

address, of 3rd December, 1906, to the shareholders of the Bank of Montreal said :

During the last quarter of a century, by failures of banks which could be organized under our present banking laws, the loss to depositors has been under \$750,000. The noteholders, of course, have lost nothing. I speak only of banks that could be organized under our present Acts. Other banks during that period failed, involving loss to both depositors and noteholders, but they were acting under old charters, and under conditions which do not now exist—in one case there was no double liability. Out of the twelve banks that have suspended since 1880 five only could obtain charters under our present system.

Of the banks in existence at the commencement of the period mentioned by Sir Edward Clouston, some were organized under Provincial charters with smaller capitalization than the Canadian Bank Act requires; some were eligible to be organized under the present Act; all were permitted to do business under the Act. A number of each kind failed, not for the reason of size, but on account of the quality of the management, which in all cases was reckless, in most cases fraudulent. If it be argued that small banks are more prone to disaster than large ones, the low percentage of failures in the United States, where the banks average very small in comparison with Canadian banks, gives increased weight to my contention. With capable management

bank of \$200,000 capital is not more liable to disaster than a bank of \$2,000,000 capital: the one must be content with a small circle of operation; the other must avoid the temptation to reach out with the dash and daring that in too many instances, for want of restraint, has resulted in menace and wreck. Splendid examples of banks that started with exceedingly small beginnings may be cited from the list of active Canadian banks. Without prudent management capital is short lived: lack of prudence, which often progresses to fraud, is what external examination should disclose.