

## THE INCREASE IN CANADIAN BANKING CAPITAL.

The increase in Canadian banking capital during the twelve months ended June 30 last was notably lower than in the preceding twelve months. In the previous year, a number of the important banks made large issues in response to the demand for increased banking capital in order to cope with the expanding requirements of the country. The greater part of these new issues were paid up prior to June, 1912, and there has been no similar wave of expansion within the last twelve months to carry further upward the capital account at the same rate as in the previous year. Conditions during the last twelve months have not been favorable for the further extension of the banks' capital accounts; and so far as recollection serves, a recent announcement by the Standard Bank of a further issue is the only one of its kind which has been made for several months.

The most sweeping changes in the capital accounts which have taken place during the last twelve months have been due to the three amalgamations arranged during the period—the absorption of the Traders' Bank by the Royal, of the New Brunswick by the Nova Scotia and of the Internationale by the Home. In the case of two of these amalgamations, those in which the Traders' and the Internationale figured, their consummation resulted in a reduction in the nominal amount of the banks' paid-up capital. In the case of the former arrangement three Royal Bank shares were given for four Traders' Bank shares. In the case of the Home Bank the increase in its capital during the year ended June 30, was \$650,000, while the capital of the Internationale, now absorbed, was \$1,344,000.

### SUBSTANTIAL ADDITIONS.

Apart from these changes caused by amalgama-

tions, several of the banks have made substantial additions to their capital accounts during the past twelve months. The Nova Scotia, in addition to the increase in its capital caused by the absorption of the New Brunswick bank, has had paid up over \$950,000 on a new issue of \$1,000,000 stock announced about a year ago. The Imperial also has added more than \$900,000 to its paid-up capital. The Hochelaga has added \$677,000; the Northern Crown, \$565,000; the Standard, \$493,000; the Dominion, \$457,000; the Ottawa, \$440,000; and three other banks have made additions of over \$100,000 to their capital accounts during the year.

It is hardly to be anticipated that the immediate future will see large increases in the banks' capitals. One of the reasons which have strongly urged bankers hitherto towards increases has been the necessity of meeting the demand for circulation. This demand can now, under the new Bank Act, be better met through the new Central Gold Reserve. The bankers have for many years inclined to be cautious in regard to the extension of capital accounts for the sound reason that they have not wished to jeopardise their dividend rates. It is so long since a Canadian bank cut its dividend rate that it is quite possible such action now would create an unfavorable impression and effect altogether out of proportion to the originating cause. At the present time, no doubt, the banks' earnings are at a high level, but in view of the possibility of lower earnings and also of the fact that probably new issues of capital would not be taken up at the moment very eagerly by shareholders, a period of comparative quiescence in this connection would seem probable. In the case of some of the smaller institutions, the capital accounts are of course, practically always open.

### PRUDENTIAL OF AMERICA TAKES ACTION ON POLICY LOANS.

Mr. Forrest F. Dryden, president of the Prudential of America, has issued a circular letter to the field force drawing attention to the dangers of the rapidly-increasing practise of borrowing upon life policies, and inviting co-operation in two definite lines of action. Mr. Dryden points out that at the present time about one policy in four having a loan value has been borrowed upon. Experience in both the field and the Home Office, he says, has demonstrated that many loans are unnecessary or ill-advised, and it is unfortunately the case that loading down a policy with loans is not only the frequent cause of its ultimate lapse, but under such circumstances the policyholder becomes a ready prey to that pirate of the insurance business known as the "twister."

With a view of diminishing the force of the policy-loaning evil, Mr. Dryden recommends action along the following lines:—

"First, strive for a reduction in the number and amount of new loans. When soliciting insurance do not make a special feature of the loan privilege,

as the casual mention of it should be sufficient in most cases.

"Again, when a policyholder applies for a loan, while you should remember that he is within his rights in so doing, you should, nevertheless, call his attention in a tactful and friendly way to the danger of mortgaging the policy and of thus reducing the protection and increasing the probability of eventual lapse. If he finally decides to secure a loan, then show him the wisdom of applying for only such an amount as is absolutely necessary to meet his emergency.

"Second, strive for repayment or reduction of outstanding loans and collection of interest. As opportunity offers, policyholders should be urged to repay their loans in full if possible, or at least by regular instalments of \$5 or upwards. In any event, the interest when due should be collected whenever possible, thus avoiding any increase in the original loan."

Mr. Dryden closes by saying that he feels sure that if these suggestions are followed and earnest co-operation given, material benefit will accrue to policyholders and all others concerned.