THE SHAREHOLDER.

MONTREAL, FRIDAY MORNING, JULY 21, 1882.

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PREVENTION OF DEFALCATION.

UNDER the above heading *Rhodes' Journal* gives its readers a valuable and suggestive article, commencing with a terrible array of recent embezzlements, frauds, defalcations and various kinds of swindles in the United States by bank officers, directors, or others in trust. Its object in calling attention to this large number of cases of default is to prove that there is a defect in the management of banks generally which is equally detrimental to the officers and clerks and to the interests of the shareholders. The evils complained of, in the opinion of the writer, lie primarily with Directors who habitually neglect the duties for which they were appointed. He proceeds to seek a preventive, and says:—"In the large majority of the cases of default that have come under public notice the peculations have been carried on from time to time, extending over considerable or long periods. In the St. Louis case mentioned above it appears that they were carried along for ten years, and the Baldwin frauds extended over a like period. Now, this would be impossible under any proper system of examinations by the Directors. And, as it is impossible for these to devote the same time to a bank's business as a private banker would, it is not too much to call upon them to institute such a reform so palpably necessary. Examinations properly conducted from time to time would not only reveal such discrepancies as might have occurred, but would be certain to prevent many others. Many bank clerks are now tempted to fraud by the very negligence of those in charge. But what is a proper examination, and how should it be conducted? An example of the kind is found in the case of the National Tradesmen's Bank, New Haven, Conn., where an improved system of examination was instituted in December, 1881, by Mr. GEORGE A. BUTLER, the Cashier. In that case they are had every six months, but it would probably be better in most cases to have them at shorter intervals, and for the Directors to choose the day without the knowledge of the employees. In the bank above-mentioned the examination is conducted by the examining committee, consisting of four members of the Board of Directors, each six months, on the first day of a month. No officer or clerk takes any part in the work of examination—except to answer the examiner's questions, if required—and the entire assets of the bank are placed in the hands of the Committee. They count the cash, and examine all the loans and securities of the bank. All the banks indebted to the Tradesmen's Bank send monthly statements of the balances due. The letters containing these statements and drafts are turned over to the Committee, and are by them compared with the books. The notes held by other banks, the accounts of the New York correspondents, and the amounts due by the Tradesmen's to other banks (as shown by the books) are in like manner certified by the other banks to the Committee. The result of the examination is drawn up in the form of a statement by items of the resources and liabilities of the bank. This is certified to as correct by the Examining Committee, the fact of the examination being specially mentioned, and the whole is published for the benefit of the stockholders. By this method the Committee and the stockholders are assured that the books give a true account of the actual condition of the bank, and that peculations, such as have been carried on from year to year in many cases, are impossible in their bank. The only part of the ground not covered is the deposit ledger, which must, perhaps, always prove a weak point as regards examinations. Such a system requires no recommendation. It is better for the officers and clerks, because it saves them from many temptations. Directors should require it, so as to relieve them from heavy responsibility and possible loss. And, lastly, shareholders are entitled to and ought to demand that some system providing for thorough examinations should be established in every bank, the results being published to them and the public. There have been too many examples of shiftlessness in bank management, and so necessary a reform as this should not be delayed." We have so frequently, and in the plainest of words, expressed our opinion as to the culpability of the neglect or indifference so frequently exhibited by Directors that it is not necessary here to renew them. We are glad to see that so powerful a journal as that just above quoted has returned to the charge, and have much pleasure in circulating its views.

MONTREAL LOAN AND MORTGAGE COMPANY.

REFERRING to the advertisement of this Company, there are a few items of interest to the reader and investor that it would not be amiss in calling attention to. In the first place, the Company has existed for 25 years, a pretty good test in point of time. During this quarter of a century it has paid a dividend ranging from 7 to 23 per cent. The business of the Company is lending money on real estate, and purchasing mortgages. The Company is authorised to act, in any position of trust, as guardians, executors, and administrators to estates, or as receivers; receives money on deposits at current rates of interest, the security being the first lien on all the assets of the Company, these being estimated, we understand, at about a million and a half of dollars. The Company also issues sterling debentures, payable in London, and currency debentures, payable in Canada, in denominations of from $100 and upwards. From the last report, dated March 1, 1882, we find such names on the directorate as M. H. GAULT, M.P., the Hon. A. W. OGILVIE, ROBT. ESDAILE, Esq., THEODORE HART, Esq., Mr. A. F. GAULT, and Mr. THOMAS CRAIG, Managing-Director of the Merchants' Bank. Such a list guarantees the perfect safety of the Company, whilst the Manager, we may add, is one of the hardworking, careful sort, whose sole ambition is to keep up the reputation of the Company.

THE GRAND TRUNK AS AN AMERICAN LINE.

SOME of the United States papers have of course commented on the fusion of the Grand Trunk and the Great Western of Canada. Among the most influential of these is the St. Louis *Railway Register*, which describes this scheme as "one of the most important "railway transactions ever known, and "carrying results of the most far-reaching "nature." The *Register* further believes that a still greater expansion of the Grand Trunk is inevitable, and adds, "It would "not surprise us if within a few years the "Grand Trunk should either own or con- "trol a line from Buffalo to New York. "Such an acquisition would seem to be "almost necessary, and could be secured "without serious trouble, and at a reasonable "cost. The Grand Trunk has been becom- "ing more and more a United States line "ever since the purchase of its Chicago ex- "tension;" and it calls upon the Grand Trunk "to enter more into the spirit of the "American Companies and be more friendly "with them." We know of no need for this latter exhortation, but the spirit of the article in question could not possibly be "more friendly" to the Grand Trunk than it is. The fact is that the superb management of our great Canadian line, from one end to the other, makes friends for it all over the Continent.

A HINT FOR CANADA.—The Stockholm correspondent of the *Timber Trades Journal* says that several large ships are now in course of loading between Gefle and Sundswall for Australia, with deals, while planed goods have also been shipped thither to some extent. If Scandinavians can adventure thus profitably, how much more so Canadians!

IMPORTS OF MONTREAL.—The value of merchandise entered for consumption at this port during the month ending 30th June shows an increase of a little over a quarter million dollars on the corresponding period of 1881. Compared, however, with the month of May, 1882, there is a decrease of over half a million dollars.