THE CANADIAN BANK ACT.

(4th Article, continued.)

THE BANK NOTE.

With regard to this section 56, we would suggest that it be amended further so that it prohibit banks from making their notes nominally payable at a certain branch. A bank in Canada and its branches are an entity, so far as its notes are concerned. The section already insists upon this. Time was when it was customary for a bank-note to be printed bearing the announcement, on the back, that it was redeemable only at a certain branch. This the Act has not interfered with, probably to save the banks the expense of issuing a new series of notes. But, as ten years have elapsed since the present provision was adopted, and as most, if not all of the banks, no longer make their notes specially payable at any one branch, and as there is now no reason for preserving anything obsolete in the Act, one straight, sweeping section is required to modernize the Act.

Section 57 is somewhat ludicrous in one particular. It provides that any creditor of the bank may ask for payment in Dominion notes up to $100, if his claim amounts to that or more. That is quite satisfactory, but it also provides that neither these notes nor the notes of the banks shall be torn or partially defaced by excessive handling. The act is quite within its rights in insisting that no bank shall issue its own notes in a torn or partially defaced condition, but in view of the fact that the average Dominion note, is and long has been a collector of microbes and a disseminator of disease, as tattered as a tramp and almost as defaced as the poor man who suffered from the claws of the bear, there is something ludicrous in the Bank Act calling upon the Banks to provide the public, on demand, with crisp, new, clean, crackling notes, when the Dominion Note Act says nothing upon the subject. In due deference to its self-respect, the Government had better omit this portion of the section from the next Act.

Section 59 provides that at least one signature on a bank note shall be in the actual handwriting of the person authorized to sign it. This is, of course, intended as a check upon counterfeiting.

Section 61 provides a penalty for the defacing of a bank-note. (It also says Dominion or Provincial note, though why this in a Bank Act we do not know.) The defacement referred to is drawing, printing, writing or stamping thereon, or affixing an advertisement thereto. This does not go far enough. Actual willful mutilation should also be provided against. We are informed that the Express Companies frequently sew together the bank-notes entrusted to them for carriage, and that there has been quite a dispute between them and the bankers upon the subject.

Section 62 is somewhat drastic. It insists that every officer charged with the receipt or disbursement of public moneys, and every officer of any bank and every person acting as or employed by any banker shall stamp as counterfeit, altered or worthless every Dominion or bank note of the kind presented to him at his place of business. His own judgment is relied upon, apparently, and the only recourse afforded the owner of the note, which might possibly be genuine, is to prove its genuineness and ask the man who stamped it to pay it. The Act should, at least, provide that whoever stamps the note in this manner should also sign his name or otherwise identify himself beyond dispute with the action. The section itself is praiseworthy, but in this connection section 61 should be modified so as to exempt such officers who may by an error of judgment stamp a good note as bad. As the two sections stand, these men are constrained to pass judgment on every note they handle, yet are liable to a penalty if they make a mistake.

Section 63 provides a penalty for anyone who issues an advertisement or anything of the kind in the form of a bank or Dominion note.

We have gone somewhat fully into the nature of a bank note, because we feel convinced that the new Act will deal more largely with it than anything else. We now come to the weak points in the Act regarding it.

Passing over minor weaknesses, we come to the one great defect in this and previous Acts.

The Act provides that no bank shall issue notes exceeding in amount its unimpaired paid-up capital.

As a check upon this it provides for monthly statements, one item of which is the amount of notes outstanding.

The penalty for a false statement is very severe. The maximum is five years, and in addition the guilty parties are personally liable for all damages incurred by any person in consequence thereof. The penalty upon the bank itself for an over-issue is a money penalty, not to be collected until the other creditors are paid, if a bank becomes insolvent.

Notwithstanding these penalties, no bank has failed in recent years without first running its circulation up beyond the normal and sometimes beyond the legal limit. How to check this tendency is the chief point to be considered in the forthcoming renewal of the Act.

It does not require much study to arrive at the conclusion that the only way to prevent an over-issue of notes is to take the printing of them out of the hands of the banks, the Government, or somebody, duly authorized by Government, to furnish them with their maximum supply, and exchanging new for old notes, as required.

But a difficulty arises in the question as to what should be the maximum supply of each bank. It follows from the system of branches that each bank has to have on hand a fairly large reserve of notes, the reserve at one branch going out while perhaps the circulation is coming in at another. Conservative bankers estimate that the total reserve of notes which each bank should hold, in order to be able to issue up to