

## PRESIDENTIAL ADDRESS, CANADIAN BANKERS' ASSOCIATION.

Some extracts from this address, forwarded by telegraph, were laid before our readers a week ago, but we had not then been favored with the full text. We now give, on page 598, the bulk of the address delivered last week before the Canadian Bankers' Association by the president, Mr. Thomas McDougall, general manager of the Quebec Bank, who prefaced his paper by reminding his hearers that the present was the eighth meeting of the association.

The events of the past year lead me to speak of the intention and scope of the association. The idea of forming it was first suggested by the circumstances attending the last renewal of the Bank Act. It was then seen that the work of revising an Act which regulates the powers of all the banks in the Dominion should not be left to be undertaken at a few hurried meetings held during the session of Parliament when the changes are to be made; but that this work should be taken up beforehand in a systematic manner by such an organization as we now have. It was felt, besides, that there are other matters of legislation affecting banks which are continually cropping up, and which require more vigilant and careful treatment than they formerly received. The promoters of this association were amply justified as to the need of it for legislative purposes alone, even by what happened this year.

At the last session of the Quebec Legislature, the city of Montreal endeavored to impose a tax on the capital or the dividends of banks doing business in the city. This formidable attempt was successfully resisted, but not without a vigorous struggle on the part of the association. The province of Ontario, at its last session of Parliament, following the example of the province of Quebec, imposed a tax upon the capital of banks, but in so doing, it paid less regard to justice than this province. It has adopted a plan, the principle of which is not reasonable, and the effect of which is unduly severe upon banks having their head offices outside the province. The discriminating nature of this law was, at the time, pointed out by the association to the Government, but its representations did not avail to the extent expected.

One important advantage, however, is obtained through this Act, namely, that it puts a limit upon municipalities in Ontario regarding the taxation of banks.

## AIMS OF THE ASSOCIATION.

Along with the main intention of the association, it was justly supposed that the habit of meeting together for discussion would lead to agreements to mitigate competition, or, at any rate, to regulate it, where it is wasteful. A happy result of this kind is the arrangement to pay a uniform rate on savings deposits. This arrangement has worked along very smoothly for about four years, but in spite of the fact that it is plainly advantageous to the banks, and in spite of the circumstances that its continuance has been made possible by the efforts of the association, there is yet a feeling among members that the association has fallen short of the hopes entertained concerning it, because it has not done more in conciliating the rivalries of banks for business.

It is true that the competition between banks at present has become very keen, and it has taken on a new phase owing to the policy of bank extension which obtains at present, whereby branches are opened not only on new territory, but upon ground the financial needs of which had not been previously neglected.

The movement towards bank extension, like all things earthly, will "have its day and cease to be," but it will bring its own banking problems along with it, one of which is the system of divided accounts

—an artificial arrangement in banking which can be effectively met only by that spirit of affinity and mutual forbearance among banks which this association is intended to foster.

The trade situation of the Dominion, as shown by the recent official returns at Ottawa, gives signs all round of vigorous growth and prosperity. The customs receipts at the port of Montreal for nine months past indicate a continuous enlargement of imports as compared with the corresponding period last year. As illustrating the activity in trade, the bank clearings in Montreal, month by month, this summer, exhibit larger totals than they have done at any time since the establishment of the Clearing House.

In regard to exports—the published returns for July and August show a marked increase in the shipments of farm products.

## AN INSOLVENT ACT.

Repeated reference is made in the English papers to the anomalous state of our laws regarding insolvent estates, and the desire is expressed by merchants, having to do with this country, that we should have one federal Act applicable to all parts of the Dominion, instead of having half a dozen provincial acts for the distribution of assets, as now.

The same desire for the reform of the Bankruptcy Act exists among the merchants in Canada, and representations to that effect have been made in Parliament, through the Boards of Trade in the larger cities, for several years past.

The reasonableness of these requests is only too apparent, and it is surprising that the Government at Ottawa should continue to treat the matter with such indifference as it has done during two sessions of Parliament past; at the session of 1898 Mr. Fortin's bill was thrown out on a frivolous pretext, and last year, when it was again introduced, it did not meet with any countenance or support from the Government, for the alleged reason that the provincial acts are satisfactory. Now these acts provide each a different mode of procedure, so that a merchant at a distance, having debtors in trouble in several provinces, has to study the several acts, and besides that he has to employ a lawyer in each province to interpret each local act.

There is this defect also about these acts, that they do not provide for the settlement of estates by way of composition and discharge. Inasmuch as about half the failures at any rate are settled by composition, would it not be better to recognize this fact by legislation, and regulate it? It is to the knowledge of everyone concerned in failures that the large creditor enters into the deed of composition, but the small one does not, and he generally succeeds in getting paid in full. The question of composition and discharge is a difficult one, but it appears to have been fairly solved by the English Act of 1883 and 1890.

That act provides for a preliminary examination of the debtor to determine in the first place whether he has been honest or not. In cases of misfortune or unforeseen loss, fully accounted for, and when the debtor can secure  $\frac{3}{8}$  per cent. of his debt, a composition is permitted, and a discharge, without compromise, is allowed, when the estate of an honest insolvent has realized half his debt; but when wrong doing is apparent, or reckless extravagance in living, or speculation at the expense of creditors, even they are not allowed to give a discharge with simple reference to what the debtor may be able to pay for it. The state steps in as the guardian of trade morals to decide how the fraudulent or the incompetent trader shall be dealt with.

## THE BANK ACT.

The Bank Act of 1891 provides that the charters of the several banks to which it

applies are continued in force until the 1st July, 1901. It is probable that at the next session of Parliament this act will come up for consideration, in order that these charters may be extended for another term.

The term of ten years, as provided for in this act, is in accordance with what was done in previous renewals of the first general Banking Act of 1871.

Before that time, the duration of the bank charters was variable, being in some cases ten years, and in others as much as twenty-five. It seems desirable at this renewal, and after a third revision of the act, to extend the charters for a longer period, namely for twenty or thirty years.

At the last revision of the act, the most important addition thereto made was the creation of a fund in the hands of the Minister of Finance for the redemption of the note issues of insolvent banks. Circulation had previously been made a first charge on assets, and this amendment was intended to save the bill holder from delays of liquidation; and in order fully to insure that the bill holder should receive par after the suspension of a bank, the note was made to bear interest at 6 per cent. The effect of this latter proviso has been such that in four suspensions that have occurred since the fund was established, it has not been applied to.

## THE BANK FAILURES.

On the 26th July, La Banque Ville Marie closed its doors, and it has since gone into liquidation, under the Winding-up Act.

Irregularities of management have been revealed to the public in connection with the prosecution of the directors now going on, and it is not necessary, therefore, that I should particularly refer to them. The penalties for wrong-doing in this respect, are, under the act, made very severe, and the prosecution now on foot, will, in time, show how far they are effective. The failure of this bank has caused suffering and inconvenience to a large number of people, who will, no doubt, demand remedies from Parliament at its next session, calculated to prevent the recurrence of a calamity of this kind. I shall not forestall this discussion, or venture to express an opinion as to any remedies to be provided. I know that a committee of this association exists, whose special care it is to collect opinions from bankers and others, as to the amelioration of our banking law, and I have no doubt that when this law is up before Parliament for discussion, that committee will be prepared with suggestions expressing a consensus of opinion among bankers as to the manner in which the evils of mismanagement in this case may, if possible, be obviated.

On the 31st of the same month, La Banque Jacques Cartier also suspended payment. It is pleasing to note, however, that it is in a position to resume operations, as by notice to the banks given to-day.

For a month past the financial world has been perplexed and made nervous by the disturbances in the Transvaal, which have culminated in a declaration of war. It is not for us now to say what might have been done to avoid the dire resort to arms. The nation, of which this country forms a part, is committed to the contest, and it is well that we in Canada should lend her a willing hand in order that, by a clear demonstration of unity and strength throughout the Empire, the horrors of bloodshed, of which this country has been so full, may be as little added to as possible.

—M. Henry Brophy is consul of Guatemala, and Senor Emanuel Ohelen consul of Nicaragua, at Montreal.