CANADIAN BANKERS' ASSOCIATION

USEFUL PROTECTIVE LEGISLATION.

The incorporation of this Association at the last session of Parliament afforded its members the opportunity to devise means for minimizing the chances of any recurrence of the deplorable condition of affairs revealed by the failure of the Ville Marie Bank. Although it is true that no system of inspection will absolutely prevent fraudulent practices, and although Parliaments are powerless to shield bank shareholders and poor depositors from the consequences of wrong-doing on the part of weak directors or dishonest managers, the by-laws of the corporation created by the special act, recently published in the "Canadian Bankers' Journal," have evidently been framed by men who are determined to afford the public all the protection possible against the dangers referred to. The most astounding disclosure in connection with the revelation of rottenness which followed the last failure of a Canadian bank was the state of its note circulation. That the Government realizes the necessity of adopting such measures as can be devised by the bankers themselves to prevent a recurrence of a scandalous abuse of the privileges conferred upon our banks by charter is shown by a clause in the proposed by-laws relating to note circulation. The clause in question provides for the making of monthly returns to the Canadian Bankers' Association, signed by the presidents, general managers and chief accountants of the interested banks. This return will, if true, set forth the exact condition of the circulation accounts of the institutions rendering same. In addition thereto the periodical destruction of notes by any bank will be certified to by three directors and the general manager. The by-laws also give to the Executive Council of the Association power "at any time to direct that an inspection shall "be made of the circulation accounts of any bank by "an officer or officers to be named in such resolution, "and such inspection shall be made accordingly.

"(e) Some person or persons appointed by the Executive Council of the Association shall, during the "year 1901, make inspection of the Circulation Ac-"counts of every bank doing business in Canada, "whether members of the Association or not, from "the year 1890 to 1900, both inclusive, and shall re-"port thereon to the Council, and shall thereafter in-"spect the Circulation Accounts of each bank during "the year; and upon every inspection for the past "or future, all and every the officers of the bank "whose Circulation Account is so inspected shall "give and afford to the officer or officers making the "inspection, all such information and assistance as "he or they may require to enable him or them fully "to inspect said Circulation Account, and to report "to the Council upon the same, and upon the means "adopted for the destruction of notes." Whatever may be thought of the good intentions of the Government and the banks, and the mechanism they suggest as a means to prevent any over-circulation of notes, there can be no conflict of opinion as to the merits of that clause of the by-laws adopted by the Canadian Bankers' Association, which deals with banks suspending payment. The said by-law reads:

"Whenever any bank suspends payment a curator, as mentioned in section 24 of the Bank Act, Amendment Act, 1900, shall be appointed to supervise the affairs of such bank. Such appointment shall be made in writing by the president of the Association or by the person who, during a vacancy in the office of or in the absence of the president, may be acting as president of the Association. If a curator so appointed dies, or resigns, another curator may be appointed in his stead in the manner aforesaid. The Executive Council may, by resolution, at any time remove a curator from office and appoint another person curator in his stead.

"A curator so appointed shall have all the powers and subject to the provisions of By-law No. 15, shall perform all the duties imposed upon the curator by the said Bank Act Amendment Act; he shall also furnish all such returns and reports, and give all such information touching the affairs of the suspended bank as the president of the Association or the Executive Council may require of him from time to time. The remuneration of the curator for his services and his expenses and disbursements in connection with the discharge of his duties shall be fixed and determined from time to time by the Executive Council." Whenever a bank suspends payment and a curator is accordingly appointed, the president shall also appoint a local advisory board consisting of three members, selected generally, as far as possible, from among the general managers, assistant general managers, cashiers, inspectors, or chief accountants, or branch managers of any bank at the place where the head office of such suspended bank is situated, and the curator shall advise, from time to time, with such advisory board, and it shall be his duty, before taking any important step in connection with his duties as curator, to obtain the approval of such advisory board thereto. With the sanction of such advisory board, he may employ such assistants as he may require for the full performance of his duties as curator. After careful perusal of the by-laws of this new Corporation we find ample evidence therein that they have been prepared for the purpose of preventing, as far as possible, any further blots on the records of Canadian banking history, and the excellence of a system which has now been thoroughly ttested in fair and foul weather is not likely to be impaired by aught to be found in the legislation which has given to the bankers the power to improvise a plan of self-discipline, and to guard against disaster by the adoption of protective measures against fraud and deceit.