

STANDARDISATION OF CHEQUES

The subject of the standardisation of cheques has recently been brought to the attention of banking institutions, as well as mercantile organisations, through the medium of "The Secretary," published in London, England, by the Chartered Institute of Secretaries. An article appearing under the nom de plume "L. S. D." in the above journal will no doubt be of great interest to financial institutions and others in Canada. Dealing with this subject the writer says as follows:

The question of standardising cheque forms has, from time to time, been the subject of discussion in banking circles, and a brief consideration of the subject may be of value; particularly if it is possible thereby to assist in improving the machinery of commerce, by co-operating with a view to establish reasonable uniformity in the size and design of the cheque form. In all probability the advantage gained would not be confined to the banks.

A well-known banker said, some time ago, in commenting upon the increasing variations in the size of cheques, that they ranged in dimensions from those of a visiting card to those of a newspaper, and, although these may be regarded as the extreme points, the intermediate sizes are now exceedingly numerous. The development is, of course, due to two causes: the desire of the business man for additional means of advertisement, and that of the private individual for a cheque book which is free from bulkiness when in the pocket, and through this development have come the "freak" cheques which circulate so freely today. The banks have succumbed to the clamor for specimens of the engravers' art on cheques and for their use as an advertising medium, or for something unique in form, instead of standing firm for a common sense design that would be convenient to the commercial community as well as to themselves. As far as the liliputian "pocket" cheque is concerned, the banks are perhaps directly to blame for an unnecessary innovation. The reduction in size has become grotesque.

Picture poster cheques, and those of which the upper portion frequently resembles a bill-head, are probably of far less advertising value than is generally supposed; indeed, it is doubtful if they have any value at all. They pass, as a rule, from the hands of the payees, who already know the drawers, in to those of hard-pressed bank clerks who, in many instances, spend valuable moments in picking out the name of the bank, branch and amount from the intricacies of the design.

The establishment of uniformity of size, particularly in the horizontal width of the cheque forms, would materially assist those whose business it is to handle them in considerable numbers. The

value of such an arrangement would be incalculable to the Bankers Clearing House. A considerable (but, possibly owing to existing familiarity, imperceptible) strain on clerks would be relieved, and saving of time in a very important part of the machinery of the country's business would be effected. All this, and more, could be done if a general indication could be given to the banks that a standardisation, which they themselves would welcome, would be acceptable to their customers.

It may be mentioned that, ten years ago, a committee of the American Bankers' Association reported the desirability of standardising the size of cheques and other bank paper, and it is believed that the uniform dimensions for cheques of 3½ inches by 8 inches recommended were agreed to by the U. S. Treasury. Possibly, as it is almost necessary to continue a "company" size cheque, to allow space for several signatures, a large size, say 5 inches by 8 inches, might also be instituted, allowing a narrow space at the top for the drawer's name, if desired.

The matter of color is more difficult, principally because the shades of the most "protective" inks are not those of which the colors impose the least strain upon the eyes.

There is another development of the cheque form which might, with advantage, be standardised, if it is not possible to dispense with it entirely. This is the draft with the receipt form attached. Such a conditional document is generally outside the meaning of "cheque" in the Bills of Exchange Act, and, although Section 17 of the Revenue Act, 1883, may, and possibly does, extend to it, that Act does not make the order a negotiable instrument. Sir John Paget, the eminent authority on Banking Law, is not satisfied that such a document is even transferable. From this it is obvious that the paying banker will require an indemnity, for he has no such statutory protection as he has when paying a cheque. Uniformity would be most valuable.

Apart from size and form there is the question of protection from fraudulent alteration. This can only be obtained by chemically-treated paper and by the "fugitive ink tablets" which appear on most bank forms. Frequently, and more particularly in the case of dividend warrants, companies desire to obtain them from their own printers. The result is usually that, full consideration not having been given to this important question of "protection," numerous avenues for fraud are opened up by means of which the banker or the drawers will, sooner or later, suffer loss. Many suggestions have been advanced to prevent fraudulent alteration of cheques; by a special space in the margin where can be stated that the amount is \$..... "not exceeding \$....."; by a similar idea for tearing