purchased, it is generally inadvisable to make such contracts for longer periods than ninety days. There have certainly been exceptions to this rule, as in the case of Shanghai exchange in recent years, but they have been exceptions. Who knows now how much longer the value of the Chinese dollar will continue to rise?

Another consideration may be mentioned. In cases where definite obligations are assumed to provide a certain amount of money in foreign currency within a given period, and where it is desirable to know what the amount of that obligation in terms of American dollars is, it can be definitely determined by making a contract with a bank. Of course, if cash is available it would be more profitable to buy at the rate of spot cash, unless the interest on the contract makes a difference. Although mission boards do promise to their missions abroad to provide a certain amount of local currency for the annual budget, these mission boards do not have equal assurance of receiving during the year any definite amount of income. So, even if they did know in the beginning of the year what exact amount of American dollars would be needed to provide the promised local currency, it would not benefit them in any way. The advantage exists only when the income in United States dollars is approximately a fixed amount. In that case, it may be desirable to determine definitely the exact amount of local currency that will be available.

5. Would it be profitable, where practicable, for several buyers to pool their exchange operations?

Such pooling would result in increasing the volume of exchange purchased at any time. The buyer of small amounts naturally receives the open market rates. The buyer of a large amount can shop around and perhaps find a seller who has reasons that make him willing to pay a higher rate. This is the experience of the Associated Mission Treasurers in Shanghai. In other places, where such bargaining is not practiced, the buyer of a large amount may obtain a better rate simply because his purchase is big enough to affect the market, especially if dollars are in demand.

It would seem to be desirable for an Association of Mission Board Treasurers in New York to appoint one of their number through whom they would clear their purchases of exchange each day. It would seem to be a simple matter for all of them to agree that each day, say at 11:00 A.M., or any other fixed hour, they would inform their exchange buyer of the amount of foreign currency they want that day, and let that one man act as agent for all of them.

4. The objection usually made to such a suggestion as that in the preceding paragraph is simply that these Treasurers do not buy much if any exchange in New York. Most of them send dollar drafts abroad, or the mission treasurers draw on the board treasurer as they need funds. The advantage of buying in New York has been discussed in the answer to the first question above. It is evident that this whole discussion really turns on that question of buying in New York or abroad. All the considerations involved in this question have not been mentioned in the answer above, and it seems clear that further discussion of this subject should take up these considerations.

For example, there is a difference of six or eight weeks between buying for spot cash in New York and paying cash to cover the drafts when received from abroad. The board treasurer may not have the cash to buy in New York, and he needs the six or eight weeks time to gather in the money to pay for the drafts sold by the mission treasurer. In this case, it would seem to be a question of whether he could borrow the cash for six or eight weeks at a lower rate of interest than the mission treasurer pays for the same money. For the mission treasurer does pay interest on the money while the draft is in the mails. The bankers in buying and selling drafts quote rates for "telegraphic transfer" and for 30, 60, 75, or 90 days drafts. The difference between these rates is interest on the money while the draft is in the mails.

There are other considerations to be taken into the reckoning. All the above is admittedly elementary. But these notes are written simply to discover whether we are in agreement regarding some fundamental facts, and, if so, to raise

- 3 -

the question whether it may not be desirable to arrange for further discussion of possible plans for a larger measure of cooperation between the mission board treasurers in foreign exchange operations.

A. L. Warnshuis

New York
November 25, 1933

0640

SOME ADVANTAGES OF CONCENTRATING FOREIGN EXCHANGE OPERATIONS OF FOREIGN MISSIONS
BOARDS IN AN ASSOCIATION OF TREASURERS.

- 1) Foreign exchange requirements can be fulfilled when occasion arises at much more economical rates in bulk than by purchase in relatively small quantities on the part of each board. By the pooling of exchange operations, a wholesale rate of exchange may be obtained, escaping the unfavorable rates usually quoted by banks when negotiating small amounts.
- 2) Concentration of operations in New York provides the advantage of being able to procure exchanges from the source of supply, i. e. American exporters and others having foreign exchange to sell, do so in the New York markets.
- 3) The bank in New York, being constantly informed of conditions (economic and political) in foreign countries, can always be at the service of the various Foreign Mission Boards in an advisory capacity. A treasurers' association, being a large customer, could claim such confidential advice, and would be in a much better position than individual treasurers in a large number of places and dealing in small amounts to deal with changing situations.
- 4) The present method of forwarding dollar checks to the various Field Treasurers is, in some cases, haphazard; besides it places on them the onus of shopping in the foreign centers and getting high rates which, furthermore, are the ones ruling about a month after the dollar remittance is sent from New York. This can be replaced by the various Boards here remitting directly, the foreign currency to the Field Treasurer, through the bank's foreign correspondents who will pay the face amount of the check, without deduction in the majority of cases.
- 5) A system can be established whereby the Boards can draw their own checks in the various foreign currencies on any of the bank's foreign correspondents throughout the world. These checks would be supplied by the bank, with the Board's name printed thereon, and at the proper time can be filled in and signed by the authorized officers of the Boards. These checks are instantly negotiable by the payee in the principal cities of the world.
- 6) If the trend of any exchange should be upward, and if after consultation between the Board and the bank it would seem advantageous, exchange in any specified amount, for periods of three months or longer, can be contracted for at the best rate available. This method minimizes speculation in cases where the Boards know their exchange requirements for future periods and can secure them at a definite price.
- 7) The Bank in New York is often in a position to take advantage of special conditions obtaining in various countries. For instance, in some of these countries, where exchange restrictions exist and where their currencies are blocked, it is often possible, with the full consent and cooperation of the foreign governmental authorities, to buy their exchanges at dollar discounts of as high as 20%.

Other desirable features of a pooling arrangement for foreign exchange purposes could be described which would more than justify putting it into operation.

YENCHING

Yenching

December 18, 1933

M. 33-12-18-1

Miss Mary Cookingham
Yenching University
Peiping, China

TRANSFER

ack. 1/24/34
ans. 4/24/34 - #40

My dear Miss Cookingham:

Under separate cover we have sent the Treasurer's Office a copy of the Register of Trust Funds for Yenching University which we have recently prepared here in our New York office. In this volume we have tried to bring together in simple and easily accessible form, the essential facts in regard to all the capital funds of Yenching University, both Endowment and Plant. We believe that the volume will be of considerable value both on the field and here in America. We hope that the administrative officers of the University will find time to read the volume with some care, both to familiarize themselves with the various funds, and also to call our attention to any commissions or inaccuracies.

You will note that this Register of Trust Funds does not contain the funds belonging distinctively to the Women's College. These are still to be worked out. I hope that during the year we can complete such a study for the Women's College, though I am not at all sure that we will be able to do so until somewhat later.

There are also certain funds held on the field which we have not included in the Register. On some of these we have partial information and on some we have practically no facts whatever. We hope that the field will prepare information on the funds which you are holding in the same way that these other funds have been written up, and will send us copies to include in our volumes here. In our New York office we have two copies of the volume we sent you, so we would be grateful if you would prepare such material in triplicate (using the blank pages included in your volume) sending the original and the second carbon to New York, and keeping the first carbon for your own volume.

You will note that a date is stamped at the end of each fund. In most cases this date is June 30, 1933. It is our intention to review the changes at the end of each fiscal year, and to keep our Register up to date by writing new pages for each new fund, and for each existing fund where any substantial change has been made. These new pages will be dated, and in that way will enable us to keep our books up to date.

0642

Miss Mary Cookingham

- 2 -

12/18/53

There are a large number of questions which have come up as we have prepared the material for this Register. The majority of these have to do with the various residence accounts, though some of the other funds are also involved. I am enclosing herewith a summary of these various questions. We would be grateful if you would see that they are followed up in due course, that the various necessary actions are taken, and that the information we have requested is supplied. It will probably take you a number of weeks to clear up all the different points, but we do hope that these various matters will be followed up quite actively, otherwise the matter is apt to *go by default*. We are sure also that new points will be raised by the field as you study this material. We will be glad to cooperate with you in clarifying any matters that require further attention.

Very sincerely yours,

BAG:MP

0643

LIST OF QUESTIONS
IN CONNECTION WITH
REGISTER OF TRUST FUNDS OF YENCHING UNIVERSITY

YENCHING

Questions Arising From Residence Accounts

Fund Number

- 2504 Has the bronze plate, requested by the donor, been put in house #16?
- 2506 ✓ Is this recognized as a "Methodist Episcopal residence" as designated by Mr. and Mrs. Boyd?
- 2508 ✓ Has the memorial tablet requested by Mr. Kinnear been placed in house #26, and is this house known as the "Kinnear Memorial Residence"?
- 2510 ✓ Has the inscription suggested by the donors been placed on house #29?
- 2513 ✓ Is house #31 recognized as being a memorial to the father and mother of Mr. Sidney B. Dean?
- 2517 ✓ Is house #36 known as "Seattle House"?
- 2519 ✓ In writing to Mr. Philip Ritter with regard to his contribution of \$6,000 for the erection of house #43, Dr. Stuart suggested that Mr. Richard Ritter would occupy this house, and implied that this was in line with the wish expressed by the donor. Yet the latest Yenching Directory shows that Mr. Richard Ritter is occupying house #42. Have the wishes of Mr. Philip Ritter been consulted in this matter, and if not, should any steps be taken?
2522. Has a memorial tablet been placed in house #54 as directed by the donors?
- 2581 ✓ You will note the understanding referred to that house #37 would be occupied by Dr. Shih-ji Hsu. However, the latest Yenching Directory shows that Dr. Hsu is not living in this house. Has due recognition been given to this understanding?
- 2585 ✓ You will note the wish expressed by Mrs. Torrance that the residence to which she contributed her \$1,000 should be known as a memorial to Dr. Luce. Since, however, others contributed to this fund for the erection of house #39, it may be impracticable to carry out this request. Moreover, it is possible that Mrs. Torrance, in agreeing to the use of her gift for a Princeton-Yenching residence may have tacitly withdrawn her previous condition. What is the situation with regard to Mrs. Torrance's original proposal.

Shih-ji Hsu

0644

Fund Number

- 2601 At the present time, we are carrying the \$6,000 contribution from Mrs. Owen among our undesignated residence funds. However, you will note that Mrs. Owen stated that her mother wished the \$6,000 to be used to erect a house as a memorial to William Scott Bonnell. Would it be possible to assign one of our unallocated residences to meet this condition?
- 2611 The residences created by the London Missionary Society contributors

0645

Fund Number

2601 At the present time, we are carrying the \$8,000 contribution from Mrs. Owen among our undesignated residence funds. However, you will note that Mrs. Owen stated that her mother wished the \$8,000 to be used to erect a house as a memorial to William Scott Bonnell. Would it be possible to assign one of our unallocated residences to meet this condition?

2611 As Have the residences erected by the London Missionary Society contributions been used to house L.M.S. representatives on the Yen-ching campus?

Questions Arising In Connection With Various Other Accounts

2202 ✓ Has the memorial tablet specified by Mr. Wallace been placed in the administration building?

2210 Our information as to the identity of "Mr. Chen" is incomplete. Can you give us Mr. Chen's full name, together with some brief information as to who he is?

2302 The Construction Department balance as of October 31, 1933, shows a surplus in the Warner Gymnasium account of L.C. \$1,157.70. Will this be needed on the field or can it now be transferred to New York and this account closed? While our New York accounts show a theoretical surplus of U.S. \$3,500 in this account, as a matter of fact, we have a deficit of U.S. \$19,500, since the last \$23,000 is in the form of notes, given by Mr. Warner. If this surplus can be transferred to New York, we could close out the Warner Gymnasium account and when Mr. Warner's notes are paid, could set up the remainder as a maintenance fund.

Minde 2307 ✓ Has the memorial tablet specified by the donors been erected in the nine memorial buildings?

2402 ✓ Has the memorial tablet specified by the donors been placed in the building?

2701 You will note Mrs. McKelvey's ^{tip} ~~calculation~~ that the infirmary for which she contributed this \$25,000 was to be known as the "Luce Infirmary". Has this ever been done; and, if not, can this name now be adopted?

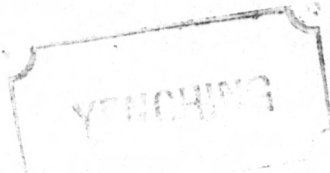
2903 Four questions arise in connection with the library fund:-
1. Will the field give us further information as to the source of the D. Z. Sheffield Library Fund and the J. W. Bashford Library Fund?
2. We have not, during the last few years, made any entry in our library fund covering current expenditures for the purchase of new books. For 1929-30 we entered only U.S. \$5,000 used for purchasing sinological works. Since that date we have not entered anything. What additional entries should we make in our library fund to cover the additions to our library which are really in the nature of increases in our tangible assets?

3. You will note on page (5) of this description of funds for library books, that in 1924 Mr. Matheson contributed U.S. \$5,000 for books, but apparently we have entered on our capital accounts only U.S. \$484.15 as the amount actually expended. Where is the remaining \$15.87, and should it now be entered?

4. Mrs. Blair's gift of \$1,000 (see page (4) of this description) was given on condition that this be matched by a similar contribution from the Princeton-Yenching Foundation. It is Mr. Wannamaker's understanding that since the Princeton-Yenching Foundation is making annual appropriations for the purchase of books in Political Science, it has now fully met this condition. Is this agreed to by the field?

0647

Copy



58 Yen Nan Yuan
Yenching University
Peiping, China
December 22, 1933

TRANSFER

Dear Mr. Garside,

I am writing this letter to you privately because I do not wish to have a copy of it filed in the office file.

In your correspondence you have suggested that we cooperate with the National City Bank and help them to place the responsibility for the loss of \$25,000 on the Kinchong Bank. I fear, however, that you have overlooked the fact that if the case becomes one between Americans and Chinese, that is, Yenching and the National City Bank against the Kinchong Bank, we will be put in an extremely difficult position. It may become necessary for us to compromise and pay several thousand dollars in order to "save the faces" of several of our Chinese friends.

Chancellor Y. T. Tsur is advisor to the Kinchong Bank and a great friend of Mr. Lin's, the attorney for that bank. Mr. James Chuan, a member of our Board of Managers and formerly our Comptroller, is now connected with the Kinchong Bank. Mr. Chou Tso Min, President of the Kinchong, is a special friend of Dr. Stuart's.

I am writing this letter to you with the hope that you will understand how very important it is to settle our case with the National City Bank as promptly as possible. Delay may mean loss by compromise. As long as the case is between Americans "faces" do not need to be considered.

Since you have spent some years in China I feel sure you will understand the situation and appreciate the difficult position in which the University may be placed.

Please do not acknowledge receipt of this letter. No one at Yenching knows that I am sending it and the only reason I have for writing it is the thought that additional information may be of value to you.

Very sincerely yours,

(Signed) Mary Cookingham

0648

REVIEW OF CASE OF RAISED CHECK
IN HARVARD-YENCHING INSTITUTE ACCOUNTS
YENCHING UNIVERSITY

Summary of Case. On December 10, 1932 check No. C-109,430 was drawn by Dr. Galt and Miss Cockingham on the Harvard-Yenching Institute Account in the Peiping Branch of the National City Bank. It was made out in the name of one of the Chinese assistants in the Yenching Field Treasurer's office, in the amount of L.C. \$6.08 to cover a petty cash transaction.

What happened to this check immediately afterward is not clear, though the Chinese assistant believes it was lost. On March 8, 1933 this check was deposited in the Peiping Branch of the Kinchong Bank. When it thus reappeared its date had been changed to February 17, 1933, the payee was designated as Racine & Co., and the amount was raised to \$25,000.

The Kinchong Bank forwarded the check to the Peiping Branch of the National City Bank where it was accepted and the Harvard-Yenching Institute account was debited accordingly. This left only a small balance in the account and a few days later this was overdrawn by the presentation of other small checks. The University was notified and the fraud discovered.

The Peiping Branch of the National City Bank referred the matter to their New York headquarters for investigation and decision, and the field authorities of the University wrote asking the Yenching Trustees to represent the University in the matter. A little later (July 17, 1933) the National City Bank charged this \$25,000 back to the Kinchong Bank.

Immediately after receiving word from the field, the Yenching Trustees began negotiations with the Bank, at first informally and then through our attorneys, Harper and Matthews, 70 Pine Street, New York City. Our first request was that the Bank restore the \$25,000 to the University without any conditions attached. But the Bank indicated its unwillingness to do so until the whole matter could be investigated very thoroughly, and the attitude and intentions of the Kinchong Bank could be learned. It did, however, offer to restore this

credit of \$25,000 to the University if an agreement could be reached between the Bank and the University as to the procedure to be followed in case the Kinoheng Bank brought suit and recovered all or part of this \$25,000 from the National City Bank.

A great deal of time was consumed in the negotiations with the Bank and in the drafting of an agreement satisfactory both to our attorneys and to the attorneys of the Bank. The agreement has at last been completed, and a copy of the accepted form is attached to this memorandum.

Meantime, the field authorities of the University began to urge that the Trustees either arrive speedily at a final settlement or else permit the field to engage counsel. The following cablegrams were exchanged:-

From the field to New York, November 8, 1933:-

WIRE AT ONCE FULLEST OR LATEST INFORMATION AT HAND (CONCERNING)
RAISED CHECK. PROPOSE SEEK BEST LEGAL ADVICE HERE. WIRE IF YOU
APPROVE OR DISAPPROVE. TREASURER

From New York to the field, November 8, 1933:-

DEFER FOR THE PRESENT EMPLOYING ATTORNEY PENDING RESULT OF
CONFERENCE DURING NEXT WEEK NATIONAL CITY BANK NEW YORK.
WILL TELEGRAPH LATER.

From field to New York, January 11, 1934:-

RESPECTING FORGED CHECK KINCHENG INSTITUTING COURT PROCEEDINGS
NATIONAL CITY ALSO AGAINST YENCHING BASED CHINESE LAW WITHIN
JANUARY URGE TRUSTEES SECURE DECISION FUNDAMENTAL ISSUE CABLE
REPLY PROMPTLY MAY FIELD NEGOTIATE COMPROMISE.

From New York to the field, January 14, 1934:-

REGARDING FORGED CHECK TRUSTEES NEGOTIATING NATIONAL CITY BASIS
FULL REPAYMENT UNIVERSITY HOPEFUL ULTIMATE SUCCESS BANK REPORTS
YOU OFFERED TEN PERCENT COMPROMISE WHICH COMPLICATES SITUATION
WIRE FULL FACTS

From field to New York, January 17, 1934:-

NO COMPROMISE COMMITMENT HERE TEN PERCENT SUGGESTED TO AVOID
COURT PROCEEDINGS URGE YOU REACH SETTLEMENT CABLE WITHIN JANUARY

From New York to field, January 22, 1934:-

From New York to field, January 22, 1934:-

REFERRING LETTER DECEMBER TWENTYTHIRD OUR ATTORNEYS NEGOTIATING NATIONAL CITY CAN PROBABLY REACH IMMEDIATE AGREEMENT PERMITTING USE TWENTYFIVE THOUSAND WITHOUT PREJUDICE FINAL SETTLEMENT STOP FINAL SETTLEMENT EVEN TEN PERCENT COMPROMISE REQUIRES LONGER ATTORNEY BELIEVES OVERSTRESSING FINAL SETTLEMENT WILL INCREASE LOSS STOP TRUSTEES ACTING ON REQUEST FIELD AND READY RESTORE NEGOTIATIONS TO YOU IF DESIRED WIRE WISHES IMMEDIATELY

From New York to field, January 30, 1934:-

REFER TO OUR CABLEGRAM OF JANUARY 22, 1934, YOUR LETTERS OF DECEMBER 23 AND 28, 1933, CONCERNING RAISED CHECK. THE AGREEMENT IS READY FOR SIGNATURE. WIRE INSTRUCTIONS IMMEDIATELY.

From the field to New York, January 31, 1934:-

UNLESS YOU HAVE REACHED FINAL SETTLEMENT WITH NATIONAL CITY REGARDING RAISED CHECK GUARANTEEING FULL REPAYMENT I HEREBY HARVARD YENCHING REQUEST UNIVERSITY TRUSTEES INSIST ALL FURTHER FIELD NEGOTIATIONS PLACED WITH LOCAL ATTORNEY - PORTER EXECUTIVE SECRETARY

Meantime a number of letters were written by both sides. Those from New York merely reported the progress of negotiations. The most important letter from the field was sent on December 25, 1934, and was the basis of the cablegrams sent from New York on January 22 and 30. This letter is attached hereto.

The Present Status. As the matter now stands the National City is quite willing to credit the University with these funds in line with their proposed agreement. The Yenching Trustees would be willing to sign if they were sure that this is in accordance with the wishes of the field. But both the cablegrams and letters from the field seem to show clearly that the field believes negotiations can best be carried on in Peiping and desires to have the Trustees return the matter to them. The Trustees have consistently maintained the position that in this particular case they are acting only as the field's agents, and that they would be glad to restore full responsibility to the field at any time it is requested.