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## ADVANTAGES, MAJOR AND MINOR, OF A BRANCH-BANKING SYSTEM.

It is becoming no uncommon thing to hear United States' testimony as to certain patent advantages in Canada's branch-banking system. A banker from the Western States, while visiting Montreal the other day, referred to what may be thought a minor point—but an important one nevertheless. To his mind the national banking system is in a measure conducive to embezzlement. An employee holding the same position, year in and year out, necessarily has a greater chance to cover up peculation than one who is shifted frequently from branch to branch. And the knowledge that, in the ordinary course of banking routine, he may be transferred to another position at a moment's notice, must certainly prove a strong consideration where a man's native honesty needs any external buttressing.

This view is borne out by the opinions expressed, at a recent meeting of the Minnesota Bankers' Association, by a prominent surety underwriter. The point was emphasized that the losses under bank or other employees' bonds sustained by surety companies are not so much due, primarily, to the malicious dishonesty of employees, as to the absence of effective system or watchfulness on the part of the bank. In other words, it is due to too much freedom of action being accorded the employee—too much opportunity. This underwriter urged upon his hearers that, so far as in them lay, they should make it impossible for employees under them to embezzle money. It is "opportunity that makes the thief." Without opportunity no man can be a defaulter; therefore, minimize the opportunity as far as possible.

The statement was made that out of thousands of cases of observed defaults and embezzlements not one in a hundred came about through a deliberate purpose of defrauding an employer. "It is almost the invariable rule that the money is taken with an apparently honest intention of returning it to the employer, it being taken in a spirit of a

temporary loan, some exigency of a serious nature having arisen."

In passing, it is to be said that the growth of the practice of having bank officers and employees bonded by guarantee companies has itself tended to lessen dishonesty. It used to be feared that a company-bonded man would have less compunction than one for whom friends had gone personal surety; but practice goes to dispel the theory. The certainty of a guarantee company's doggedly following up every crime has proved a very real preventive factor.

But to come back to banking systems, *per se*. The Economist, of London, recently contained a clearly-put summary of banking conditions in Canada. Its writer deprecated any possible movement towards introducing the one-office banking system of our neighbours, and pointed out that the Dominion already had some slight experience with "local" banking—and not of a sort to encourage any present trend in that direction.

As one of the benefits of the chartered bank's arterial system throughout the Dominion, The Economist's article points out that, at present, the rate of interest at any new settlement in the Canadian West where a branch bank is found, varies but little from that prevailing at Montreal or Toronto.

It is further pointed out that a Canadian head office is always ready to assist country enterprises able to give a decent account of themselves; although it is rightly apt to be more exacting than the president of a national bank in the States, who may have his own money invested, or knows that friends have invested, or, in any event, is more or less affected by the local sentiment on the subject.

In no respect is the inadequacy of the national bank system so apparent as in this very matter of commercial loans. A large industrial concern in a comparatively small city cannot possibly obtain its full line of credit from local bankers. The necessity arises for bill-peddling, and the note-broker is thus an important middleman in American business affairs. Even in normal times, this method has its serious disadvantages. But when any general financial unrest occurs, it contributes strongly to bring on a crisis. The autumn happenings of 1907 gave unwelcome exemplification of this.

And the broadcast distribution of the paper of large borrowers opens chances for grave misrepresentation and dishonesty. Recognizing this, the United States comptroller of the currency is organizing a "credit bureau" at Washington—which will tabulate, for use of rational bank examiners, details and facts as to the clientele of different banks and the distribution of their paper. It is hoped that this "centralized exhibit of comparative