CANADIAN BANKING PRACTICE.

By H. M. P. Eckardt.

I.

In a country situated as Canada was, having the larger part of its banking business connected with the gathering of produce over wide areas, and the shipping of it over long distances, with a corresponding process in the supplying of manufactured goods, whether from foreign countries or Canadian centres, economy and efficiency alike required a system of banking where the same institution could afford accommodation at fairly uniform rates over wide areas, and in many centres simultaneously. Obviously these objects were best secured by a few large banks with numerous branches.—Professor Shortt's History of Canadian Currency, Banking and Exchange, in the journal of the Canadian Bankers' Association.

These remarks applied to the Canada of 1870 and previous years. There were then, as now, the two kinds of banks—the large concerns, with branches in different parts of the country, and the small institutions, with operations confined to a particular place or section. Though several of the last named class have since been organized and successfully conducted, the tendency is unmistakably towards the complete absorption of the banking business of the country by banks with branches. Progress towards that point has been at a greatly accelerated pace in the last few years. Of the localized banks, some have stopped, some have been absorbed by large banks, and others have saved themselves by broadening the area of their operations. Those possessing but a single office, like the national banks of the United States, have had a hard struggle to maintain their ground. They were very numerous in the Dominion; one only now remains. The kind with a few branches, and these contained in a restricted area, were more in evidence. They have been rapidly disappearing or changing character.

Large Demand for Men.

At the time of which Professor Shortt wrote the branches of the banks were found nearly altogether in Ontario, Quebec, New Brunswick, and Nova Scotia; and they were but sparsely scattered in those Provinces. In the last decade a phenomenal expansion has occurred in all directions—the offices in the older Provinces being multiplied, and hundreds of new establishments being opened west of Lake Superior and on the Pacific slope. Concurrently, the gross business or turnover of the banks and the totals of their balance sheets have increased by leaps and bounds.

To handle the larger business and to man the new offices has called for a great enlargement of the banking staffs. At the annual meetings some bankers have confessed that they were unable to open as many branches as they wished because they could not find the managers and the clerks they needed. In the effort to fill this demand juniors have been rapidly promoted, men imported from outside businesses and professions, and bank clerks brought from England and Scotland. In view of the circumstances, it was thought that a series of articles explaining the various features and principles of the present-day Canadian banking practice, the reasons for the regulations contained in the codes, the approved methods of training of juniors and of developing expert bankers, the mechanism of head office government and supervision, and other matters connected therewith, would have interest for a large section of Monetary Times readers.

Some Comparisons.

With the view to engaging the attention of business men having relations with the banks, and of others who may be interested in the subject it is proposed to avoid technicalities, and to give, wherever possible, illustrations and incidents drawn from recent happenings in everyday business. The articles will aim, in short, at presenting the interior working of the Canadian bank in a manner that will appeal to outsiders as well as to the clerks and officers. Before proceeding to the matter of the education of the junior officer prior to and after he joins the profession, some space will be devoted to descriptions of the general character of the business transacted by the banks in Canada, its peculiarities and points of difference from the banking business of other countries, notably of the United States and of England and Scotland, and of the process of forming or organizing a new bank in the Dominion, as prescribed by the Bank Act.

We have seen that, in the old days, the business of the banks consisted mainly in facilitating "the gathering of produce over wide areas, and the shipping of it over long distances, with a corresponding process in the supplying of manufactured goods." This work still constitutes a very large part of the banking operations. Of course, with the growth of the country, and the heavy increase in the output of natural products and of manufactures, the connection of the banks with these forms of activity has largely increased. But the growth of population and of wealth has compelled them to undertake a great deal of business of a different kind. Every year their operations become more complex.

Help More Promotions.

They undertake considerably more of what is called financial banking than they did formerly. Loans to Stock Exchange houses, investments in stocks and bonds have grown to large proportions, and the connection with new flotations of securities has increased. They engage freely in business offered by the principal mining centres; they assist the manufacturing interests, not only to turn out and distribute goods for home consumption, but also to ship stuff abroad, and to collect payment therefor. They have drawn to themselves practically the whole of the new deposit and savings bank business of the country, and they have done valuable service, with their loans made in the new towns of the West, in helping to build up that part of the Dominion.

Various People, Various Methods.

To learn the general methods of banking in any country it is necessary to study the forms of activity carried on by its people. In Canada these are many and varied. Nearly every Province is strong in agricultural products. On the Atlantic seaboard, in Nova Scotia and New Brunswick, the principal special occupations, apart from the professions and the general distribution of goods, are: the fisheries, coal mining, iron and steel manufacturing, lumbering, trade with the West Indies, with Europe, and the United States. In Ontario and Quebec they are general manufacturing, mining of various kinds, the inland lake traffic, fruit culture, dairying, lumbering, and, centred in Montreal and Toronto, is the trade with foreign countries and the heart of the transportation and financial business. Manitoba's great specialty is wheat. It also has important fisheries, and, just now, railroad construction is active. Winnipeg is the great distributing centre for Western Canada. Alberta and Saskatchewan also are strong in wheat and agriculture. Ranching and coal mining have considerable importance, and railroad construction is much in evidence, and will be for many years.

United States Similarity.

All three Provinces are quickly filling up with settlers. Their arrival, purchases of land, and farming operations, have an important influence on the banking business of the West. British Columbia has mining, fisheries, fruit, lumbering and Oriental and Antipodean trade. And, far to the north, the Yukon finds its sustenance altogether in gold mining. How the banks deal with these interests, how they give their assistance, the terms they exact, and the conditions they impose will be taken up after a few of the features of Canadian banking that contrast sharply with banking in other countries have been lightly touched upon. Taking the United States