SAYS EXCHANGE FIRM GOT DIER SECURITIES

Bell & Co. Man Tells of Transfer to Carpender, Caffry & Co.

BANKRUPT HAD $40,000

Philadelphia 'Relay House' Took All Legitimate Commissions on Sales.

BUT WAS NOT SUSPICIOUS

Thought Dier Rich and Never Questioned Similar Buying and Selling Orders.

Special Dispatch to THE NEW YORK HERALD.

PHILADELPHIA, May 15.—How the defunct brokerage firm of E. D. Dier & Co. of New York did business through the Philadelphia house of Frank F. Bell & Co., which acted as a "relay station" between Dier and the New York Stock Exchange, was made known here to-day at a hearing before David Hoffman, referee, through the testimony of Joseph F. Hickey, one of the partners of Bell & Co.

While it was shown that, first and last, the Dier outfit had five accounts with the Philadelphia house and that there was rather grave mixing up of these accounts, the outstanding fact developed was that it was to Carpender, Caffry & Co. of New York that Bell & Co. transferred the securities held for Dier when the account was closed out.

Carpender, Caffry & Co., a New York Stock Exchange house, was suspended a week ago for doing business with Dier. It has been in a dispute with Saul S. Myers, attorney for the receiver for Dier & Co. over an alleged offer to compromise its Dier accounts for $50,000.

Dier Had $40,000 Equity.

Arthur G. Hayes, representing the receiver, had established by questioning Mr. Hickey that on December 28 Dier had with the Bell firm securities estimated to be worth more than $70,000, and owed thereon $35,600. It was admitted that Dier & Co. had an equity of nearly $40,000. Hickey was asked:

"When you closed out the Dier & Co. account, what did you do with these securities?"

"They were delivered to our New York correspondent with instructions to deliver them to Carpender, Caffry & Co."

Mr. Hickey was not sure Dier & Co. had confirmed the instructions by mail, but he was certain that his firm had confirmed the transaction and that his letter files would so show. Then Mr. Hayes said:

"Now, Mr. Hickey, our books show that Dier & Co. are still long with your firm and that they still have an equity of $40,000 here."

"Wrong; absolutely wrong," said the witness.

Mr. Hayes admitted after the hearing that Mr. Hickey was probably right and that this substantial part of the Dier & Co. assets probably had been transferred to the New York house of Carpender, Caffry & Co.

"Every Order Executed."

Throughout the hearing, which occasionally was heated, Mr. Hickey fought to prevent any reflection on his firm. He contended stoutly that every order that Dier & Co. had sent to Bell & Co. had actually been executed and that the books would show it. Invariably the transaction had been carried out through one of the New York correspondents of Bell & Co. on the New York Stock Exchange.

"And did you charge the full commissions on every transaction?"

"We did."

"And you divided the commission with your New York correspondent?"

"We did."

Furthermore, said Mr. Hickey, the Philadelphia firm charged Dier & Co. from one-half to three-quarters of 1 per cent. more than it cost them for money, bringing down the interest charge monthly, so that the interest actually was compounded every month.

Thus it was indicated that Dier & Co. were not making anything legitimately on transactions put through the Philadelphia house. Mr. Hickey denied absolutely, however, that there had been anything to indicate that Dier & Co. were selling securities of their customers or crossing orders. He was asked:

"Would not the fact that Dier & Co. were buying certain stocks to-day and selling exactly the same stocks within a day or so excite your suspicions?"

"Most certainly not. Not with a house that had fifteen branches. That happens every day."

That orders to sell the same amount of stock as had been bought would match in the Clearing House he admitted, but he did not admit that this was equivalent to a nullification of an order. He insisted too that there was no reason why Bell & Co. should be "concerned" about what Dier & Co. were doing with its customers' securities as long as the account was properly margined and every transaction intrusted to his firm put through.

Bell & Co., said the witness, had done business for Hughes & Dier since 1915. The books showed that the change was made from Hughes & Dier to Dier & Co. on May 19 last. Col. Hughes had a personal account opened in November 1920, with the firm with a check for $5,000 made out to Hughes. The witness could not remember whether this was a Hughes & Dier check or not. There was a second credit of $5,000 on March 21, 1921, when more margins were called for, but he could not remember whose check was given.

The ledger sheets bearing the account were marked in evidence, but were not admitted as an exhibit, pending a court decision on an objection made by Walter B. Gibbons of 14-16 South Penn Square, of counsel for the Bell company. Hayes questioned Hickey further:

"Was any money transferred from the Dier & Co. account to Hughes's account after Dier & Co. had taken over the business?

"I believe it was."

The record showed that $6,000 had been transferred the next day, May 20.

"On whose instructions was that done?"

"Col. Hughes's."

Dier Balance Once $241,542.

It was brought out, as indicating the amount of business that Dier & Co. "relayed" through Philadelphia, that when the change in the firm was made Dier's debit balance with Bell & Co. was $241,542.

Regarding E. D. Dier's personal account, the witness testified that this only involved one transaction—a loan of approximately $17,000 on about $40,000 worth of American Railways-National Gas 5 per cent. bonds. These were shifted from Dier's own account to the Dier & Co. account and then, on Dier's objection, were transferred back again.

The amount of the loan was reduced by interest payments to about $15,000 and on December 27 last, two weeks before the failure, Bell & Co., so Mr. Hickey testified, were instructed my Dier to charge the $15,000 to the Dier & Co. account and to turn over the bonds to the Philadelphia manager for Dier & Co., James Reilly. This was done, he said, and a receipt taken from Reilly, which showed the numbers of the bonds. The witness could not remember whether Reilly had signed the receipt as representing Dier personally or the firm, but said he would produce the receipt.

Fifth Account in August.

Besides the four accounts mentioned, those of Hughes & Dier, Col. Hughes, Dier & Co. and E. D. Dier, Bell & Co. also carried an account in the name of Dier, Lawrence & Starr. This account was only opened last August, but the witness had not connected the account with the new Stock Exchange rule, adopted in August, prohibiting brokerage firms going short of their customers' stocks. He was asked:

"Isn't it a fact that they used the Dier, Lawrence & Starr account to sell stocks bought in the name of Dier & Co.?"

"No; they did not."

"Didn't you know that the Dier, Lawrence & Starr account was, in fact, a nullification account?"

"No."

The witness said Bell & Co. had once asked Hughes and Dier for a statement of their financial position, but had been content with an assurance that everything was "all right." Dier & Co. had never been asked for such a statement. "I thought they were rich," said the witness.

Bell & Co., however, asked Dier & Co. to withdraw its business and close the account last October. This was done, he said, because Dier & Co. had moved their business to New York and "the range was too long" to do business satisfactorily. In addition, what with the Dier, Lawrence & Starr account things were always "getting mixed."

Mr. Hickey insisted that it "had never dawned" on him that Dier & Co. were selling customers' securities. He said:

"If we had known that we would have called them and stopped it. We were carrying out every order they placed with us, and the exchange knew we had relations with them. We did not know that Hughes had been expelled from the Philadelphia Exchange for bucketing, because the exchange never made known the reason for its action."

The hearing is to be continued here on Thursday, beginning at 11 o'clock, and a complete examination of Bell & Co.'s books relating to the Dier business is practically certain, lasting many weeks.

TO DEFEND NEGRO SLAYER.

Millard H. Ellison of 2 Rector street was assigned yesterday by Judge Nott in General Sessions to defend Hugh Chambers, the negro who shot and killed Patrolman Pohndorf of the West 135th street station last week.

FARM BLOC BEATEN IN VOTE ON TARIFF

Senate Rejects, 31 to 28, Amendment Raising Rate on Citrate of Lime.

JOHNSON TO RENEW FIGHT

Defeat Followed a Vigorous Roundup and Despite Support of Five Recruits.

Special Dispatch to THE NEW YORK HERALD.

New York Herald Bureau,
Washington, D. C., May 15.

Members of the Senate farm bloc were defeated to-day in the first test of strength on their program for substantial increases in the rates on agricultural products carried in the Republican tariff bill.

By a vote of 31 to 28 the Senate rejected the amendment offered by Senator Johnson (Cal.) proposing a rate of 9 cents a pound on citrate of lime in lieu of 6 cents as recommended by the Finance Committee.

After the roll call Senator Johnson gave notice that he would demand another record vote on the item when the bill is taken in the Senate proper.

The defeat of the bloc is taken by Republican organization leaders as evidence that the bloc, which claims from twenty-five to twenty-seven members, will not be successful in its announced program to boost generally rates on farm products.

Bloc leaders did all in their power to muster their full voting strength. They arranged pairs for absent members and prevailed on some Democrats who would not vote for the increase because of their party policy for low tariff rates to remain away when the roll was called.

Five Republicans who never have been counted as members of the farm bloc voted with the bloc for the higher duty on citrate of lime. Even with those recruits there was a majority of three against them.

The five Republicans added to the list to-day were Senators McCormick (Ill.), Page (Vt.), Newberry (Mich.), Moses (N. H.) and Wadsworth (N. Y.). Altogether twenty-five Republicans voted for the increase. The Democrats who joined them are all members of the bloc. They were Senators Ashurst (Ariz.), Kenrick (Wyo.) and Broussard (La.).

WASHINGTON, May 15 (Associated Press).—Another fight over products of the Far West followed disposal of the citric acid, the Democrats opposing committee rates of sixty cents a gallon on olive oil in containers weighing not more than forty-four pounds and fifty cents a gallon on all other such oil. These rates were approved after the Senate had rejected by overwhelming majorities amendments by Senator Walsh (Dem., Mass.) to cut the figures to the thirty cents and twenty cents in the Underwood law.

A committee rate of five cents a pound on the hydrogemated or hardened oils and fats was agreed upon without a roll call.

Senator Lodge objected to the proviso under which the duties on oils used in the manufacture of non-edible products such as soaps would be refunded.

"If you are going to let in such oils duty free, do it openly," he said. "Do not do it by the back door of a proviso."

Senator Frelinghuysen (Rep., N. J.), contended that it would take fifty years to develop the soya bean oil industry in this country, but Senator Ladd disagreed, saying the city meat packers were planning to enter the soya bean oil field.

BROKER LICENSING SURE, SAYS BANTON

Criminal Docket Clear in a Month, Prosecutor Tells City Club.

SCORES OLD PENAL CODE

Justice Cropsey Says Fight on Wrongdoing Must Start With Children.

District Attorney Banton, speaking at a dinner at the City Club last night, arraigned the bucketeers in the financial district and said that despite the defeat of his blue sky measure at Albany brokers soon will be placed on the same plane with bankers and insurance men and will be forced to take out licenses and make their books public to the prosecuting officers of the State. Mr. Banton said:

"Is there any reason why we should make those men sacred when we take away your immunity? If it were not that our penal code is most archaic and that the Legislature refused to consider my measure we would be able to take care of those common crooks.

"I had hoped to get my measure through the Legislature, but the president of the New York Stock Exchange sent a telegram to Albany and certain Senators there heard their master's voice and voted the bill down."

Promises a Surprise.

Mr. Banton referred to brokerage failures and to the Dier case in particular by saying:

"One particular case, where the firm failed for nearly $5,000,000 and with less than $200,000 in assets, demonstrates how I have been obstructed in my efforts to obtain the firm books and prosecute the guilty persons responsible for this failure. I want to get the brokers licensed like any other business men, and, mark my words, I'm going to see that I get it! The *Wall Street Journal* said I didn't know what I was talking about when I went to Albany with the measure, but I guess the bucketeers will find out that I know well enough what I want when they are forced to get licenses.

"The people of New York City seem to have some idea that I am a dreamer. They will find out that I am also practical enough to take steps toward active work when I get those common crooks in Wall Street."

Docket Cleared in a Month.

Referring to the "so-called hysteria about a crime wave," Mr. Banton said that the printing of the news of crime and the resultant hysteria was a great asset and had afforded him the tools to work with, as he had been able to get some speedy action from the courts. He went on:

"We are rapidly overtaking the crime here, and within a month will be up to date. We have come to the place where the man indicted to-day is up for trial next week instead of a delay of from ten to eighteen months. If there was such a thing as a crime wave we are stemming it.

"I am like a man trying to catch in an ox cart the man in the 1922 automobile. It can't be done unless conditions are changed radically. We are using the penal code built in 1828 and put into effect in 1841, and is entirely out of date.

"Within a year the matter of bail won't mean a thing to a criminal, so swift will the trial follow his arrest and indictment!"

Mr. Banton pleaded to all citizens who want to aid materially in cutting down crime to serve on the juries and not plead off for various excuses.

No "Crime Wave" Says Cropsey.

Justice James C. Cropsey of the Supreme Court in Brooklyn, after denying there was a "crime wave," told the club members that it was within the power of every good citizen to help cut down the "excessive amount of crime now in the city" by taking a personal interest in the welfare and upbringing of the young boys of the city. He urged:

"Tackle the proposition from the right end and prevent the boys being criminals. It's far easier than trying to correct them after they have served a prison sentence."

More courts, judges sitting through the summer in lieu of their present three months' vacations, good prosecuting officers and an efficient police department are the vital essentials for a well run city, said Justice Cropsey. He assailed the newspapers for printing too much crime news, saying: "Stop reading this news and the papers will stop printing scare heads on crime stories. They act as incentives to others who believe it is easy to commit crime."

Raymond B. Fosdick, author of works on police systems of Europe and America, compared the crime in the cities of the United States, and said that in this respect we have here a "perpetual crime wave" due to the lack of European standards of right and order and to the heterogenous populations of New York and other large cities. He suggested that the Cleveland "crime commission" be tried out here.

Nelson S. Spencer, president of the City Club, presided. He said the dinner in a sense was a celebration of the thirtieth anniversary of the founding of the club by Edmund Kelly, in April, 1892.

HORSE RACING IN PALESTINE.

JAFFA, Palestine, May 15.—Arrangements are being made here for horse racing on a regular system. A site for the course has been selected near the village of Selmah, in the neighborhood of Jaffa.

SUICIDE BLAMES HIS MOTHER.

Her Fault, Mrs. Schlott Wrote, Then Took Poison.

By swallowing several ounces of lysol in her furnished room in 245 East Seventy-first street, Mrs. Martha Schlott, 23, committed suicide last night. The following note was found:

"Benny, dear—I'm tired of living. Please notify mother, and tell her it is her fault. Goodby, Martha."

The woman's husband, Otto Schlott, of 302 East Sixty-second street, called at the house a short time after his wife's death. Mrs. Schlott's mother also called, but refused to say where she lives or to give her name.