

BANK INSPECTION.

ANNOUNCEMENT has been made that the Bank Act will be revised during the present session of Parliament. This, therefore, seems an opportune time to give some extended consideration to the desirability of adopting in Canada government inspection of banks, or the independent audit of banks by other means. I have long been convinced of the needfulness of independent examination, and advocated its adoption at the last decennial revision of the Bank Act. The weakest point in the Canadian banking system is the lack of any check on the direction and general management, and to this defect failures are mainly due. The government examination of the United States, and the independent audit of Great Britain and other countries, in effect investigate the conditions under which each bank is governed. The supervision of banks which is advocated is not experimental: in one form or another it is in vogue in countries transacting more than three-fourths of the business of the world.

On the 22nd of November, 1906, the *Globe* published an article over my signature urging external examination of banks.¹ That article called attention to bank failures in Canada, which were twenty-five per cent. in number within the preceding twenty-five years, while in the United States even an imperfect system of examination had reduced failures to five per cent. The article, although generally commended by the public, called forth criticism by some bankers opposed to external examination. Sir Edward Clouston in his annual

1. The letter appears in the appendix, page 27.