

INSPECTION OF BANKS

Methods and Thoroughness Require to be Considered—
Loans—Protection of Depositors

"To contend for external examination is no longer necessary; only the method and the thoroughness of inspection require to be considered," remarked Mr. H. C. McLeod, former general manager of the Bank of Nova Scotia, at the resumed consideration of the Bank Act by the banking and commerce committee. "The privilege of enlarging the powers of circulation by the deposit of gold in a proposed central reserve, and the clarifying of the government statement should prove beneficial."

Banking profits were not excessive. Canada's difficulty in procuring sufficient new capital to keep pace with development would not exist if banking held out the prospect of good profits.

Bank capital and reserve profits now had a ratio of 14.98 per cent. to gross assets, a percentage that should not be reduced. "The return from bank capital is moderate, when the double liability is taken into account," he opined.

The machinery of the Canadian banking system was excellent, but in many individual cases it had been used without skill, or recklessly.

From the outset the finance department had failed to exercise effective control over the banks.

Protection of Depositors.

"We are told the government is afraid to assume responsibility lest attempts to conserve the interest of bank depositors should be construed as an obligation. It is not so in other countries," he said. "If efficient supervision cannot be provided in any other way the department of finance should organize a bureau for the purpose."

The new act had few provisions for the protection of depositors. In most countries savings depositors were the special wards of legislators.

Safe Load in Banking.

He suggested that the committee look into statistics to ascertain the extent to which banking prudence may go in making loans.

They would find that the limit of safe load is far more clearly defined in banking than in bridge engineering; they would also find that this limit had been persistently exceeded in Canadian banking. At the end of February, the total assets of Canadian banks were \$1,491,553,448, and the loans \$1,094,304,485, or 73 4/10 per cent., which was not far from the average percentage of some years.

"External inspection will clear away false accounting and have a salutary influence, but there are causes of failure that it may not obviate," he continued. "It may not save banks from over-expansion of loans, nor prevent the inevitable consequence of running without sufficient cash reserves and liquid resources. The banks should be required to keep a fixed cash reserve in gold and legal tender. Some years ago I advocated ten per cent. of a bank's liabilities to the public. I now advocate 15 per cent., as present conditions show the need of a large reserve. There should be a provision that in case the percentage is impaired the banks should pay to the government a tax equal to seven per cent. per annum on the deficiency."

Prohibit from Underwriting Certain Flotations.

"Banks should be prohibited from underwriting flotation schemes or investing in any security with which a stock bonus is either directly or indirectly given. They should be prohibited from including in their assets any shares of the stock of any corporation, unless such stock be acquired in the liquidation of an existing debt."

"Every bank should be required to annually publish a list of its so-called investments, and this list should bear the verification of the auditor."

CANADA'S CREDIT

"The Dominion is almost entirely dependent for fresh capital upon this country, yet I am impelled to say ignorance is still existing among men holding high positions in Canada. It is quite surprising to some of my countrymen who go forth to gather money, thinking it falls from heaven," remarked Sir Frederick Taylor, when presiding at the Canada Club dinner in London. "Criticism has been levelled quite naturally against certain phases of Canadian borrowing. Let Canadians be true to themselves, remembering that the maintenance of Canada's credit in the London money market is vital. Curtailement would be serious, so let us join in crushing the vendor of spurious Canadian goods in this market."

RATE OF BANK INTEREST

Discussed in Senate—Increase Not Likely—Conditions
Not Changed

An increase of one per cent. in the rate paid savings depositors would practically wipe out the profits now earned, said Senator Dandurand at a discussion on bank interest in the Senate at Ottawa. Banks had to charge themselves with at least three-quarters of one per cent. for administration, and another three-quarters of one per cent., which represented the loss of interest on money the banks had to hold to meet the demands of depositors. The banks did not average more than 6 per cent. on commercial advances, and not more than 5 per cent. on call loans. As depositors seemed satisfied, why should the government interfere?

Senator Cloran said Mr. Dandurand had spoken as a shareholder. Savings deposits were made by working men and women, and should not be manipulated to their disadvantage by the banks.

Government Should Pay Value.

If money was worth 4 per cent. the government should pay that sum for it, remarked Senator Domville.

Senator Edwards opined that an increase by statute would result in a financial collapse. It should be governed by supply and demand. Few holders of bank shares, who took all risks, got more than 5 per cent. on their investments. Banks had been the greatest factor in Canadian development and no institutions rendered such great service for so small compensation.

Senator Powers, who is responsible for the discussion, said the high price of bank stocks indicates that banking has been exceedingly profitable, and the depositors should share the prosperity.

Science of Finance.

Finance was a science, stated Senator Loughheed. It would not be fair to non-depositors in the Post Office Bank if the government paid more than the depositors were worth. For 40 years the government had been borrowing at 3½ per cent. It cost the government something for administration and to hold the required gold reserve for deposits. Demand money was worth less than time money. In 1898 Hon. Mr. Fielding had reduced the interest rate from 3½ per cent., saying that more than half the deposits with the government were owned by people who could be regarded as wealthy. This condition had not changed.

The marketing of government securities in small amounts to Canadians, was suggested by Senator Bostock.

MONTREAL BROKERAGE HOUSES

Monetary Times Office,

Montreal, April 3rd.

Montreal brokerage offices have shown a marked disposition of late towards the admission of partners of the younger generation. Messrs. C. Meredith and Company, of the Montreal Stock Exchange, now announce the admission of Mr. A. T. Shaughnessy into partnership. This is the second or third announcement within a very few months past of new partners in the Meredith firm. Mr. D. E. Crutchlow became a partner as did Mr. Hartland Macdougall not very long ago. Mr. Shaughnessy is the son of Sir Thomas Shaughnessy, president of the Canadian Pacific Railway.

The firm of Greenshields and Company recently took in two new partners from the younger generation also, these partners being Messrs. R. O. Johnson and R. D. Bell. Mr. Johnson was formerly with Laidlaw and Company, of New York, and came here shortly after the Greenshields firm was organized. Mr. Bell arrived about the same time from New York, having been there a member of the staff of The Sun.

Quite a number of brokerage firms are being organized in Montreal, and in a great many cases the members of the firm are still in the twenties in the matter of age.

Mr. A. T. Shaughnessy, who has just joined the firm of C. Meredith and Company, has purchased the Stock Exchange seat formerly owned by Mr. J. R. Meeker. Mr. Meeker has just retired from the Stock Exchange, being one of the oldest members. For many years he appeared daily on the floor and his disappearance marks the severing of another link between the old and the new.

Mr. Basil Jones has been admitted to the firm of Messrs. W. A. Henderson and Company, Winnipeg. Mr. Jones is a member of the Institute of Chartered Accountants of Manitoba and will now be resident partner of the firm at Medicine Hat, Alta.