

the commercial requirements of the country. In consequence we are asking the managers to be careful not to encourage in any way requests for loans against stocks and also endeavour to arrange in every possible case for systematic reductions in the loans of this character now current on their books. We appreciate that in isolated instances some latitude is expedient but where such cases exist an advanced scale of interest rates is clearly reasonable. We are also asking the managers for better co-operation in getting stock loans of the bank down to normal level, both in the interest of the bank and its customers. The prevailing prices of many stocks are in our opinion inflated much beyond justifiable levels and we regard the general situation in this respect as most unhealthy. From time to time we are assured that this or that customer will soon or within a few months commence reduction of his loans, but these promised reductions very seldom materialize. Obviously this is most unsatisfactory. We are not content to agree to action being deferred in the hope that an upward trend in stock prices will occur and where payments cannot be effected from funds in hand it is the duty of the manager to arrange with his customers to sell without delay a reasonable proportion of the securities pledged and to apply the proceeds on their loans. The majority of customers merely carry loans on stocks in the hope that they can sell later on to someone else at higher prices and a point is eventually reached—more particularly when stocks begin to decline—where no one wants to buy.

Extracts from the Address of the General Manager, Mr. S. H. Logan, to the Shareholders at the Annual Meeting of the Bank, 10th January, 1928

There has been considerable speculation in stocks which has created the impression that general trade is more active than it really is, but it is important for speculators to bear in mind that they should not make commitments beyond their ability to pay. Overtrading can lead only to disaster, and brokers can greatly help maintain a condition of sanity in the stock market by insisting on the maintenance of very substantial margins.

Extract from the Address of the President, Sir John Aird, to the Shareholders at the Annual Meeting of the Bank, 8th January, 1929

I am certainly of the opinion that, while the situation is sounder here than in the United States, the time for a halt has come, and that banks and financial houses should do all in their power to restrain the speculative tendency within reasonable bounds. . . . It is well to remember that a rise in prices in the stock markets does not in itself increase the wealth of a country. In so far as it is due to inflation of credit it amounts simply to a revaluation on paper, largely made in anticipation of what the future may bring. If these anticipations are realized all goes well, but, too often, the reverse is the case. The supply of credit from the banks should be based, not on mere anticipations of future wealth, but on that which is actually in existence, and which can be utilized for the increase of bank reserves. On this basis alone can a sound expansion of bank credit take place.

THE CANADIAN BANK OF COMMERCE

CIRCULARS TO BRANCHES RE COMMERCIAL LOANS

16th March, 1927

It is gratifying to note that a fair proportion of the balance sheets coming before us show that satisfactory profits have been earned during the past year. We observe, however, that in many cases there is a tendency on the part of the owners of commercial enterprises and firms to withdraw a larger percentage of the earnings by way of dividends, etc., than is justified, either by the financial position of the business or the amount of the profits. In the interests of our